TO MOVE WITH TIMES, PLAN FOR THE FUTURE

Annual Report 2016

TWI GROUP

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

CORPORATE PROFILE

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

2016 RESULTS AT A GLANCE

Profit attributable to owners of the Company:
296.3 million (2015: HK$336.8m) -12.0%

EBITDA:
406.5 million (2015: HK$545.3m) -25.4%

Equity attributable to owners of the Company:
1,752.1 million (2015: HK$1,630.1m) +7.5%

Earnings per share – basic:
14.2 cents (2015: HK16.2 cents) -12.3%

Return on average equity attributable to owners of the Company:
17.5% (2015: 22.0%) -20.5%

Current ratio:
5.6 (2015: 5.9) -5.1%

Average inventory turnover days:
281 days (2015: 253 days) +11.1%

CORE BUSINESSES OF THE GROUP

CONTENTS

Ordinary people merely think how they shall spend their time; a man of talent tries to use it.

- Arthur Schopenhauer, Philosopher

FINANCIAL HIGHLIGHTS

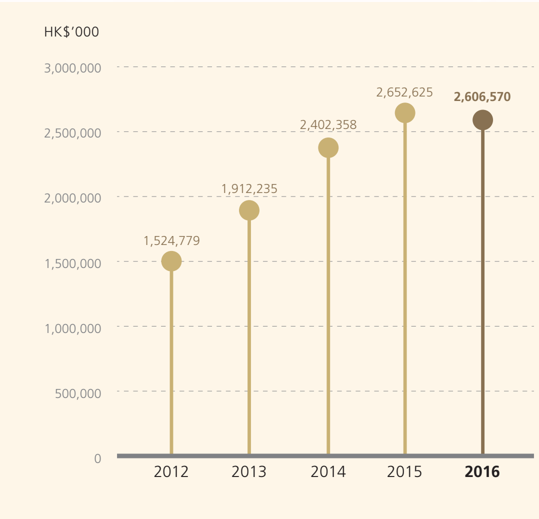
FINANCIAL SUMMARY

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, 2015 and 2016 is extracted from the consolidated financial statements in the annual reports for the years ended 30 June 2013, 2014, 2015 and this annual report while such information for the year ended 30 June 2012 is extracted from the prospectus of the Company dated 24 January 2013.

For the year ended 30 June	2012 *HK$'000*	2013 *HK$'000*	2014 *HK$'000*	2015 *HK$'000*	**2016** ***HK$'000***
Revenue	1,524,779	1,912,235	2,402,358	2,652,625	**2,606,570**
Gross profit	918,460	1,159,357	1,561,313	1,807,405	**1,784,461**
Gross margin	60.2%	60.6%	65.0%	68.1%	**68.5%**
Profit attributable to owners of the Company	184,093	213,551	309,890	336,755	**296,341**
Profit attributable to owners of the Company (excluding listing expenses)	202,023	239,291	309,890	336,755	**296,341**

As at 30 June	2012 *HK$'000*	2013 *HK$'000*	2014 *HK$'000*	2015 *HK$'000*	**2016** ***HK$'000***
Total assets	972,423	1,620,275	1,850,687	2,055,747	**2,210,167**
Total liabilities	557,475	287,827	347,796	359,896	**438,406**
Equity attributable to owners of the Company	377,119	1,286,488	1,434,770	1,630,147	**1,752,053**
Average inventory turnover days (days)	231	220	217	253	**281**
Average trade receivables turnover days (days)	49	55	56	55	**58**
Average trade payables turnover days (days)	63	55	49	51	**51**

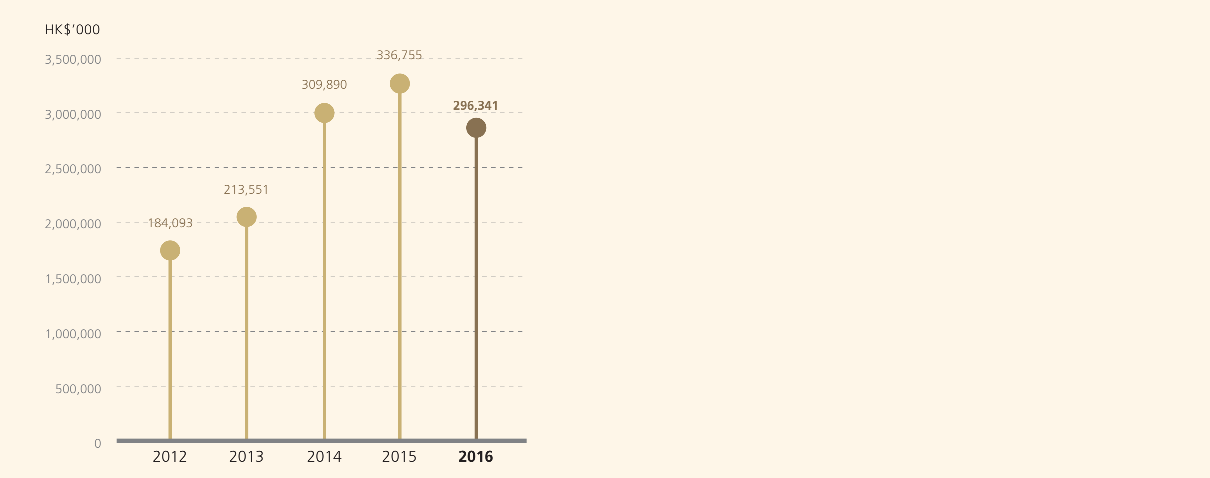
Revenue



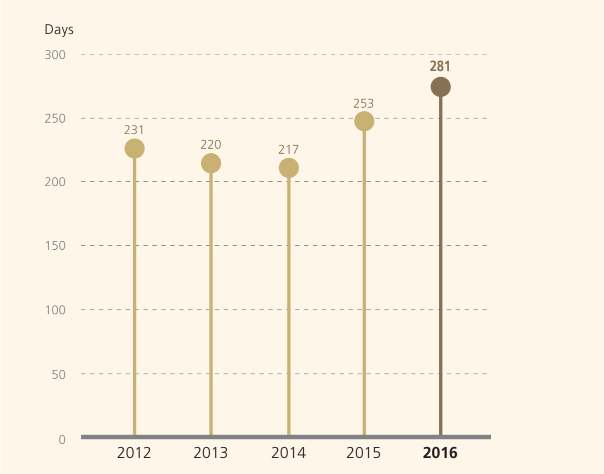
Gross profit and gross margin

FINANCIAL HIGHLIGHTS

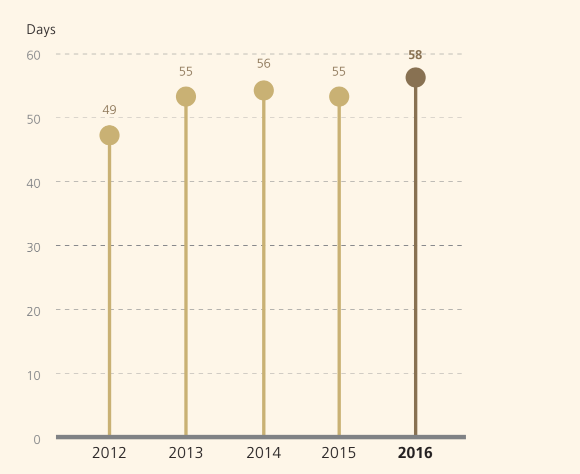
Profit attributable to owners of the Company



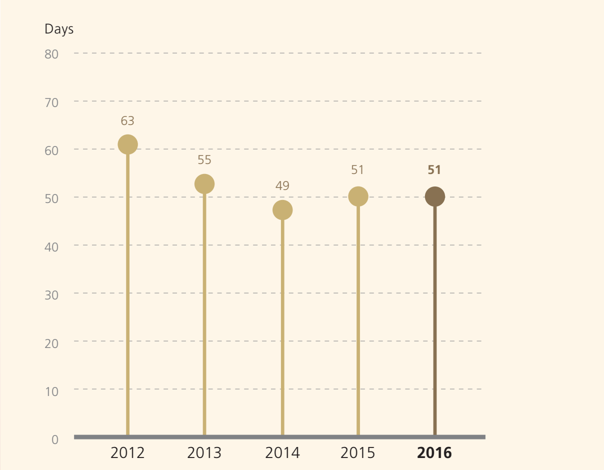
Average inventory turnover days



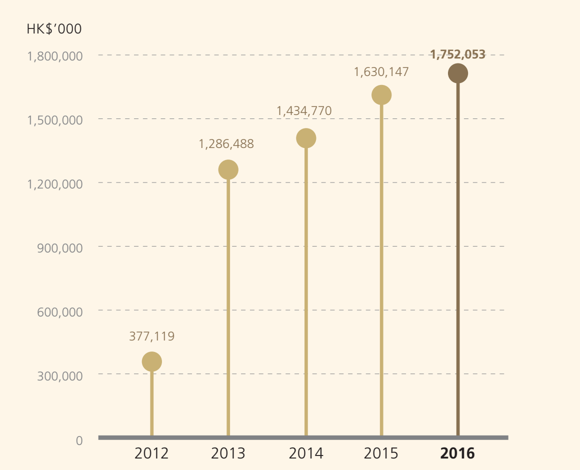
Average trade receivables turnover days



Average trade payables turnover days



Equity attributable to owners of the Company



Yesterday is gone.
Tomorrow has not yet come.
We have only today. Let us begin.

- Mother Teresa, Charity Worker

CHAIRMAN'S STATEMENT

REVIEW OF THE FINANCIAL YEAR ENDED 30 JUNE 2016

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 2016 ("FY2016"). During the year under review, the Group generated a total revenue of approximately HK$2,606.6 million, representing a decrease of approximately 1.7% as compared with that in the previous year. Profit attributable to owners of the Company decreased by approximately 12.0% to approximately HK$296.3 million with an earnings per share of HK$14.2 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 21.1% 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 FY2016, PRC watch industry was full of challenges and uncertainties due to declining confidence among domestic consumers in PRC. With over 25-years long brand heritage and well-established team and retail network, the Group continued to maintain its leading position in the PRC national watch market during the year. During the FY2016, the Group remained manufacturing and retail sales of two proprietary brands watches, which was Tian Wang and Balco watches. Tian Wang and Balco watches contributed approximately 70.1% and 6.2% of the total revenue of the Group for the year respectively. The Group also maintained balance strategy on selling of other PRC and Global brands watches and engaging in watch movements trading business, which contributed approximately 17.7% and 6% of the total revenue of the Group for the year respectively.

During FY2016, the Group continued to engage in e-commence business through a 70% subsidiary, Shenzhen Time Watch Trading Company Limited, with several online sales platform such as Jingdong mall and Tmall. For FY2016, there was an increase in sales of watches through e-commence platform by approximately 17.9% to HK$271.4 million.

During the year FY2016, the Group restructured its point(s) of sale ("POS") according to market and retail situation, and maintained steady growth of POS. As of 30 June 2016, the Group has 2,958 POS (2015: 2,805 POS) in China.

With completion of acquisition of business of design and distribution of certain owned and licensed international brands of watches (such as Kenneth Cole, Ted Baker and Sean John, Game Time and Freestyle brands), the Group targets to further diversify its sales to different portfolio of brands for different age group and price range.

It is expected that the market and operating environment remains rigorous in the coming year. The Group still has the confidence to maintain the growth and develop its business, as the Group believes that there is still room to explore new sales channel in nearby Asia regions, such as India, Thailand, Vietnam and Cambodia. The Group is planning to carry out feasibility studies and researches for developing suitable product line and price range for these areas in order to increase the Company's revenue and to diversify their sales market.

Time Flies for over the past 25 years, the Group will continue its effort in improvement and betterment of its watch pieces under existing proprietary brands Tian Wang (天王) and Balco (拜戈), and will further explore business expansion opportunities for different brand names for different category of watches. With the penetration to different distribution platforms which includes POS and e-commence business, the Group will continue its strengthening in distribution network efficiently. The Group is committed to continue its effort in developing and optimizing product design, and to diversify product profile with mission to be **Nevigator in Watch Market**.

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, 27 September 2016

Time flies.
It's up to you to be the navigator.

