Time Watch Investments Limited

時計寶投資有限公司

(Incorporated in the Cayman Islands with limited liability)

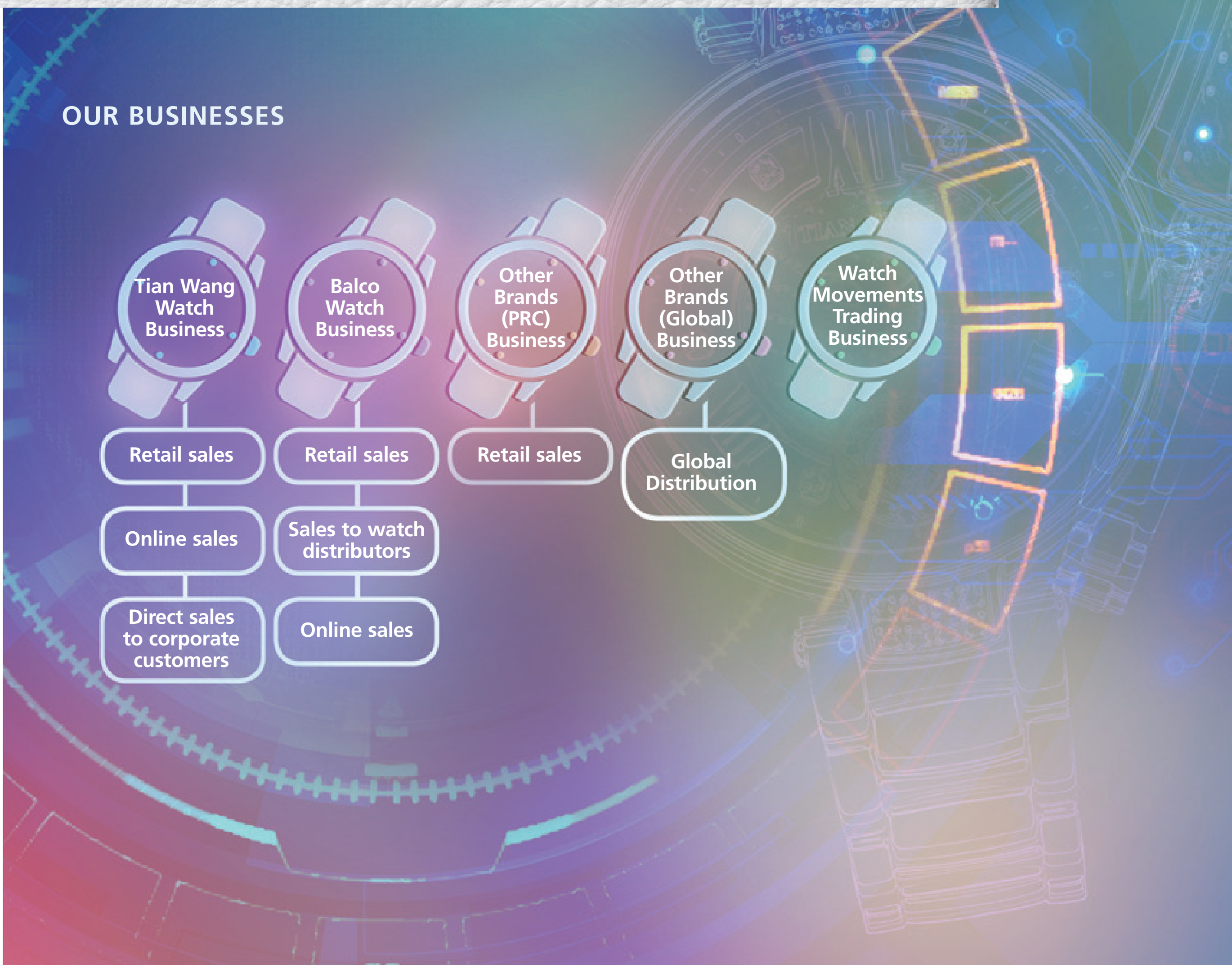
Stock code: 2033

Development Amid Challenges

ANNUAL REPORT 2017

CORPORATE PROFILE

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



2017 RESULTS AT A GLANCE

Profit attributable to owners of the Company:
235.7 million
(2016: HK$296.3m)
-20.4%

EBITDA:
375.8 million
(2016: HK$406.5m)
-7.6%

Equity attributable to owners of the Company:
1,878.0 million
(2016: HK$1,752.1m)
7.2%

Earnings per share – basic:
11.3 cents
(2016: HK14.2 cents)
-20.4%

Return on average equity attributable to owners of the Company:
13.0%
(2016: 17.5%)
-4.5 percentage point

Current ratio:
5.5
(2016: 5.6)
-1.8%

Average inventory turnover days:
238 days
(2016: 281 days)
improved by 43 days

CONTENTS


TIAN WANG
AUTOMATIC


The common man is not concerned about the passage of time, the man of talent is driven by it.