- Robert Orben, Magician

MANAGEMENT DISCUSSION AND ANALYSIS

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

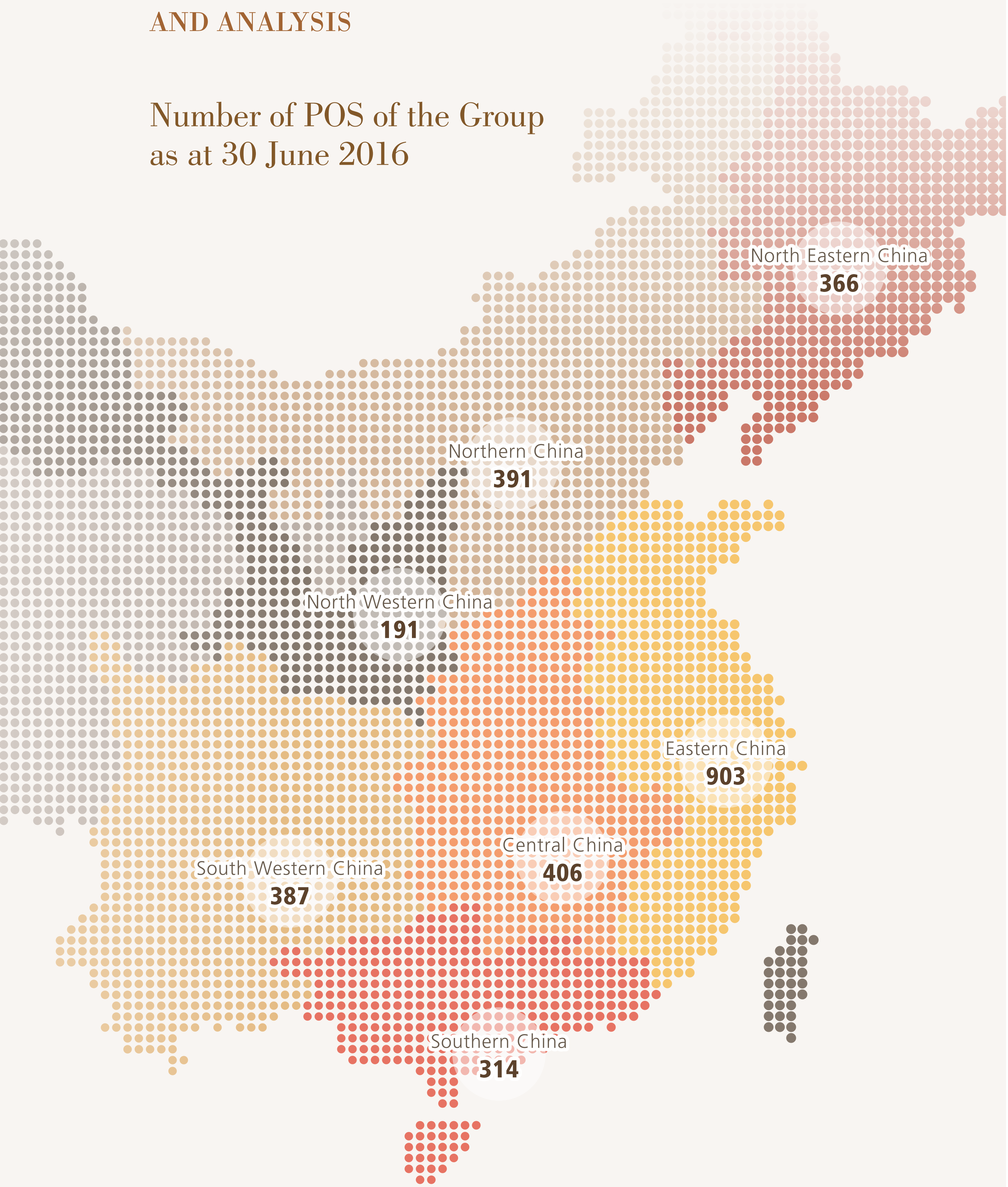
Number of POS of the Group as at 30 June 2016

	Tian Wang		Balco		Other Brands		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Sales regions in Tier I cities								
Beijing	114	106	28	30			142	136
Shanghai	89	86	30	38	22	23	141	147
Shenzhen	111	99	5	6			116	105
Guangzhou	99	86	24	19			123	105
	413	377	87	93	22	23	522	493
Sales regions in Tier II & other cities								
Top Five Sales Regions								
Zhengzhou	134	120	35	32			169	152
Changchun	88	83	9	12			97	95
Shenyang	84	79	14	16			98	95
Chengdu	103	101	59	58	12	12	174	171
Inner Mongolia	56	45	13	13			69	58
Other Sales Region								
	1,520	1,430	245	249	64	62	1,829	1,741
	1,985	1,858	375	380	76	74	2,436	2,312
Total No. of POS	2,398	2,235	462	473	98	97	2,958	2,805

- 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 2016



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased by approximately HK$46.1 million or approximately 1.7% from approximately HK$2,652.6 million for FY2015 to approximately HK$2,606.6 million for FY2016.

Tian Wang Watches

Sales of Tian Wang watches continued to be the Group's main source of revenue which accounted for approximately 70.1% of the total revenue of the Group for FY2016 (FY2015: approximately 72.0%). Sales of Tian Wang watches recorded a revenue of approximately HK$1,827.8 million for FY2016, representing a decrease of approximately HK$82.0 million or approximately 4.3% as compared with approximately HK$1,909.8 million for FY2015. The retail network increased by approximately 7.3% from 2,235 POS as at 30 June 2015 to 2,398 POS as at 30 June 2016. The decrease in the retail sales (which was mainly due to depreciation of Renminbi) was offset by the growth in sales of watches through e-commerce channels by approximately HK$41.3 million or approximately 17.9% from approximately HK$230.1 million for FY2015 to approximately HK$271.4 million for FY2016.

Balco Watches

Sales of Balco watches decreased by approximately HK$45.4 million or approximately 22.0% from approximately HK$206.0 million for FY2015 to approximately HK$160.6 million for FY2016, which accounted for approximately 6.2% of the total revenue of the Group for FY2016 (FY2015: approximately 7.8%). Both the retail sales in the PRC and the sales through distributors in Hong Kong dropped in FY2016. The decrease in sales in the PRC was approximately HK$24.5 million or approximately 17.8% from approximately HK$137.5 million for FY2015 to approximately HK$113.0 million for FY2016. The decrease in sales to multi-brand watch distributors in Hong Kong, Macau and Taiwan was approximately HK$20.9 million or approximately 30.5% from approximately HK$68.5 million for FY2015 to approximately HK$47.6 million for FY2016.

Other Brands (PRC) Watches

Sales of other well-known branded watches other than Tian Wang and Balco brands watches decreased by approximately HK$41.5 million or approximately 12.7% from approximately HK$326.7 million for FY2015 to approximately HK$285.1 million for FY2016 which accounted for approximately 10.9% of the total revenue of the Group for FY2016 (FY2015: approximately 12.3%). The decrease in sales of Other Brands (PRC) watches was mainly due to the general decline in the retail market of the PRC, especially for the imported mid-range and high-end watches.

Other Brands (Global) Watches

Global distribution of certain owned and licensed international brands of watches, which is a new business segment of the Group established during FY2016, recorded a sales of approximately HK$177.2 million, which accounted for approximately 6.8% of the total revenue of the Group for FY2016.

Watch Movements Trading Business

Revenue from trading of Watch Movements (the "Watch Movements Trading Business") accounted for approximately 6.0% of the Group's total revenue for FY2016 (FY2015: approximately 7.9%). For FY2016, revenue from trading of watch movements was approximately HK$155.8 million, representing a decrease of approximately HK$54.3 million or approximately 25.8% from approximately HK$210.2 million for FY2015. 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 and the slowdown of watch movements trading business.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

The Group's gross profit decreased by approximately HK$22.9 million or approximately 1.3% from approximately HK$1,807.4 million for FY2015 to approximately HK$1,784.5 million for FY2016, while the gross profit margin increased to approximately 68.5% for FY2016 from approximately 68.1% for FY2015. The increase in the gross profit margin was mainly due to the improvement in gross profit margin of Tian Wang watches from approximately 80.9% for FY2015 to approximately 81.8% for FY2016, which was a result of an increase in sales of regular-priced watch models and the efficiency in cost control.

Other Income, Gains and Losses and Other Expenses

The Group's other income, gains and losses increased from approximately HK$6.2 million for FY2015 to approximately HK$7.8 million for FY2016, representing an increase of approximately HK$1.6 million or approximately 25.8%. The increase in gain from reversal of allowance for doubtful debts of HK$18.6 million and the increase in the government subsidies of HK$5.3 million were offset by the significant net exchange loss of HK$19.1 million.

Other expenses for FY2016 represented legal and professional fee and consultancy fee incurred for the acquisition of a business.

Selling and Distribution Costs

The Group's selling and distribution costs increased by approximately HK$63.7 million or approximately 5.3% from approximately HK$1,207.4 million for FY2015 to approximately HK$1,271.1 million for FY2016, which accounted for approximately 48.8% of the Group's total revenue for FY2016 (FY2015: approximately 45.5%). The increase was mainly due to the increase in salaries of sales personnel 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.

Administrative Expenses

The Group's administrative expenses increased to approximately HK$179.2 million for FY2016 from approximately HK$125.4 million for FY2015, representing an increase of approximately HK$53.7 million or approximately 42.8%. The increase was primarily due to the increase in staff costs and general office expenses.

Finance Costs and Income Tax Expenses

The Group's finance costs increased by approximately HK$3.6 million or approximately 576.4% from approximately HK$0.6 million for FY2015 to approximately HK$4.3 million for FY2016 as a result of an increase in bank borrowings during FY2016. The Group's income tax expenses decreased from approximately HK$147.9 million for FY2015 to approximately HK$77.7 million for FY2016, representing a decrease of approximately HK$70.2 million or approximately 47.5%. The Group's effective tax rate decreased from approximately 30.8% for FY2015 to approximately 23.9% for FY2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Year

As a combined result of the factors discussed above, the profit attributable to the owners of the Company for FY2016 decreased by approximately HK$40.4 million or approximately 12.0% from approximately HK$336.8 million for FY2015 to approximately HK$296.3 million for FY2016.

BUSINESS REVIEW

Overview

During FY2016, 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, global distribution of Other Brands of watches and its ancillary Watch Movements Trading Business.

FY2016 was a year full of challenges and uncertainties for the PRC watch industry. Since watches are not a necessity to daily lives, their market demand is particularly sensitive to changes in economic conditions and consumer confidence. The overall performance of the Group for the year was, to a certain extent, affected by the declining confidence among domestic consumers in the PRC, resulting in slower growth in sales and downward pressure on profitability. 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 70.1% of the total revenue of the Group during FY2016. Its over-25-years-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 for 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 86% 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 sales staff. The Group considers that this is a competitive advantage over its competitors, which generally do not have fully directly managed sales network and sell their products through distributors.

As at 30 June 2016, number of the Group's POS for Tian Wang watches was 2,398, representing a net increase of 163 POS as compared to the number of POS for Tian Wang watches as at 30 June 2015. As at 30 June 2016, number of the Group's POS for Balco watches was 462, representing a net decrease of 11 POS as compared to the number of POS for Balco watches as at 30 June 2015. As at 30 June 2016, number of the Group's POS for Other Brands (PRC) watches was 98, representing a net increase of 1 POS as compared to the number of POS for Other Brands (PRC) watches as at 30 June 2015.

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 70.1% of the Group's total revenue for FY2016 (FY2015: approximately 72.0%). For FY2016, revenue from Tian Wang watches was approximately HK$1,827.8 million as compared with approximately HK$1,909.8 million for FY2015, representing a decrease of approximately HK$82.0 million or approximately 4.3% which was mainly due to depreciation of Renminbi. During FY2016, the Group has launched not less than 50 new models of Tian Wang watches with price ranging from approximately RMB300 to RMB110,000 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 and 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, respectively. Sales of Balco watches accounted for approximately 6.2% of the Group's total revenue for FY2016 (FY2015: approximately 7.8%). For FY2016, revenue from Balco watches was approximately HK$160.6 million as compared with approximately HK$206.0 million for FY2015, representing a decrease of approximately HK$45.4 million or approximately 22.0%. The decrease in sales of Balco watches in the PRC of approximately HK$24.5 million or approximately 17.8% from approximately HK$137.5 million for FY2015 to approximately HK$113.0 million for FY2016, was a combined result of general decline in the retail market in the PRC and depreciation of Renminbi. In addition, there was a decrease of approximately HK$20.9 million or approximately 30.5% in the sales of Balco watches to Hong Kong, Macau and Taiwan through multi-brand watches distributors from approximately HK$68.5 million for FY2015 to approximately HK$47.6 million for FY2016. The Group continued to seek other ways to develop its Balco watch business, which includes broadening its sales and distribution channels within and outside of the PRC.

Other Brands (PRC) Watches

Revenue from sales of Other Brands (PRC) watches was approximately HK$285.1 million for FY2016 as compared with approximately HK$326.7 million for FY2015, representing a decrease of approximately HK$41.5 million or approximately 12.7%. Revenue from sales of Other Brands (PRC) watches accounted for approximately 10.9% of the Group's total revenue for FY2016 (FY2015: approximately 12.3%). The decrease in sales of Other Brands (PRC) watches was due to the general decline in the retail market in the PRC, especially for the imported mid-range and high-end watches.

Other Brands (Global) Watches

Revenue from global distribution of Other Brands (Global) watches was approximately HK$177.2 million for FY2016, which accounted for approximately 6.8% of the Group's total revenue.

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 FY2016, sales of watch movements accounted for approximately 6.0% of the Group's total revenue (FY2015: approximately 7.9%). There was a decrease in sales of approximately HK$54.3 million or approximately 25.8% from approximately HK$210.2 million for FY2015 to approximately HK$155.8 million for FY2016.

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 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 FY2016, there was an increase in sales of watches through e-commerce channels by approximately HK$41.3 million or approximately 17.9% from approximately HK$230.1 million for FY2015 to approximately HK$271.4 million for FY2016.

Acquisition of the Business of Design and Distribution of Certain Owned and Licensed International Brands of Watches

Reference is made to the announcements of the Company dated 30 September 2015 and 18 November 2015, respectively in relation to the completion of an acquisition of the business of design and distribution of certain owned and licensed international brands of watches by the Group.

The portfolio of brands of the business consists of a number of licensed brands and two owned brands. The licensed portfolio of brands includes recognised brand names such as Kenneth Cole, Ted Baker and Sean John. The owned brands include Game Time and Freestyle brands. The Game Time brand includes licenses with five major professional sports leagues and collegiate sports teams in the United States.

INVENTORY CONTROL

The Group's inventory balance was approximately HK$645.0 million as at 30 June 2016, representing an increase of approximately HK$29.6 million or approximately 4.8% as compared with approximately HK$615.5 million as at 30 June 2015. The increase was mainly due to the acquisition of inventory for the new business of global distribution of Other Brands (Global) watches of approximately HK$74.0 million. The Group's inventory turnover days increased to approximately 281 days for FY2016, as compared with 253 days for FY2015. 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 (PRC) POS were approximately 434, 342 and 578 respectively as at 30 June 2016 (30 June 2015: approximately 474 (Tian Wang), 298 (Balco) and 621 (Other Brands (PRC))).

The inventory aged over two years were approximately HK$112.7 million and approximately HK$94.5 million as at 30 June 2016 and 30 June 2015 respectively, with corresponding provision for these inventory balances of approximately HK$71.6 million and approximately HK$59.6 million respectively. The management assesses and reviews the inventory ageing analysis at the end of each reporting period and identifies the slow-moving inventory items that are no longer suitable for use in production or sales. At the end of each reporting period, the management will provide necessary provision if the net realisable value of the inventory is estimated to be below the cost.

MANAGEMENT DISCUSSION AND ANALYSIS

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$493.2 million and approximately HK$550.5 million as at 30 June 2016 and 30 June 2015 respectively.

The Group's net cash generated from operating activities for FY2016 was approximately HK$348.0 million, representing an increase of approximately HK$17.0 million from approximately HK$331.0 million for FY2015. The amount was primarily attributable to profit before taxation of approximately HK$325.0 million from the Group's operations adjusted for non-cash items of approximately HK$99.3 million, decrease of working capital balances of approximately HK$12.4 million, income taxes paid of approximately HK$96.7 million and interest received of approximately HK$8.0 million.

The Group's net cash used in investing activities for FY2016 was approximately HK$382.7 million, which was mainly attributable to purchase of property, plant and equipment of approximately HK$87.9 million, purchase of available-for-sale investments of approximately HK$101.6 million and net cash outflow on acquisition of business of approximately HK$116.3 million.

The Group's net cash used in financing activities for FY2016 was approximately HK$15.5 million, which was mainly attributable to dividends paid of approximately HK$104.0 million and repayment of bank borrowings of approximately HK$369.0 million, which was partially offset by borrowings raised of approximately HK$390.5 million, advance from a non-controlling shareholder of a subsidiary of approximately HK$53.3 million. The Group's bank borrowings were approximately HK$60.5 million and approximately HK$34.1 million as at 30 June 2016 and 30 June 2015 respectively.

The Group has a net cash position as at 30 June 2016 and 30 June 2015. As at 30 June 2016, the Group's total equity was approximately HK$1,771.8 million, representing an increase of approximately HK$75.9 million from approximately HK$1,695.9 million as at 30 June 2015. The Group's working capital was approximately HK$1,586.1 million as at 30 June 2016, representing an increase of approximately HK$76.7 million as compared with approximately HK$1,509.4 million as at 30 June 2015.

As at 30 June 2016, the Group's bank balances and cash were mainly denominated in Renminbi and Hong Kong dollar. As at 30 June 2016, all the Group's bank borrowings were short term bank borrowings that were principally denominated in Hong Kong dollar and United States dollar, 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 6.2% and approximately 2.0% as at 30 June 2016 and 30 June 2015 respectively.

Details of the Group's bank borrowings as at 30 June 2016 are set out in note 25 to this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE ON GROUP ASSETS

There was no material charge on the Group's assets as at 30 June 2016 and 2015.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2016 and 2015.

CAPITAL COMMITMENTS

The Group did not have any material capital commitments as at 30 June 2016 and 2015.

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.

EMPLOYEES AND EMOLUMENTS POLICIES

As at 30 June 2016, the Group employed a total of approximately 5,000 full time employees (30 June 2015: approximately 4,600) engaging in design, purchasing, production, sales and marketing and administration. The staff costs incurred during FY2016 was approximately HK$450.8 million (FY2015: approximately HK$386.0 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. The emolument payable to the Directors is determined by the Board based on the recommendations made by the remuneration committee of the Company. Please refer to the paragraph headed "Corporate Governance Report – Remuneration Committee" in this annual report for details.

SOCIAL RESPONSIBILITY

The Group's charitable and other donations for FY2016 amounted to approximately HK$0.1 million (FY2015: approximately HK$1.6 million), which is used to help the poor in the PRC. No donations were made to political parties.

MANAGEMENT DISCUSSION AND ANALYSIS

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$455.3 million had been utilized for FY2013, FY2014 and FY2015. For FY2016, the Company had further utilized approximately HK$128.4 million of the proceeds in the manner set out in the following table.

	Amount of net proceeds allocated and unutilised as at 1 July 2015 *(HK$'m)*	**Amount of net proceeds utilised for FY2016** *(HK$'m)*	**Balance as at 30 June 2016** *(HK$'m)*	**Actual business progress up to 30 June 2016**
Opening of POS in the coming years	166.7	57.2	109.5	Approximately HK$57.2 million of IPO proceeds was used for opening 200 new POS during FY2016.
Establishing joint ventures worldwide with experienced operators of watch sales network and acquiring their inventories	80.0	71.2	8.8	The Group has completed an acquisition of the business of design and distribution of certain owned and licensed international brands of watches during FY2016.
Engaging an active and well-known Chinese television and movie actor celebrity as the new spokesperson for Tian Wang watches and for producing television commercials focusing on the spokesperson	40.0	–	40.0	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.
	286.7	128.4	158.3	

The Group will keep monitoring the use of the net proceeds from the IPO.

PROSPECTS AND STRATEGIES

It is expected that the growth of consumer market in the PRC will continue to slow down in the coming year. For retail sales, the Group will continue to open new POS conservatively mainly located in second, third or fourth tier cities in the PRC, where the purchasing power of consumers is improving in recent years along with the development of the PRC, Such new POS is expected to become the revenue drivers for the Group's Tian Wang watches retail sales in the coming years. Besides, the Group will continue to allocate more resources on the development of its e-commerce business. Target customers of the Group's e-commerce business are mainly the younger generation, and the products sold through the e-commerce channels are exclusive and are different from those sold in the Tian Wang POS. Hence, the competition between Tian Wang watches retail business and the e-commerce business is minimised. The Group has confidence that the e-commerce business is complementary to Tian Wang watches retail business and the higher growth in revenue generated from the e-commerce business will compensate for some slow down in the growth of retail sales in the future. On the above basis, the Directors are confident that the Group will maintain steady growth in its business in the near future.

The past cannot be changed.
The future is yet in your power.

- Hugh White, Senator

MAJOR EVENTS

TIAN WANG WATCH
Round Times Collection

In the wheel of time, from ancient castles and manors to industrial cities, from British elegance to the contemporary modern, as generation ever changing but the spirit of innovation remains unchanged. Just as the innovative design of 4-bit triangular second pointer in Round Times Collection which vividly presents the heroic feature of the motor paddle wheel braving the winds and waves.

The new model of Round Times Collection continued the paddle wheel inspiration by skeleton movement design. The daring design of mixing ceramic elements on the frame with two-layer, three-dimensional featured design and rich colors are a salute to the perpetual innovative spirit. The new series has great visual impact, perfectly crafting the classic and modern on every inch around the wrist. A remarkable taste preserving the classic charm.

TIAN WANG WATCH
Shine Series

Stylish ladies' wristwatch Shine Series are born in light of transforming the trendy experience into a touchable carrier, and sharing the vogue visual language with women living a fashionable lifestyle.

With a mosaic of zircon and ceramics on the frame, the new wristwatch of Shine Series shines in rays of light. Embodying the romance of maple leaf and happiness of starfish, it elegantly highlights the fashion sense of charming women, and creates tender and romantic moments.

MAJOR EVENTS

INFINITE TIME • UNCHARTED WORLD
Tian Wang Watch sparkling at the China Watch & Clock Fair (Shenzhen) 2016

The grand opening of the 27th China Watch & Clock Fair (Shenzhen), honored as "the biggest and most important watch fair of China" in the industry, was held on 23rd June 2016, and attracted more than 400 horologe enterprises and nearly 600 brands from all over the world.

With its unique and creative fair booth, Tian Wang Watch Brand introduced new products in several series, including 4000m water resistant dive watch, Tian Jue Tourbillon Series watch and Smart watch, to this event, bringing a splendid feast of great visual impact.

Awarded "The Best Exhibition Booth – Silver Award", the exhibition booth of Tian Wang Watch Brand creates a gigantic wristwatch space where visitors can explore and listen to the ticking rhythm and flow of time, and perfectly echoing the brand theme of "Infinite Time • Uncharted World".

MAJOR EVENTS

MAJOR EVENTS

TIAN WANG WATCH
A Journey Through Quality Time

Themed on "Infinite Time • Uncharted World", 2016 Tian Wang Watch – A Journey Through Quality Time has launched a series of exhibition tours in primary and secondary cities throughout the nation.

The exhibition tours integrate elements in horologe cultural events, art events and other featured events into a wealth of activities, such as Violin performance, Watch shows and other wide variety of performances, with the aim to deliver the brand's creative spirit and brand culture, as well as to display and share wristwatch masterpieces from a diverse series of the brand.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tung Koon Ming (董觀明), aged 65, 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) Timepieces Company Limited 時計寶（合肥）鐘表有限公司, Time Watch (Shanghai) Timepieces Company Limited 時計寶（上海）鐘表有限公司, Time Watch (Sichuan) Company Limited 時計寶（四川）鐘表有限公司, Time Watch (Chengdu) Company Limited 時計寶（成都）鐘表有限公司, Shenzhen Time Watch Trading Company Limited 深圳市時計寶商貿有限公司, Shenzhen Time Watch Management Consulting Limited, 大埔時計寶商貿有限公司, 四川安寶時商貿有限公司, 深圳市萊奧科技有限公司, 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. Tung's and Red Glory Investments Limited's interest in the shares of the Company is disclosed under the paragraphs headed "Directors' report – Directors' and the chief executive's interest and short positions in shares, underlying shares and debentures of the Company and its associated corporations and "Directors' report – Substantial shareholders' interest and short positions in shares and underlying shares of the Company", respectively, in this annual report.

Mr. Hou Qinghai (侯慶海), aged 67, 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 Watch Company Limited 蘇州寶利辰表行有限公司.

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.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tung Wai Kit (董偉傑), aged 42, 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) Timepieces Company Limited 時計寶(合肥)鐘表有限公司, Time Watch (Shanghai) Timepieces Company Limited 時計寶(上海)鐘表有限公司, Time Watch (Sichuan) Company Limited 時計寶(四川)鐘表有限公司, Time Watch (Chengdu) Company Limited 時計寶(成都)鐘表有限公司, Shenzhen Time Watch Trading Company Limited 深圳市時計寶商貿有限公司, Shenzhen Time Watch Management Consulting Limited, Half Hour Trade and Commercial and Yi Cun Jin Technology, 深圳市萊奧科技有限公司, 四川安寶時商貿有限公司, 大埔時計寶商貿有限公司. 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 46, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ma Ching Nam, J.P. (馬清楠), aged 63, 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 is currently a director of Tai Sang Bank Limited, Heptacontinental group of companies, Ma Kam Ming Company Limited, Ma's Enterprises Company Limited and Ma Kam Ming Charitable Foundation. Mr. Ma was appointed as an Independent non-Executive Director of Union Medical Healthcare Limited (stock code: 2138) on 19 February 2016. Mr. Ma was the president of the Hong Kong Society of Notaries from 2007-2013. He has also been a director from 2009 to 2014 and Vice Chairman from 2014 to the present of Po Leung Kuk. He has 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 58, 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 40, 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 18 years of experience in auditing, accounting, corporate finance, advisory and restructuring 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 a director of Gold Tat Group International Limited, a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8266), until his resignation as director on 1 September 2015.

SENIOR MANAGEMENT

Mr. Li Yu Zhong (李育忠), aged 50, 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 42, 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. She is also a director of Geneva Watch Group, Inc. (formerly known as Sunshine Time Inc.).

Ms. Wong Siu Yu Rachel (黃少如), aged 46, 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) Timepieces Company Limited 時計寶（上海）鐘表有限公司, Time Watch (Chengdu) Company Limited 時計寶（成都）鐘表有限公司, Zhengzhou Time Watch Company Limited 鄭州時計寶鐘表有限公司, Shenzhen Time Watch Trading Company Limited, 深圳市時計寶商貿有限公司, Shenzhen Time Watch Management Consulting Limited, Half Hour Trade and Commercial, Yi Cun Jin Technology, 深圳市萊奧科技有限公司, 大埔時計寶商貿有限公司, 四川安寶時商貿有限公司. 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 FY2016 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 Koon Ming performs both the roles of the Chairman and the Chief Executive Officer of the Company. Although the responsibilities of the Chairman and the Chief Executive Officer are vested in one person, all major decisions are made in consultation with the Board members and the senior management of the Company. As there are three independent non-executive Directors in the Board, the Board considers that there is sufficient balance of power in the Board. Also, taking into account of Mr. Tung's strong expertise and insight of the watch industry, the Board considered that the roles of chairman and chief executive officer being performed by Mr. Tung enables more effective and efficient overall business planning, decision making and implementation thereof by the Group.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting that the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all the Directors, the Company is satisfied that and the Directors confirmed that they have fully complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transaction during FY2016 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 2016, 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 and the senior management.

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 FY2016, the Company had held nine board meetings and one general meeting which was the annual general meeting for FY2015. 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 meeting held
Executive Directors		
Mr. Tung Koon Ming *(Chairman)*	9/9	1/1
Mr. Hou Qinghai	9/9	1/1
Mr. Tung Wai Kit	9/9	1/1
Mr. Deng Guanglei	9/9	1/1
Independent non-executive Directors		
Mr. Ma Ching Nam	9/9	1/1
Mr. Wong Wing Keung Meyrick	9/9	1/1
Mr. Choi Ho Yan	9/9	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. For FY2016, 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 FY2016, the Remuneration Committee has 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 FY2016. Members of the Remuneration Committee and the attendance record of each member are set out below:

Members	**Attendance/ Number of meeting held**
Mr. Wong Wing Keung Meyrick *(Chairman)*	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 risk management and internal control systems of the Company. During FY2016, the Audit Committee has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and discussed the audit, risk management and internal control systems and financial reporting matters in relation to the annual report of the Group for the year ended 30 June 2016. The Company has an internal audit function. The risk management and internal control systems of the Group are reviewed by the Audit Committee annually. Based on the review conducted by the Audit Committee during FY2016, the Company considers that the risk management and internal control systems of the Group are effective and adequate.

The Audit Committee currently comprises three independent non-executive Directors. Two Audit Committee meetings were held during FY2016. Members of the Audit Committee and the attendance record of each member are set out below:

Members	**Attendance/ Number of meetings held**
Mr. Choi Ho Yan *(Chairman)*	2/2
Mr. Wong Wing Keung Meyrick	2/2
Mr. Ma Ching Nam	2/2

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 pursuant to a written resolution passed on 15 October 2014, setting out the approach to achieve 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 FY2016. 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 *(Chairman)*	1/1
Mr. Ma Ching Nam	1/1
Mr. Wong Wing Keung Meyrick	1/1

CORPORATE GOVERNANCE COMMITTEE

The Company has established the CG Committee 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 FY2016 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 *(Chairman)*	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 FY2016 amounted to approximately HK$2,114,000 (2015: approximately HK$1,990,000). No non-audit services were provided by Deloitte Touche Tohmatsu during the year under review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility 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 FY2016, 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 internal 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 in the internal control system of the Group during FY2016.

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 Koon Ming, 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 FY2016. 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 FY2016.

COMPANY SECRETARY

Ms. Hui Wai Man, Shirley ("Ms. Hui") has been appointed as the Company Secretary of the Company with effect from 2 January 2015. 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 raise enquiries 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 FY2016 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 FY2015, 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 FY2015, 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BACKGROUND OF ESG REPORTING

Time Watch Investments Limited is a listed company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), with stock code 2033. The Board of the Company recognizes the importance of having a good standard of corporate governance and maintaining an effective corporate governance framework which in turn will enhance the reputation of the Company and its subsidiaries (together, the "Group"). It has also supported and committed to a full range of Corporate Social Responsibilities ("CSR") activities taking our Environmental, Social and Governance ("ESG") standards to the next higher level within the Group. Our strategy is to strengthen the infrastructure, internal engagements and external partnerships to create true and tangible values to our stakeholders through our ESG program.

GOVERNANCE AND COMPLIANCE AS THE BASIS

Based on the firmly rooted philosophy of strict compliance with law and regulations, the Company has established a modern corporate governance structure with the Board of Directors and a number of Board Committees set up, including Audit Committee, Nomination Committee, Remuneration Committee and Corporate Governance Committee, each has its own clear defined terms of reference to undertake its own responsibilities, execute check and balance independent operations.

GENERAL MEETINGS

Shareholders' right of getting information, speaking, inquiry and voting are fully safeguarded during the general meetings of the Company. Generally, the Company holds general meetings in Hong Kong Location is easily accessible by shareholders. A communication channel for public enquiries is also available in the corporate website of the Company under the Investor Relations.

BOARD OF DIRECTORS

The current Board of the Company comprises 7 members. The board members are well diversified considering a numbers of factors, including but not limited to age, cultural, educational background and professional experience, and taking into account the Company's business model and special needs. Directors of the Company have extensive practical experience in macro economy, corporate finance and accounting, legal affairs and strategic management, which ensures the practical and effective decision-making of the Board. The independent non-executive directors are also fully aware of the necessary requirements to ensure their effective fulfillment of duties.

BOARD COMMITTEES

The Board has set up four Committees. Each Committee performs different and unique functions in operation and supervision for the Company with independent decision making ability. The Company engages independent auditors to audit its financial statements and Baker Tilly to review the internal control of the Group respectively, and has been improving the overall risk management system to effectively avoid the conflict of interests among the corporate governance bodies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAFF DEVELOPMENT AND PERSONAL GROWTH

The Company believes that people are its most valuable asset to the Company. It encourages its staff by providing trainings and career development opportunities. The Company strives to be a caring employer and encourages work-life balance, and communicates with staff to enhance their sense of belonging and morale. The Group's training goals are to support organizational development, facilitate team synergy and enhance individual competence.

COMMUNITY

The Company will continue to contribute to the harmonious society through social contributions and participations in public service activities. During FY2016, the Group made donations of approximately HK$0.1 million to help the poor in the PRC.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company is committed to acting in an environmentally responsible manner by recycling waste and use of eco-friendly stationery, plus a series of measures to reduce paper and energy consumption in the workplace, which resulted in more efficient use of resources, as well as reduction of waste.

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 FY2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 34 to the consolidated financial statements.

BUSINESS REVIEW

A business review of the Group for the FY2016 is set out in sections headed "Management Discussion and Analysis" of this annual report on page 12.

A discussion of environmental, social and governance matters, covering the Group's environmental policies and performance is set out in Corporate Governance Report and Environmental, Social and Governance Report on pages 29 to 39 and pages 40 to 41 respectively.

The Group recognises the importance of compliance with rules and regulations and the impact of non-compliance with such rules and regulations on the business. The Group has been allocating staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators effectively through effective communications. Except as disclosed in section headed "Updates on compliance and regulatory matters as disclosed in the prospectus" in P.39 in this annual report, during FY2016, the Group has complied, to the best of our knowledge, with all relevant rules and regulations that have a significant impact on the Company.

The Group recognises the value and importance of its employees and encourages its staff by providing trainings and career development opportunities. The Group ensures that all employees are reasonably remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety. The Group strives to achieve corporate sustainability through providing quality services for its customers and collaborating with its suppliers. To enhance customer satisfaction and promote a customer oriented culture within the Company, the Group take 'Customer First' as one of its core values. The Group values the feedback from customers and has also established the mechanism for handling customer service, support and complaints. The Group also proactively collaborates with its suppliers and contractors to deliver quality products and services. The Group has developed and included certain requirements in its standard tender documents. These requirements include regulatory compliance, labour practices, anti-corruption and other business ethics.

The applicable discussion and analysis as cross-referenced above shall form an integral part of this Directors' Report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 3.1% of the Group's total turnover of the year and purchase from the Group's five largest suppliers accounted for approximately 28.9% of the Group's total purchase of the year. Purchase from the largest supplier of the Group accounted for approximately 10.9% of the total purchase of the year.

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

DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The results of the Group for FY2016 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 2016 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 FY2016 amounting to approximately HK$62.4 million, which is subject to shareholders' approval in the coming annual general meeting of the Company. For FY2015, the Company has paid a final dividend of HK3 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 17 November 2016, 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 23 November 2016. It is expected that the proposed final dividend will be paid on or about 2 December 2016.

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 15 November 2016 to 17 November 2016 (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 14 November 2016.

For the purpose of determining members who are qualified for the proposed final dividend for FY2016 which is subject to approval by the shareholders, at the Annual General Meeting, the register of members of the Company will be closed on 23 November 2016, 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 22 November 2016.

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$1,037.7 million for FY2016 (FY2015: approximately HK$585.1 million). Under the Companies Law (Revised) Chapter 22 of the Cayman Islands (the jurisdiction where the Company was incorporated), 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 31 to the consolidated financial statements in this annual report.

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group paid for leasehold improvements at a cost of approximately HK$12.7 million, acquired furniture and fixtures at a cost of approximately HK$0.9 million, computer equipment at a cost of approximately HK$3.9 million, tools, machinery, factory equipment and fittings at a cost of approximately HK$81.5 million, motor vehicles at a cost of approximately HK$4.0 million and construction in progress of approximately HK$0.3 million.

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

SHARE CAPITAL

Details of the issued share capital of the Company during the year are set out in note 26 to the consolidated financial statements in this annual report.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during FY2016 and up to the date of this report were:

Executive Directors

Mr. Tung Koon Ming *(Chairman)*
Mr. Hou Qinghai
Mr. Tung Wai Kit
Mr. Deng Guanglei

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. Hou Qinghai, Mr. Deng Guanglei, Mr. Ma Ching Nam and Mr. Wong Wing Keung Meyrick (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.

Each of Mr. Tung Koon Ming, Mr. Hou Qinghai, Mr. Tung Wai Kit and Mr. Deng Guanglei, all being executive Directors, has entered into a service contract with the Company for an initial term of two years with effect from 11 January 2013, and renewable automatically until terminated by either party by giving not less than three months' written notice. Each of their appointment 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.

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' REPORT

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 FY2016 is set out below:

Remuneration bands	**Number of employees**
HK$500,001 to HK$1,000,000	1
HK$1,000,001 to HK$1,500,000	1
HK$2,000,001 to HK$2,500,000	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' 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 2016, 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)*	1,442,033,000 (L)	69.33%

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.

DIRECTORS' REPORT

Save as disclosed above, as at 30 June 2016, none of the Directors or the chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as the Directors are aware of, as at 30 June 2016, 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	1,442,033,000 Shares (L)	69.33%
Ms. Tam Fun Hung ("Ms. Tam")	Interest of spouse *(note 2)*	1,442,033,000 Shares (L)	69.33%
Orchid Asia V, L.P.	Beneficial owner *(note 3)*	183,516,000 Shares (L)	8.82%
OAV Holdings, L.P.	Interest of a controlled corporation *(note 3)*	183,516,000 Shares (L)	8.82%
Orchid Asia V GP, Limited	Interest of a controlled corporation *(note 3)*	183,516,000 Shares (L)	8.82%
Orchid Asia V Group Management, Limited	Interest of a controlled corporation *(note 3)*	183,516,000 Shares (L)	8.82%
Orchid Asia V Group, Limited	Interest of a controlled corporation *(note 3)*	183,516,000 Shares (L)	8.82%
Areo Holdings Limited	Interest of a controlled corporation *(note 3)*	189,148,000 Shares (L)	9.09%
Lam Lai Ming	Interest of a controlled corporation *(note 3)*	189,148,000 Shares (L)	9.09%
Li Gabriel	Interest of a controlled corporation *(note 3)*	189,148,000 Shares (L)	9.09%

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 183,516,000 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 2016, 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.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During FY2016, save for the acquisition of the Other, Brands (Global) Business by the Group pursuant to an asset purchase agreement entered by Geneva Watch Group, Inc. on 29 September (details of which are set out in the Company's announcements dated 30 September 2015 and 18 November 2015 and note 30 in the notes to the consolidated financial statements in this annual report), 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.

DIRECTORS' REPORT

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.

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 FY2016, no share option was granted, exercised, cancelled or lapsed under the Scheme.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 33 to the consolidated financial statements and in the section headed "Connected transactions" in this annual report, no Director nor an entity connected with such director had a material interest, whether directly or indirectly, in any transaction, arrangement or 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 33 to the consolidated financial statements and in the section headed "Connected transactions" in this annual report, no contract of significance (whether it is for provision of services to the Group or not) 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' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During FY2016 and up to the date of this report, except for Mr. Tung Koon Ming who is one of the controlling shareholders (within the meaning of Listing Rules) of the Company currently engaging in Excluded Businesses (as defined in the Prospectus on page 240) and Exempted Business (as defined in the Prospectus at page 261), none of the Directors of the Company are considered to have direct or indirect interests in businesses which compete or are likely to compete with businesses of the Group pursuant to the Listing Rules.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

During FY2016, 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 29 June 2015, the Group agreed to lease from Winning Asia a premises located at Hong Kong as the Group's head office for a term of one year commencing from 1 July 2015 and ending on 30 June 2016 (both days inclusive) (subject to the right for the Group to terminate the agreement by serving not less than one month prior written notice) at a monthly rent of HK$357,000, 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 exclusive of other utility charges. During FY2016, the rent paid by the Group to Winning Asia for rental of the said premises for FY2016 was HK$4,284,000 (FY2015: HK$4,080,000).

As Winning Asia is wholly-owned by Red Frame Group Limited ("Red Frame") which, in turn, is wholly owned by Mr. Tung Koon Ming, 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 (currently known as "Zhengzhou Weiji Real Estate Sales & Marketing Company Limited) ("**Zhengzhou Hengdi**") and the Group dated 29 June 2015, Zhengzhou Hengdi agreed to lease to the Group a premise located in Zhengzhou, the PRC as the Group's representative office for a term of 13 months commencing from 1 June 2015 and ending on 30 June 2016 (both days inclusive) 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 tenancy agreement for a successive term of one year upon expiry of the original term. During FY2016, the rent paid by the Group to Zhengzhou Hengdi for rental of the said premises for FY2016 was RMB272,724 (FY2015: RMB105,227).

As Zhengzhou Hengdi is wholly and beneficially owned by Mr. Tung Koon Ming, 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 29 June 2015 (as amended by a supplemental agreement (the "Supplemental Hong Kong Distribution Agreement") dated 26 February 2016 and entered into by Fortune Silver and the Group), the Group agreed to sell its Tian Wang and Balco watches to Fortune Silver on consignment basis and, if so designated by the Group in respect of certain watches on wholesale basis. The purchase price of each watch supplied on consignment basis and sold by Fortune Silver shall be determined by reference to an increasing scale of discount (depending on the total number of watches sold during the relevant calendar month) to the recommended retail price of each watch in Hong Kong at the time of purchase, while the purchase price of each watch purchased by Fortune Silver on wholesale basis under each purchase order shall be determined by reference to an increasing scale of discount (depending on the total number of watches sold under the relevant purchase order) to the recommended retail price of each watch in Hong Kong at the time of the purchase order. Pursuant to the distribution agreement, the parties have agreed that, in respect of each of the Group's watches sold by Fortune Silver, Fortune Silver

DIRECTORS' REPORT

shall pay its relevant handling salesperson for the sales of such watch a selling commission (the "Staff Selling Commission") for a fixed sum depending on the actual retail price of the watch sold (which is the recommended retail price of the watch in Hong Kong or otherwise complies with the pricing policy from time to time notified by the Group to Fortune Silver) and the Group shall reimburse Fortune Silver such selling commission paid by Fortune Silver. Fortune Silver has further agreed to provide certain advertising displays at the shop operated by Fortune Silver for the exclusive use by the Group throughout the term, and other optional advertising displays at the request of the Group, at an agreed monthly rate for each type of advertising displays as specified in the distribution agreement. The distribution agreement has a term commencing from 1 July 2015 and expiring on 30 June 2018 unless terminated earlier by three months' written notice by either party.

Pursuant to the Supplemental Hong Kong Distribution Agreement, the parties have agreed that, with retrospective effect from 1 February 2016, the Staff Selling Commission shall be revised as a fixed sum, either in cash or cash coupon, irrespective of the retail price of the watch sold. Please refer to the announcement of the Company dated 26 February 2016 for further details of the Supplemental Hong Kong Distribution Agreement. During FY2016, the aggregate purchase price receivable from Fortune Silver amounted to approximately HK$7.0 million (FY2015: approximately HK$27.5 million), representing approximately 0.3% of the total revenue of the Group (FY2015: approximately 1.0%).

As Fortune Silver is owned as to 48% by Fine Jade International Limited, a direct wholly-owned subsidiary of Red Frame which, in turn, is wholly-owned by Mr. Tung Koon Ming, 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 Company Limited ("Time Watch Taiwan") and the Group dated 29 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. In addition, under the distribution agreement, Time Watch Taiwan has agreed to provide certain advertising displays at the shop operated by Time Watch Taiwan for the exclusive use by the Group throughout the term, and other optional advertising displays at the request of the Group, at an agreed monthly rate for each type of advertising displays as specified in the distribution agreement. The distribution agreement has a term commencing from 1 July 2015 and expiring on 30 June 2018 unless terminated earlier by three months' written notice by either party. During FY2016, the aggregate purchase price receivable from Time Watch Taiwan amounted to approximately HK$6.0 million (FY2015: approximately HK$4.3 million), representing approximately 0.2% of the total revenue of the Group (FY2015: 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 Koon Ming, Time Watch Taiwan is a connected person of the Company.

(e) Pursuant to an agreement entered into between ILG of Switzerland Ltd ("**ILG**") and the Group dated 22 January 2016 (the "**E&I Agreement**"), the Group agreed to provide the export and import services of multi-brand watches and accessories between Hong Kong and the PRC for a term commencing from the date thereof to 30 June 2016 (both dates inclusive) unless terminated earlier by a party serving three months notice in writing on the other party for a services fee amounting to the higher of (i) 2.5% of the selling price of the watches and/or accessories for the export and import as determined pursuant to the terms and conditions of the E&I Agreement, and (ii) HK$16,000. The services fee is determined among the parties after arm's length negotiation, taking into account the expected costs and expenses to be incurred by the Group, such as transportation and insurance costs in providing such export and import exercises. During FY2016, the aggregate service fees derived from provision of export and import services of watches and accessories of by the Group pursuant to the E&I Agreement was nil (FY2015: nil). Further details about the connection between ILG and the Company are set out under sub-paragraph (g) below.

DIRECTORS' REPORT

(f) Pursuant to a watch movement supply agreement entered into between the Group and ILG dated 22 January 2016 (the "**Watch Movement Supply Agreement**"), the Group agreed to supply watch movements to ILG and its subsidiaries ("**ILG Group**") for a term commencing from the date thereof to 30 June 2016 (both dates inclusive). The purchase price per unit of watch movements so purchased by ILG Group shall be such unit price quoted by the Group within three days before the date on which the purchase order of watch movements is placed by ILG Group. During FY2016, the aggregate revenue from sale of watch movements by the Group to the ILG Group was approximately HK$4.6 million (FY2015: nil). Further details about the connection between ILG and the Company are set out under sub-paragraph (g) below.

(g) Pursuant to an agreement entered into between the Group and Good Base Evertime Limited ("**Good Base**") dated 22 January 2016 (the "**Watch Procurement Agreement**"), the Group has engaged Good Base to provide design, development and procurement services in respect of watches bearing trademarks owned by or licensed to the Group for a term commencing from the date thereof to 30 June 2016 unless terminated earlier by a party serving three months notice in writing on the other party or otherwise pursuant to the terms and conditions of the Watch Procurement Agreement. In consideration of the procurement under the Watch Procurement Agreement, the Group shall pay the purchase price per unit of the watches, which shall be 110% of the cost of procurement and production in respect of such watches. During FY2016, the aggregate transaction amount for the transaction under the Watch Procurement Agreement was approximately HK$33.0 million (FY2015: nil).

In relation to each of the E&I Agreement, the Watch Movement Supply Agreement and the Watch Procurement Agreement, as at the latest practicable date prior to the issue of this annual report, as (1) ILG was owned as to approximately 57.8% by Mr. Pishu Vashdev Chainani ("**Mr. Chainani**") and his brother; and approximately 22.9% by Mr. Christian Marcal Frommherz ("**Mr. Frommherz**"); (2) Mr. Chainani was the sole shareholder of International Watch Group Limited ("**IWG**"), which in turn held 49% of issued share capital of TWB Investments Limited (an indirect non-wholly owned subsidiary of the Company); (3) Mr. Frommherz was a director of Geneva Watch Group, Inc. (an indirect non-wholly-owned subsidiary of the Company); and (4) Good Base is wholly owned by ILG, each of ILG, Good Base and other members of the ILG Group is a connected person of the Company at the subsidiary level.

Please refer to the announcements of the Company dated 29 June 2015, 22 January 2016, 26 February 2016 and 31 May 2016 for further details of the aforementioned continuing connected transactions.

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 better; 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.

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$128.4 million, approximately HK$93.2 million, approximately HK$139.0 million and approximately HK$223.1 million had been utilised in FY2016, FY2015, FY2014 and FY2013 respectively.

Please refer to the paragraph headed "Management discussion and analysis – Use of proceeds from the Company's initial public offering" in this annual report for further details of the status of the use of proceeds for FY2016.

DIRECTORS' REPORT

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.

DONATIONS

The Group's charitable and other donations for FY2016 amounted to approximately HK$0.1 million (FY2015: HK$1.6 million), which is used to help the poor in the PRC. 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 2016 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 29 to page 39 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 FY2016.

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.

PERMITTED INDEMNITY PROVISIONS

During FY2016 and up to the date of this report, permitted indemnity provisions (within the meaning in section 469 of the Companies Ordinance) (Chapter 622 of the Laws of Hong Kong) were in force for the benefit of the Directors of the Company and its subsidiaries. The permitted indemnity provisions are provided for in the Company's articles of association and in the Directors liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against such Directors.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, which were not contract of service with any Director or any person engaged in full time employment of the Company, were entered into or existed during the year.

AUDITORS

The Company has appointed Deloitte Touche Tohmatsu as auditors of the Company for FY2016 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 2017 will be proposed at the forthcoming Annual General Meeting of the Company.

On behalf of the Board

Tung Koon Ming
Chairman
Hong Kong, 27 September 2016

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 127, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 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 2016, 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 compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	NOTES	2016 HK$'000	2015 HK$'000
Revenue	7	**2,606,570**	2,652,625
Cost of sales		**(822,109)**	(845,220)
Gross profit		**1,784,461**	1,807,405
Other income, gains and losses	10	**7,822**	6,218
Selling and distribution costs		**(1,271,093)**	(1,207,436)
Administrative expenses		**(179,183)**	(125,444)
Other expenses	10	**(12,742)**	–
Finance costs	11	**(4,275)**	(632)
Profit before taxation		**324,990**	480,111
Income tax	12	**(77,696)**	(147,911)
Profit for the year	13	**247,294**	332,200
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of leasehold land and buildings		**349**	–
Exchange differences arising on translation		**(75,506)**	4,654
Item that may be reclassified subsequently to profit or loss:			
Fair value change of available-for-sale investments		**(1,271)**	–
		(76,428)	4,654
Total comprehensive income for the year		**170,866**	336,854
Profit (loss) for the year attributable to:			
Owners of the Company		**296,341**	336,755
Non-controlling interests		**(49,047)**	(4,555)
		247,294	332,200
Total comprehensive income (expense) attributable to:			
Owners of the Company		**223,603**	340,973
Non-controlling interests		**(52,737)**	(4,119)
		170,866	336,854
Earnings per share	15		
– Basic (HK cents)		**14.2**	16.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	16	**172,655**	166,012
Prepaid lease payments	17	**39,608**	37,247
Intangible assets	18	**7,086**	–
Deposits paid for acquisition of property, plant and equipment		**507**	8,806
Available-for-sale investments	19	**36,006**	–
Deferred tax assets	27	**22,145**	25,266
		278,007	237,331
Current assets			
Inventories	20	**645,041**	615,452
Prepaid lease payments	17	**1,339**	1,284
Trade receivables	21	**409,023**	410,851
Other receivables, deposits and prepayments	21	**131,613**	115,219
Available-for-sale investments	19	**65,018**	–
Structured deposits	22	**–**	125,100
Pledged bank deposit	23	**2,000**	–
Short-term deposits	23	**180,000**	–
Bank balances and cash	23	**498,126**	550,510
		1,932,160	1,818,416
Current liabilities			
Trade payables and bills payable	24	**117,736**	112,243
Other payables and accrued charges	24	**132,700**	108,996
Tax liabilities		**35,072**	53,702
Bank borrowings and overdraft	25	**60,511**	34,053
		346,019	308,994
Net current assets		**1,586,141**	1,509,422
Total assets less current liabilities		**1,864,148**	1,746,753

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	2016 HK$'000	2015 HK$'000
Capital and reserves			
Share capital	26	**207,995**	207,995
Reserves		**1,544,058**	1,422,152
Equity attributable to owners of the Company		**1,752,053**	1,630,147
Non-controlling interests		**19,708**	65,704
Total equity		**1,771,761**	1,695,851
Non-current liabilities			
Deferred tax liabilities	27	**42,706**	50,902
Loan from a non-controlling interest of a subsidiary	28	**49,681**	–
		92,387	50,902
		1,864,148	1,746,753

The consolidated financial statements on pages 55 to 127 were approved and authorised for issue by the Board of Directors on 27 September 2016 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 2016

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note a)	Translation reserve HK$'000	Investment revaluation reserve HK$'000	Properties revaluation reserve HK$'000	Statutory surplus reserves HK$'000 (Note b)	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2014	207,995	511,101	(234,378)	41,211	–	–	27,589	881,252	1,434,770	68,121	1,502,891
Profit (loss) for the 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
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**296,341**	**296,341**	**(49,047)**	**247,294**
Exchange differences arising on translation	**–**	**–**	**–**	**(71,816)**	**–**	**–**	**–**	**–**	**(71,816)**	**(3,690)**	**(75,506)**
Gain on revaluation of leasehold land and buildings	**–**	**–**	**–**	**–**	**–**	**349**	**–**	**–**	**349**	**–**	**349**
Fair value change of available-for-sale investments	**–**	**–**	**–**	**–**	**(1,271)**	**–**	**–**	**–**	**(1,271)**	**–**	**(1,271)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**(71,816)**	**(1,271)**	**349**	**–**	**296,341**	**223,603**	**(52,737)**	**170,866**
Appropriation to reserve	**–**	**–**	**–**	**–**	**–**	**–**	**3,393**	**(3,393)**	**–**	**–**	**–**
Deregistration of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,435)**	**(12,435)**
Dividends recognised as distribution during the year *(note 14)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(103,997)**	**(103,997)**	**–**	**(103,997)**
Dividends declared by subsidiaries to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,654)**	**(5,654)**
Contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**22,620**	**22,620**
Deemed contribution from non-controlling interest arising from loan from a non-controlling interest of a subsidiary	**–**	**–**	**2,300**	**–**	**–**	**–**	**–**	**–**	**2,300**	**2,210**	**4,510**
At 30 June 2016	**207,995**	**511,101**	**(232,078)**	**(26,387)**	**(1,271)**	**349**	**68,946**	**1,223,398**	**1,752,053**	**19,708**	**1,771,761**

Notes:

(a) The special reserve represents: (i) 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; (ii) financial guarantee provided to ultimate holding company as a result of group reorganisation which occurred in prior years; and (iii) the difference between the nominal amount and fair value of the loan advanced from a non-controlling interest of a subsidiary at initial recognition.

(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 2016

	NOTE	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**324,990**	480,111
Adjustments for:			
Allowance for obsolete inventories		**22,004**	15,390
(Reversal of allowance for) allowance for doubtful debts		**(7,039)**	11,511
Depreciation of property, plant and equipment		**77,248**	64,535
Loss on disposal and written-off of property, plant and equipment		**10,177**	9,823
Amortisation of prepaid lease payments		**1,346**	–
Interest expenses		**4,275**	632
Interest income		**(8,739)**	(12,566)
Operating cash flows before movements in working capital		**424,262**	569,436
Increase in inventories		**(10,311)**	(72,189)
Decrease (increase) in trade receivables		**23,120**	(20,165)
Increase in other receivables, deposits and prepayments		**(2,020)**	(25,619)
Increase (decrease) in trade payables and bills payable		**10,727**	(10,864)
(Decrease) increase in other payables and accrued charges		**(9,113)**	16,914
Cash generated from operations		**436,665**	457,513
Interest received		**8,029**	12,566
Income tax paid		**(96,723)**	(139,121)
NET CASH FROM OPERATING ACTIVITIES		**347,971**	330,958
INVESTING ACTIVITIES			
Structured deposits placed		**–**	(125,100)
Withdrawal of structured deposits		**120,500**	–
New short-term deposits placed		**(180,000)**	–
New pledged bank deposit placed		**(2,000)**	–
Purchase of available-for-sale investments		**(101,585)**	–
Purchases of property, plant and equipment		**(87,888)**	(122,293)
Addition of prepaid lease payment		**(6,512)**	(38,592)
Deposits paid for acquisition of property, plant and equipment		**(524)**	(8,820)
Proceeds from disposal of property, plant and equipment		**115**	68
Acquisition of business	*30*	**(116,280)**	–
Cash distribution to non-controlling interest upon deregistration of a subsidiary		**(8,554)**	–

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	NOTE	2016 HK$'000	2015 HK$'000
NET CASH USED IN INVESTING ACTIVITIES		**(382,728)**	(294,737)
FINANCING ACTIVITIES			
Dividends paid		**(103,997)**	(145,596)
Dividends paid to non-controlling shareholders of subsidiaries		**(5,654)**	(4,257)
Contribution from non-controlling shareholders of subsidiaries		**22,620**	5,959
Interest paid		**(3,388)**	(632)
Borrowings raised		**390,524**	219,013
Repayment of bank borrowings		**(368,954)**	(220,918)
Advance from a non-controlling shareholder of a subsidiary		**53,304**	–
NET CASH USED IN FINANCING ACTIVITIES		**(15,545)**	(146,431)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(50,302)**	(110,210)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**550,510**	660,065
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(6,970)**	655
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**493,238**	550,510
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**498,126**	550,510
Bank overdraft		**(4,888)**	–
		493,238	550,510

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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, a company incorporated in the British Virgin Islands ("BVI"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in this annual report.

The Company is an investment holding company. Details of the principal activities of its subsidiaries are set out in note 34.

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, there is no new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") effective for the first time.

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[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[1]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[3]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers[3]
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[3]
HKFRS 15	Revenue from contracts with customers[3]
HKFRS 16	Leases[4]
Amendments to HKAS 7	Disclosure initiative[2]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[2]

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for annual periods beginning on or after a date to be determined

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for the general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial instruments: Recognition and measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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

HKFRS 9 Financial instruments (cont'd)

Based on an analysis of the Group's financial instruments as at 30 June 2016, the directors of the Company anticipate that the application of HKFRS 9 in the future will affect the classification and measurement of the Group's available-for-sale financial assets and the Group's impairment assessment. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 "Revenue from contracts with customers"

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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

HKFRS 16 "Leases"

HKFRS 16, which will be effective for annual periods beginning on or after 1 January 2019 and will supersede HKAS 17 "Leases", provides a comprehensive model for the identification of lease arrangements and their treatment in the consolidated financial statements of both lessors and lessees.

The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments.

Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 – Property, plant and equipment, while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 29, total operating lease commitment of the Group in respect of leased premises as at 30 June 2016 amounted to approximately HK$86,770,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

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 ("Listing Rules") and by the disclosure requirements of the Hong Kong Companies Ordinance ("CO").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the provisions of the new CO regarding preparation of accounts, directors' reports, audits and to streamline with HKFRSs and have become effective for the financial year ended 30 June 2016. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 30 June 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 30 June 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for leasehold land and buildings and certain financial instruments, which are measured at revalued amounts and fair values, 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Business combinations (cont'd)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with indefinite useful lives are carried at costs less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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 lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

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 2016

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 payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" 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 items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interests as appropriate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Borrowing costs

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

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

Retirement benefits costs

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

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Taxation (cont'd)

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

The carrying amount of deferred tax assets is reviewed at the end of 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment (cont'd)

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.

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 available-for-sale investments and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Financial assets (cont'd)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale financial assets relating to interest income calculated using the effective interest method are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, structured deposits, pledged bank deposit, short-term 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 2016

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.

For available-for-sale investments, a significant on prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, 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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are recognised to profit or loss in the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Impairment of financial assets (cont'd)

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.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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, bank borrowings and overdraft and loan from a non-controlling interest of a subsidiary are subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

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.

Impairment on tangible and intangible 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment on tangible and intangible assets (cont'd)

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.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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$22,004,000 (2015: HK$15,390,000) was provided during the year ended 30 June 2016.

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's 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 the 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 of approximately HK$2,999,000 (2015: HK$2,548,000), reversal of bad debts of trade receivables of approximately HK$1,304,000 (2015: nil) and reversal of allowance for doubtful debts for other receivables of approximately HK$8,734,000 (2015: allowance for doubtful debts for other receivables of HK$8,963,000) were made for the year ended 30 June 2016, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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 and loan from a non-controlling interest of a subsidiary as disclosed in notes 25 and 28, 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

	2016	2015
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investments	**101,024**	–
Loans and receivables (including cash and cash equivalents)	**1,124,581**	1,120,426
Financial liabilities		
Amortised cost	**327,290**	219,720

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables and deposits, structured deposits, pledged bank deposit, short-term deposits, bank balances and cash, trade payables and bills payable, other payables and accrued charges, bank borrowings and overdraft and loan from a non-controlling interest of a subsidiary. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

6. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Currency risk

The Group has foreign currency sales, which expose itself to foreign currency risk. In addition, available-for-sale investments, certain trade and other receivables, pledged bank deposit, short-term deposits, bank balances, other payables and accrued charges, and bank borrowings and overdraft 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$, RMB against United States dollars ("USD"), USD against HK$, 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**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**366,768**	196,015	**11,879**	28,652
USD	**101,024**	–	**–**	–
RMB	**485**	570	**–**	–
CHF	**5,032**	10,873	**–**	959

For entities with a USD functional currency holding monetary assets and liabilities denominated in HK$, the directors of the Company considered that, as HK$ is pegged to USD, the Group is not subject to significant foreign currency risk from change in foreign exchange rate of USD against HK$.

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**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**720,211**	613,887	**333,153**	373,870
RMB	**6,073**	12,681	**6,783**	8,816
CHF	**55,865**	39,644	**–**	–

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 2016

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

	2016 ***HK$'000***	2015 *HK$'000*
Increase in post-tax profit for the year	**33,887**	17,301

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 available-for-sale investments, pledged bank deposit, short-term deposits and bank deposits. The Group's cash flow interest rate risk relates to the bank balances as well as variable rate bank borrowings and overdraft (note 25 for details of bank borrowings and overdraft). The bank borrowings and overdraft were mainly exposed to fluctuation of Hong Kong Prime rate, United States Base rate and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

6. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

Sensitivity analysis

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

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the impact on the Group's post-tax profit for the years ended 30 June 2016 and 2015 would be:

	2016	2015
	HK$'000	*HK$'000*
Decrease/increase	**227**	128

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

6. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk

As at 30 June 2016, 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, pledged bank deposit, short-term deposits 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

6. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 – 6 months	6 – 12 months	1 – 2 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2016							
Non-derivative financial liabilities							
Trade payables and bills payable	**N/A**	**117,736**	**–**	**–**	**–**	**117,736**	**117,736**
Other payables and accrued charges	**N/A**	**99,362**	**–**	**–**	**–**	**99,362**	**99,362**
Bank borrowings	**3.02**	**36,779**	**19,236**	**–**	**–**	**56,015**	**55,623**
Bank overdraft	**3.00**	**4,888**	**–**	**–**	**–**	**4,888**	**4,888**
Loan from a non-controlling interest of a subsidiary	**5.00**	**–**	**–**	**–**	**53,304**	**53,304**	**49,681**
		258,765	**19,236**	**–**	**53,304**	**331,305**	**327,290**
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

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 2016, the aggregate carrying amount of these bank loans of amounted to approximately HK$36,779,000 (2015: HK$34,053,000). 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 approximately HK$36,990,000 (2015: HK$34,078,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

6. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

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

	Weighted average effective interest rate	Repayable less than 3 months	3 – 6 months	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings:					
As at 30 June 2016	**3.02**	**36,121**	**20,105**	**56,226**	**55,623**
As at 30 June 2015	1.87	34,078	–	34,078	34,053

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 30 June		Fair value hierarchy	Valuation technique(s) and key input(s)
	2016	2015		
Available-for-sale investments Debts securities – Corporate bonds traded in inter-bank market	**101,024**	Nil	Level 2	Quoted bid prices from a bank.

There were no transfers between Level 1 and 2 in the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

6. FINANCIAL INSTRUMENTS (cont'd)

Fair value measurements of financial instruments (cont'd)

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

Management of the Group considers that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

e. Global distributing of owned and licensed international brands of watches ("Other Brands (Global)").

These operating divisions are the basis of internal reports about components which are regularly reviewed by the chief operating decision maker ("CODM"), 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.

During the year ended 30 June 2016, the Group and an independent third party incorporated a company, namely TWB Investments Limited ("TWB"), for the acquisition of the Other Brands (Global) business. The CODM reviewed the results of TWB and its subsidiary being consolidated by the Group and the Other Brands (Global) business has been regarded as a reportable segment of the Group during the year. Details of the acquisition are set out in note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

7. REVENUE AND SEGMENT INFORMATION (cont'd)

Segment revenue and results

Year ended 30 June 2016

	Tian Wang Watch Business HK$'000	Balco Watch Business HK$'000	Watch Movements Trading Business HK$'000	Other Brands (PRC) HK$'000	Other Brands (Global) HK$'000	Consolidated HK$'000
Revenue						
External sales	1,827,809	160,586	155,843	285,137	177,195	2,606,570
Inter-segment sales	–	–	33,469	–	–	33,469
Segment revenue	1,827,809	160,586	189,312	285,137	177,195	2,640,039
Elimination						(33,469)
Group revenue						2,606,570
Results						
Segment results	466,589	(11,899)	7,868	(10,337)	(98,430)	353,791
Interest income						8,739
Unallocated other gains and losses						8,734
Central administration costs						(41,999)
Finance costs						(4,275)
Profit before taxation						324,990

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

7. REVENUE AND SEGMENT INFORMATION (cont'd)

Segment revenue and results (cont'd)

Year ended 30 June 2015

	Tian Wang Watch Business *HK$'000*	Balco Watch Business *HK$'000*	Watch Movements Trading Business *HK$'000*	Other Brands (PRC) *HK$'000*	Consolidated *HK$'000*
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
Unallocated other gains and losses					(8,963)
Central administration costs					(36,716)
Finance costs					(632)
Profit before taxation					480,111

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, certain other gains and losses, central administration costs and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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 2016

	Tian Wang Watch Business *HK$'000*	Balco Watch Business *HK$'000*	Watch Movements Trading Business *HK$'000*	Other Brands (PRC) *HK$'000*	Other Brands (Global) *HK$'000*	Consolidated *HK$'000*
ASSETS						
Segment assets	764,148	269,561	56,147	176,586	123,194	1,389,636
Pledged bank deposit						2,000
Short-term deposits						180,000
Bank balances and cash						498,126
Available-for-sale investments						101,024
Deferred tax assets						22,145
Other assets						17,236
Consolidated total assets						2,210,167
LIABILITIES						
Segment liabilities	100,890	31,198	13,040	35,396	58,055	238,579
Tax liabilities						35,072
Bank borrowings and overdraft						60,511
Loan from a non-controlling interest of a subsidiary						49,681
Deferred tax liabilities						42,706
Other liabilities						11,857
Consolidated total liabilities						438,406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

7. REVENUE AND SEGMENT INFORMATION (cont'd)

Segment assets and liabilities (cont'd)

As at 30 June 2015

	Tian Wang Watch Business *HK$'000*	Balco Watch Business *HK$'000*	Watch Movements Trading Business *HK$'000*	Other Brands (PRC) *HK$'000*	Consolidated *HK$'000*
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

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

- all assets are allocated to operating segments, other than available-for-sale investments, structured deposits, pledged bank deposit, short-term 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 and overdraft, loan from a non-controlling interest of a subsidiary, deferred tax liabilities and certain corporate liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

7. REVENUE AND SEGMENT INFORMATION (cont'd)

Other segment information

Year ended 30 June 2016

	Tian Wang Watch Business *HK$'000*	Balco Watch Business *HK$'000*	Watch Movements Trading Business *HK$'000*	Other Brands (PRC) *HK$'000*	Other Brands (Global) *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	89,077	9,802	–	3,406	1,069	–	103,354
Depreciation of property, plant and equipment	60,800	8,499	62	6,289	43	1,555	77,248
Loss on disposal and written-off of property, plant and equipment	10,032	5	–	140	–	–	10,177
Addition of prepaid lease payments	1,113	5,399	–	–	–	–	6,512
Amortisation of prepaid lease payments	1,274	72	–	–	–	–	1,346
Deposits paid for acquisition of property, plant and equipment	524	–	–	–	–	–	524
Allowance for obsolete inventories	10,243	3,355	–	8,406	–	–	22,004
Allowance for (reversal of allowance for) doubtful debts	217	55	558	865	–	(8,734)	(7,039)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

7. REVENUE AND SEGMENT INFORMATION (cont'd)

Other segment information (cont'd)

Year ended 30 June 2015

	Tian Wang Watch Business *HK$'000*	Balco Watch Business *HK$'000*	Watch Movements Trading Business *HK$'000*	Other Brands (PRC) *HK$'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 payments	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

Information about major customers

There is no single customer contributing over 10% of total revenue of the Group for the years ended 30 June 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

7. REVENUE AND SEGMENT INFORMATION (cont'd)

Geographical information

The Group's operations are located in the United States of America (the "USA"), 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:

	2016	2015
	HK$'000	*HK$'000*
The PRC	**2,225,927**	2,373,953
Asia Pacific (besides the PRC)	**214,848**	278,672
North and South America	**142,002**	–
Europe	**13,450**	–
Middle East	**10,343**	–
	2,606,570	2,652,625

Non-current assets other than deferred tax assets and available-for-sale investments by geographical location:

	2016	2015
	HK$'000	*HK$'000*
The PRC	**181,559**	179,988
Hong Kong	**30,185**	32,077
The USA	**8,112**	–
	219,856	212,065

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

8. DIRECTORS' REMUNERATION

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

	Executive directors				Independent non-executive directors			
	Mr. Tung Koon Ming *HK$'000* *(Note b)*	Mr. Tung Wai Kit *HK$'000*	Mr. Hou Qing Hai *HK$'000*	Mr. Deng Guang Lei *HK$'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 2016								
Fee	90	90	90	90	234	234	234	1,062
Salaries and allowances	3,762	768	758	1,182	–	–	–	6,470
Bonus *(Note a)*	–	34	222	232	–	–	–	488
Contributions to retirement benefit scheme	18	18	5	48	–	–	–	89
Total remuneration	3,870	910	1,075	1,552	234	234	234	8,109

	Executive directors					Independent non-executive directors			
	Mr. Tung Koon Ming *HK$'000* *(Note b)*	Mr. Tung Wai Kit *HK$'000*	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	90	26	64	223	223	223	1,029
Salaries and allowances	3,762	735	652	542	668	–	–	–	6,359
Bonus *(Note a)*	5,000	128	313	195	571	–	–	–	6,207
Contributions to retirement benefit scheme	18	18	–	6	43	–	–	–	85
Total remuneration	8,870	971	1,055	769	1,346	223	223	223	13,680

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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 Koon Ming ("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.

The executive directors' emoluments shown above were mainly paid or payable for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly paid or payable for their services as directors of the Company.

During the years ended 30 June 2016 and 2015, 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 2016

9. EMPLOYEES' EMOLUMENTS

The five highest paid individuals include two directors of the Company for the year ended 30 June 2016 (2015: three). The emoluments of the remaining three individuals for the year ended 30 June 2016 (2015: two) are as follows:

	2016	2015
	HK$'000	*HK$'000*
Salaries and other benefits	**7,200**	2,846
Contributions to retirement benefit scheme	**18**	36
	7,218	2,882

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

	2016	2015
	Number of individuals	Number of individuals
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	–

During the years ended 30 June 2016 and 2015, 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 2016

10. OTHER INCOME, GAINS AND LOSSES/OTHER EXPENSES

Other income, gains and losses

	2016	2015
	HK$'000	*HK$'000*
Bank interest income	**8,029**	12,566
Interest income on available-for-sale investments	**710**	–
Reversal of allowance for (allowance for) doubtful debts, net	**7,039**	(11,511)
Loss on disposal and written-off of property, plant and equipment	**(10,177)**	(9,823)
Watch repair and maintenance services income	**5,765**	5,603
Net exchange loss	**(19,110)**	(358)
Government subsidies *(Note)*	**6,461**	1,140
Rental income	**2,612**	–
Others	**6,493**	8,601
	7,822	6,218

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.

Other expenses

Other expenses during the year represented the legal and professional fee and consultancy fee incurred for the acquisition of a business. Details of acquisition are set out in note 30.

11. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
The finance costs represent interests on:		
Bank borrowings	**3,388**	632
Imputed interest on loan from a non-controlling interest of a subsidiary	**887**	–
	4,275	632

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

12. INCOME TAX

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**1,020**	1,635
PRC Enterprise Income Tax	**75,860**	125,905
PRC withholding tax	**28,786**	5,704
	105,666	133,244
Underprovision (overprovision) in prior years:		
Hong Kong Profits Tax	**35**	(423)
PRC Enterprise Income Tax	**(22,930)**	192
	82,771	133,013
Deferred taxation *(note 27)*	**(5,075)**	14,898
	77,696	147,911

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 2016. On 7 December 2015, a subsidiary, Tian Wang Electronics (Shenzhen) Company Limited ("Tian Wang Shenzhen"), obtained an approval notice from relevant authority, which approved Tian Wang Shenzhen's application of qualification as a high and new technology enterprise, which is valid for the three calendar years ended 31 December 2017. Hence, Tian Wang Shenzhen is subject to the preferential tax treatment and the applicable tax rate for the calendar year ended 31 December 2015 was 15% and the difference between the previous tax provision for the six months ended 30 June 2015 as calculated by the general tax rate of 25% and the above mentioned reduced tax rate was hence considered as overprovision and credited to profit or loss for the year ended 30 June 2016.

The subsidiary in the USA is subject to Federal Income Tax up to 35% and State Income Tax ranging from 0% to 12% on the estimated taxable income in current year. No provision of tax has been made for the year since this subsidiary incurred tax loss during the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

12. INCOME TAX (cont'd)

Dividends distributed from the PRC subsidiaries are subject to withholding tax at 5%. Deferred tax in relation to withholding income tax for the undistributed profits of the PRC subsidiaries have been provided. Details of the movement of the deferred tax recognised in respect to withholding income tax for the undistributed profits are set out in note 27.

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

	2016	2015
	HK$'000	*HK$'000*
Profit before taxation	**324,990**	480,111
Tax at the PRC Enterprise Income Tax rate of 25%	**81,248**	120,028
Tax effect of expenses not deductible for tax purpose	**20,257**	12,178
Tax effect of income not taxable for tax purpose	**(13,585)**	(8,106)
Income tax on concession and preferential tax rates	**(36,917)**	(575)
Tax effect of tax loss not recognised	**34,441**	11,429
Overprovision in prior years	**(22,895)**	(231)
Additional tax benefit to the Group *(Note)*	**(5,443)**	(5,224)
Withholding tax for distributable earnings of PRC subsidiaries	**20,590**	18,412
Tax charge for the year	**77,696**	147,911

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 approximately HK$5,443,000 for the year ended 30 June 2016 (2015: HK$5,224,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

13. PROFIT FOR THE YEAR

	2016 HK$'000	2015 HK$'000
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**2,114**	1,990
Directors' remuneration *(note 8)*		
Fees	**1,062**	1,029
Other emoluments	**6,958**	12,566
Retirement benefits scheme contributions	**89**	85
	8,109	13,680
Other staff costs	**397,894**	330,825
Retirement benefits scheme contributions	**44,842**	41,480
Total staff costs	**450,845**	385,985
Depreciation of property, plant and equipment	**77,248**	64,535
Cost of inventories recognised as cost of sales	**755,694**	785,022
Research and development cost recognised as cost of sales	**44,411**	44,808
Allowance for obsolete inventories recognised as cost of sales	**22,004**	15,390
Concessionaire fee *(Note)*	**512,389**	556,194
Operating lease payment in respect of shop counters and shops	**26,735**	31,969
Operating lease payment for office premises and factories	**16,871**	9,501

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 2016

14. DIVIDENDS

	2016 HK$'000	2015 HK$'000
Dividends recognised as distribution during the year:		
2016 Interim – HK2 cents (2015 Interim – HK2 cents) per share	**41,599**	41,599
2015 Final – HK3 cents (2014 Final – HK3 cents) per share	**62,398**	62,398
2015 Special – Nil (2014 Special – HK2 cents) per share	**–**	41,599
	103,997	145,596

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 30 June 2016 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 earnings per share is based on the following data:

	2016 HK$'000	2015 HK$'000
Earnings:		
Earnings for the purposes of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**296,341**	336,755

	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic 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 2016

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Machinery	Furniture and fixtures	Computer equipment	Motor vehicles	Light boxes	Yacht	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST OR VALUATION										
At 1 July 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
Exchange adjustments	–	(2,518)	(418)	(219)	(1,068)	(954)	(15,914)	–	–	(21,091)
Additions	–	12,685	3,191	940	3,930	3,976	78,317	–	315	103,354
Disposals and written-off	–	(52)	–	(4)	(194)	(458)	(26,366)	–	–	(27,074)
At 30 June 2016	**11,515**	**44,345**	**7,554**	**4,398**	**18,229**	**24,457**	**248,642**	**12,250**	**315**	**371,705**
Comprising:										
At cost	–	44,345	7,554	4,398	18,229	24,457	248,642	12,250	315	360,190
At valuation	11,515	–	–	–	–	–	–	–	–	11,515
	11,515	44,345	7,554	4,398	18,229	24,457	248,642	12,250	315	371,705
DEPRECIATION										
At 1 July 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
Exchange adjustments	–	(1,727)	(198)	(128)	(669)	(560)	(8,289)	–	–	(11,571)
Provided for the year	349	5,622	1,036	514	4,073	2,692	61,737	1,225	–	77,248
Eliminated on disposals and written-off	–	(52)	–	(1)	(162)	(275)	(16,292)	–	–	(16,782)
Eliminated on revaluation	(349)	–	–	–	–	–	–	–	–	(349)
At 30 June 2016	**–**	**26,484**	**3,302**	**2,255**	**12,032**	**12,870**	**139,861**	**2,246**	**–**	**199,050**
CARRYING VALUES										
At 30 June 2016	**11,515**	**17,861**	**4,252**	**2,143**	**6,197**	**11,587**	**108,781**	**10,004**	**315**	**172,655**
At 30 June 2015	11,515	11,589	2,317	1,811	6,771	10,880	109,900	11,229	–	166,012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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. 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 2016 and 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
	2016	2015				
	HK$'000	*HK$'000*				
Land and buildings in Hong Kong	**11,515**	11,515	Comparison approach	Market price per square feet	Adjusted price of HK$4,615 (2015: HK$4,615) per square feet in average	The higher the market price, the higher the fair value

Had the leasehold land and buildings at 30 June 2016 been carried at cost less accumulated depreciation and accumulated impairment losses, its carrying value would have been approximately HK$11,166,000 (2015: HK$11,515,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprises leasehold interest in lands in the PRC and released over the term of lease of 30 to 50 years.

The amount is analysed for reporting purpose as:

	2016	2015
	HK$'000	*HK$'000*
Current asset	**1,339**	1,284
Non-current asset	**39,608**	37,247
	40,947	38,531

18. INTANGIBLE ASSETS

	Brand names
	HK$'000
COST	
At 1 July 2015	–
Acquired on business combination *(note 30)*	7,079
Exchange adjustments	7
At 30 June 2016	7,086
CARRYING VALUES	
At 30 June 2016	7,086
At 30 June 2015	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

18. INTANGIBLE ASSETS (cont'd)

All of the Group's brand names were purchased as part of a business combination in current year. Details of business combination as set out in note 30.

The brand names have unlimited legal lives but the registration of brand names are renewable every ten to forty years at minimal cost. The directors of the Company are of the opinion that the Group would renew the brand names continuously and has the ability to do so. As a result, the brand names are considered by the management of the Group as having an indefinite useful life and brand names will not be amortised until its useful life is determined to be finite.

19. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	HK$'000	*HK$'000*
Listed debt securities	**101,024**	–
Analysed for reporting purposes as:		
Non-current assets	**36,006**	–
Current assets	**65,018**	–
	101,024	–

The amounts represent the Group's investment in corporate bonds listed in Stock Exchange and Singapore Exchange Limited. The corporate bonds are measured at fair values which are quoted bid prices by a bank. The corporate bonds carry coupon rates ranging from 3.25% to 5.75% payable semi-annually and will be matured from June 2017 to January 2018.

The amounts are denominated in USD which is not the functional currency of the relevant group entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

20. INVENTORIES

	2016	2015
	HK$'000	*HK$'000*
Raw materials and consumables	**63,340**	87,779
Work in progress	**7,459**	12,589
Finished goods	**574,242**	515,084
	645,041	615,452

21. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables from third parties	**407,655**	402,925
Trade receivables from related companies	**5,308**	9,272
Less: allowance for doubtful debts	**(3,940)**	(1,346)
	409,023	410,851
Other receivables, deposits and prepayments	**131,613**	115,219
Total trade and other receivables	**540,636**	526,070

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

21. TRADE AND OTHER RECEIVABLES (cont'd)

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

	2016	2015
	HK$'000	*HK$'000*
0 to 60 days	**336,500**	334,903
61 to 120 days	**34,526**	44,592
121 to 180 days	**16,915**	10,677
Over 180 days	**15,774**	11,407
	403,715	401,579

The following is an aged analysis of trade receivables from related companies, including companies in which Mr. Tung has control and entities owned by non-controlling shareholders of subsidiaries, 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:

	2016	2015
	HK$'000	*HK$'000*
0 to 60 days	**4,111**	9,272
61 to 120 days	**460**	–
Over 180 days	**737**	–
	5,308	9,272

As at 30 June 2016, included in the Group's trade receivables were debtors with a carrying amount of approximately HK$67,215,000 (2015: HK$66,676,000), 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 2016 is 124 days (2015: 115 days).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

21. TRADE AND OTHER RECEIVABLES (cont'd)

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

	2016	2015
	HK$'000	*HK$'000*
61 to 120 days	**34,526**	44,592
121 to 180 days	**16,915**	10,677
Over 180 days	**15,774**	11,407
	67,215	66,676

Movement in the allowance for doubtful debts

	2016	2015
	HK$'000	*HK$'000*
Balance at beginning of the year	**1,346**	1,342
Exchange adjustments	**(134)**	4
Allowance for doubtful debts	**2,999**	2,548
Amounts written off as uncollectible	**(271)**	(2,548)
Balance at end of the year	**3,940**	1,346

Included in the allowance for doubtful debts are impaired trade receivables with a balance of approximately HK$271,000 (2015: HK$2,548,000) 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:

	2016	2015
	HK$'000	*HK$'000*
HK$	**1,731**	519
CHF	**4,083**	9,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

22. STRUCTURED DEPOSITS

The structured deposits were interest rate-linked principal protected deposits entered with a bank in the PRC which were matured during the year ended 30 June 2016. The counterparty bank guaranteed 100% of the invested capital and the returns of which were 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 was 4.3% per annum.

23. PLEDGED BANK DEPOSIT, SHORT-TERM DEPOSITS AND BANK BALANCES AND CASH

Bank balances and cash comprise cash and short-term deposits with original maturity of three months or less and carrying interest at average market rates of 0.17% (2015: 0.9%) per annum. The short-term deposits of approximately HK$180,000,000 (2015: nil) are bank deposits with original maturity over three months and carrying fixed interest rates range from 0.81% to 0.95% (2015: nil) per annum.

At 30 June 2016, the bank balances and cash of approximately HK$276,697,000 (2015: HK$326,391,000) are denominated in RMB, which are not freely convertible into other currencies.

Pledged bank deposit carries fixed interest rate at 0.56% per annum. The deposit is pledged to secure short-term bank borrowings and undrawn facilities, and are therefore classified as current assets.

Pledged bank deposit, short-term deposits and bank balances and cash that are denominated in foreign currencies of the relevant group entities are set out below:

	2016	2015
	HK$'000	*HK$'000*
HK$	**365,037**	195,496
RMB	**485**	570
CHF	**949**	1,373

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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

	2016 HK$'000	2015 HK$'000
Trade payables and bills payable:		
Trade payables	**78,229**	96,341
Bills payable	**7,174**	8,557
Trade payables to related companies	**32,333**	7,345
	117,736	112,243
Other payables and accrued charges:		
Other tax payables	**33,338**	35,572
Accrued directors' remuneration	**1,062**	6,003
Accrued advertising expenses	**6,448**	881
Accrued staff related costs	**21,811**	13,569
Other payables and accrued charges	**58,945**	49,218
Amounts due to non-controlling shareholders of subsidiaries	**11,096**	3,753
	132,700	108,996
	250,436	221,239

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:

	2016 HK$'000	2015 HK$'000
0 – 30 days	**46,273**	50,871
31 – 60 days	**8,767**	16,866
61 – 90 days	**4,764**	6,047
Over 90 days	**18,425**	22,557
	78,229	96,341

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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

The related companies, including companies in which Mr. Tung has control and 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 the related companies based on invoice date at the end of the reporting period:

	2016 ***HK$'000***	2015 *HK$'000*
0 – 30 days	**22,931**	–
31 – 60 days	**2,626**	–
Over 90 days	**6,776**	7,345
	32,333	7,345

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

Amounts due to non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

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

	2016 ***HK$'000***	2015 *HK$'000*
HK$	**6,991**	28,652

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

25. BANK BORROWINGS AND OVERDRAFT

	2016	2015
	HK$'000	*HK$'000*
Bank overdraft – secured	**4,888**	–
Bank loans – unsecured	**18,844**	–
Trust receipts loans – secured	**8,186**	–
Trust receipts loans – unsecured	**28,593**	34,053
	60,511	34,053

As at 30 June 2016, the Group's secured bank borrowings of approximately HK$13,074,000 (2015: nil) were secured by pledged deposit of approximately HK$2,000,000 for short-term bank borrowings as disclosed in note 23.

The bank borrowings and overdraft are repayable on demand and within one year.

Bank overdraft, bank loans and trust receipt loans are arranged at floating rates at interest ranging from Hong Kong Prime rate minus 2.25%, United States Base rate plus 1.5% and HIBOR plus 1.25% to 1.75% per annum, respectively. The weighted average market interest rate of these borrowings is approximately 3.02% per annum as at 30 June 2016 (2015: 1.87% per annum). Thus the Group exposes to cash flow interest rate risk.

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

	2016	2015
	HK$'000	*HK$'000*
HK$	**4,888**	–
CHF	**–**	959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

26. SHARE CAPITAL

	Number of shares *'000*	Share capital *HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 July 2014, 30 June 2015 and 2016	100,000,000	10,000,000
Issued:		
At 1 July 2014, 30 June 2015 and 2016	2,079,946	207,995

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

27. DEFERRED TAXATION

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

	Allowance for obsolete inventories *HK$'000*	Unrealised profit *HK$'000*	Accelerated tax depreciation *HK$'000*	Withholding tax arising from PRC subsidiaries *HK$'000*	Total *HK$'000*
At 1 July 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
Charged (credited) to profit or loss	488	2,633	–	(8,196)	(5,075)
At 30 June 2016	**(17,251)**	**(4,894)**	**1,633**	**41,073**	**20,561**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

27. DEFERRED TAXATION (cont'd)

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

	2016	2015
	HK$'000	*HK$'000*
Deferred tax assets	**22,145**	25,266
Deferred tax liabilities	**42,706**	50,902

The Group had unused tax losses of approximately HK$271,642,000 as at 30 June 2016 (2015: HK$133,878,000). 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. Included in unrecognised tax losses are losses for certain subsidiaries operating in the PRC of approximately HK$22,840,000 (2015: HK$10,804,000) that will expire in 2020 (2015: 2019) and losses for the subsidiary in the USA of approximately HK$87,558,000 (2015: nil) that will expire in 2036 (2015: nil). Other losses may be carried forward indefinitely.

28. LOAN FROM A NON-CONTROLLING INTEREST OF A SUBSIDIARY

The amount represented a loan of USD6,870,000 (equivalent to approximately HK$53,304,000) from a non-controlling shareholder of a subsidiary. The amount is non-interest bearing, unsecured and is repayable after one year and within two years.

The amount is shown as non-current liability and carried at amortised cost using an effective interest rate of 5% per annum. During the year ended 30 June 2016, amount of approximately HK$4,510,000 was credited to non-controlling interest as deemed contribution from non-controlling interest of a subsidiary and an imputed interest expense of approximately HK$887,000 is recognised as finance costs in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

29. COMMITMENTS

a. Operating lease commitments

The Group as lessee

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:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**31,314**	21,295
In the second to fifth year inclusive	**53,250**	18,166
Over five years	**2,206**	4,347
	86,770	43,808

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.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**3,716**	–
In the second to fifth year inclusive	**11,039**	–
	14,755	–

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

30. BUSINESS COMBINATION

On 19 September 2015, the Group and an independent third party incorporated TWB for the acquisition of the Other Brands (Global) Business. During the year ended 30 June 2016, the Group and an independent third party made the capital injection of USD2,550,000 (equivalent to approximately HK$19,768,000) and USD2,450,000 (equivalent to approximately HK$18,992,000) into TWB and own 51% and 49% of equity interests of TWB respectively.

On 29 September 2015, Geneva Watch Group, Inc. (formerly known as Sunshine Time Inc.) ("GWG"), a wholly-own subsidiary of TWB, entered into asset purchase agreement (the "Agreement") with four independent third parties (the "Sellers") in order to submit a bid in an auction to be held for the acquisition of the Other Brands (Global) Business.

Pursuant to the Agreement, if TWB wins the bid, TWB shall pay the bid consideration which comprises the payment of cash consideration of USD15,000,000 (equivalent to approximately HKD116,280,000) and the assumption of the assumed liabilities as defined in the announcement issued by the Company on 30 September 2015. The acquisition was completed on 17 November 2015. In the opinion of the directors, the assumed liabilities were properly included in the liabilities recognised at the date of acquisition.

Consideration transferred

	HK$'000
Cash	116,280

Acquisition-related costs amounting to approximately HK$12,742,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the year and included in the 'other expenses' line item in the consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Intangible assets	7,079
Inventories	78,808
Trade receivables	47,771
Other receivables, deposits and prepayments	14,457
Other payables and accruals	(31,835)
Net assets and liabilities acquired and consideration transferred	116,280

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

30. BUSINESS COMBINATION (cont'd)

The fair value of trade receivables at the date of acquisition amounted to approximately HK$47,771,000. The gross contractual amounts of those trade receivables acquired amounted to approximately HK$80,623,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to approximately HK$32,852,000.

Cash outflow on acquisition of Other Brands (Global) Business:

	HK$'000
Cash consideration paid	116,280

Included in the loss for the year is approximately HK$98,430,000 attributable to the additional business generated by Other Brands (Global) Business. Revenue for the year includes approximately HK$177,195,000 generated from Other Brands (Global) Business.

Had the acquisition been completed on 1 July 2015, total group revenue and profit for the year would be the same as current results since GWG did not have any business operation prior to the acquisition.

31. 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 subsidiaries in the PRC, Swiss and the USA are required to make contributions to the state-managed retirement schemes and pension schemes operated by respective local governments and private sectors based on certain percentage of the monthly salaries of their current employees to fund the benefits. The only obligation of these subsidiaries with respect to the retirement benefit schemes is to make the specified contributions.

As at 30 June 2016 and 2015, there were no outstanding contributions payable to the schemes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

32. SHARE OPTION SCHEME

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

33. RELATED PARTY TRANSACTIONS

Other than trade receivables from related companies and trade payables to related companies as disclosed in notes 21 and 24, respectively, the Group had the following related party transactions during the year:

	2016	2015
	HK$'000	*HK$'000*
Sales to related companies *(Notes a & d)*	**12,940**	31,847
Sales to an entity controlled by non-controlling shareholders of subsidiaries *(Note e)*	**5,460**	1,338
Sales commission paid/payable to a related company *(Note b)*	**243**	359
Purchases from entities owned by non-controlling shareholders of subsidiaries *(Note f)*	**40,563**	10,033
Rental expense paid/payable to related companies *(Notes b & d)*	**4,613**	4,212
Refund of service fee received/receivable from non-controlling shareholders of subsidiaries	**1,570**	3,757
Service fee received/receivable from non-controlling shareholders of subsidiaries	**236**	–
Royalty income received/receivable from a non-controlling shareholder of a subsidiary	**860**	860
Promotion fee paid/payable to related companies *(Note c)*	**264**	120
Consultancy fee paid/payable to a related company *(Note c)*	**–**	180
Dividends paid/payable to non-controlling shareholders of subsidiaries	**5,654**	4,257

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

33. 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 companies are wholly owned and controlled by Mr. Tung.

(c) The amounts represented promotion fee and consultancy fee paid to related companies in which Mr. Tung has control.

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

(e) Included in the amount is approximately HK$4,604,000 (2015: HK$1,338,000) which is considered as continuing connected transactions under the Listing Rules.

(f) Included in the amount is approximately HK$32,971,000 (2015: nil) which is considered 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:

	2016	2015
	HK$'000	*HK$'000*
Short-term benefits	**12,198**	17,136
Post-employment benefits	**174**	165
	12,372	17,301

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 2016

34. 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 2016	2015	Principal activities
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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

34. 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 2016	2015	Principal activities
Tian Wang Shenzhen[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
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[2] 時計寶（四川）鐘表有限公司	PRC	PRC	RMB20,000,000	**51%**	51%	Sales of watches
Shenzhen Time Watch Trading Company Limited[3] 深圳市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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

34. 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 2016	2015	Principal activities
Zhengzhou Time Watch Company Limited ("Zhengzhou Time Watch")[2] 鄭州時計寶鐘表有限公司	PRC	PRC	RMB20,000,000	**–** *(Note)*	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%**	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%**	70%	Sales of watches
TWB	Hong Kong	Hong Kong	HK$100	**51%**	–	Investment holding
GWG	USA	USA	USD5,000,000	**51%**	–	Design and 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: During the year ended 30 June 2016, Zhengzhou Time Watch was deregistered. Upon deregistration, approximately HK$8,554,000 of cash and approximately HK$3,881,000 of trade and other receivables were distributed back to its non-controlling interest.

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 of the Company, a complete list of the particulars of subsidiaries will be of excessive length and therefore the above list contains only the particulars of those subsidiaries which materially contribute to the net income of the Group or hold a material portion of the assets and liabilities of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

34. PARTICULARS OF SUBSIDIARIES (cont'd)

Details of a non-wholly owned subsidiary that have material non-controlling interest

The table below shows details of a non-wholly-owned subsidiary of the Group that have non-controlling interest:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016**	2015	**2016**	2015
				HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
TWB and its subsidiary	Hong Kong/ USA	**49%**	–	**(50,027)**	–	**(28,808)**	–
Individually immaterial subsidiaries with non-controlling interests						**48,516**	65,704
						19,708	65,704

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

34. PARTICULARS OF SUBSIDIARIES (cont'd)

Details of a non-wholly owned subsidiary that have material non-controlling interest (cont'd)

Summarised consolidated financial information in respect of TWB and its wholly owned subsidiary, GWG is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2016 *HK$'000*
Current assets	124,193
Non-current assets	8,112
Current liabilities	(141,415)
Non-current liabilities	(49,682)
Net liabilities	(58,792)
Equity attributable to owners of the Company	(29,984)
Non-controlling interests	(28,808)
	(58,792)
Revenue	177,195
Expenses	(279,292)
Loss for the year	(102,097)
Loss attributable to owners of the Company	(52,070)
Loss attributable to non-controlling interests	(50,027)
Loss for the year	(102,097)
Other comprehensive income attributable to owners of the Company	18
Other comprehensive income attributable to non-controlling interests	17
Other comprehensive income for the year	35
Total comprehensive expense attributable to owners of the Company	(52,052)
Total comprehensive expense attributable to non-controlling interests	(50,010)
Total comprehensive expense for the year	(102,062)
Net cash outflow from operating activities	(48,993)
Net cash outflow from investing activities	(119,349)
Net cash inflow from financing activities	170,536
Net cash inflow	2,194

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

35. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016	2015
	HK$'000	*HK$'000*
Non-current assets		
Unlisted investments in subsidiaries, at cost	**137,690**	132,477
Amounts due from subsidiaries	**558,450**	478,621
Available-for-sale investments	**36,006**	–
	732,146	611,098
Current assets		
Other receivables	**1,354**	113
Available-for-sale investments	**65,018**	–
Amounts due from subsidiaries	**35,620**	16,820
Short-term deposits	**180,000**	–
Bank balances	**174,385**	174,940
	456,377	191,873
Current liabilities		
Accrued charges	**1,062**	1,029
Amounts due to subsidiaries	**3,100**	3,100
	4,162	4,129
Net current assets	**452,215**	187,744
Total assets less current liabilities	**1,184,361**	798,842
Capital and reserves		
Share capital	**207,995**	207,995
Reserves	**976,366**	590,847
Total equity	**1,184,361**	798,842

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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

Reserves of the Company

	Share premium *HK$'000*	Investment revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*
At 1 July 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 *(note 14)*	–	–	–	(145,596)	(145,596)
At 30 June 2015	511,101	–	5,797	73,949	590,847
Profit and comprehensive (expense) income for the year	–	(1,271)	(65,858)	556,645	489,516
Dividend recognised as distribution during the year *(note 14)*	–	–	–	(103,997)	(103,997)
At 30 June 2016	511,101	(1,271)	(60,061)	526,597	976,366

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				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
Revenue	**2,606,570**	2,652,625	2,402,358	1,912,235	1,524,779
Profit for the year attributable to owners of the Company	**296,341**	336,755	309,890	213,551	184,093

	At 30 June				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities					
Total assets	**2,210,167**	2,055,747	1,850,687	1,620,275	972,423
Total liabilities	**(438,406)**	(359,896)	(347,796)	(287,827)	(557,475)
	1,771,761	1,695,851	1,502,891	1,332,448	414,948
Equity attributable to the owners of the Company	**1,752,053**	1,630,147	1,434,770	1,286,488	377,119
Non-controlling interests	**19,708**	65,704	68,121	45,960	37,829
	1,771,761	1,695,851	1,502,891	1,332,448	414,948

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 year ended 30 June 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 data of the Company for the year ended 30 June 2012 and information as to its financial position as at 30 June 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. Hou Qinghai
Mr. Tung Wai Kit
Mr. Deng Guanglei

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

Ms. Hui Wai Man, Shirley

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

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

HONG KONG BRANCH SHARE REGISTRAR

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

STOCK CODE ON THE HONG KONG STOCK EXCHANGE

2033

INVESTOR INFORMATION

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

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Email: investor_relations@timewatch.com.hk

WEBSITE

www.timewatch.com.hk

CORPORATE CALENDAR

Annual general meeting	17 November 2016
Payment of final dividend	On or about 2 December 2016
Announcement of interim results for six months ended 31 December 2016	February 2017
Announcement of final results for year ended 30 June 2017	September 2017