FINANCIAL HIGHLIGHTS

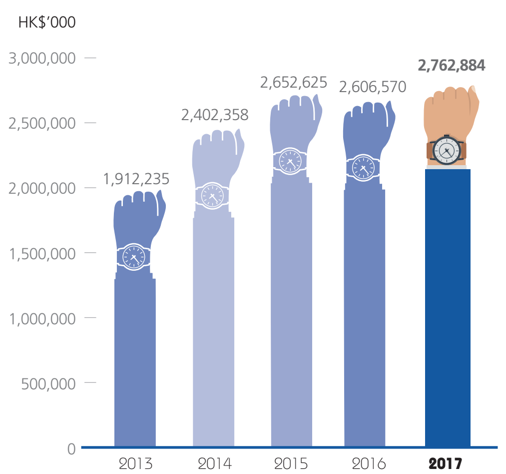
FINANCIAL SUMMARY

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, 2016 and 2017 is extracted from the consolidated financial statements in the annual reports for the years ended 30 June 2013, 2014, 2015, 2016 and this annual report.

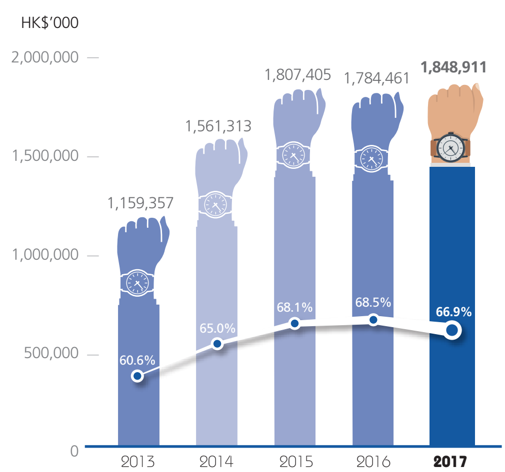
For the year ended 30 June	2013 *HK$'000*	2014 *HK$'000*	2015 *HK$'000*	2016 *HK$'000*	**2017** ***HK$'000***
Revenue	1,912,235	2,402,358	2,652,625	2,606,570	**2,762,884**
Gross profit	1,159,357	1,561,313	1,807,405	1,784,461	**1,848,911**
Gross margin	60.6%	65.0%	68.1%	68.5%	**66.9%**
Profit attributable to owners of the Company	213,551	309,890	336,755	296,341	**235,744**
Profit attributable to owners of the Company (excluding listing expenses)	239,291	309,890	336,755	296,341	**235,744**

As at 30 June	2013 *HK$'000*	2014 *HK$'000*	2015 *HK$'000*	2016 *HK$'000*	**2017** ***HK$'000***
Total assets	1,620,275	1,850,687	2,055,747	2,210,167	**2,396,771**
Total liabilities	287,827	347,796	359,896	438,406	**548,669**
Equity attributable to owners of the Company	1,286,488	1,434,770	1,630,147	1,752,053	**1,878,025**
Average inventory turnover days (days)	220	217	253	281	**238**
Average trade receivables turnover days (days)	55	56	55	58	**55**
Average trade payables turnover days (days)	55	49	51	51	**48**

Revenue

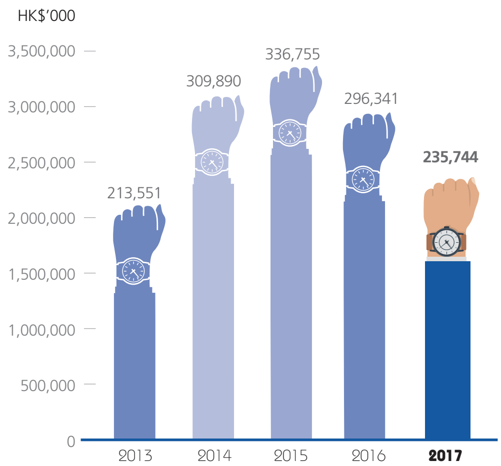


Gross profit and gross margin

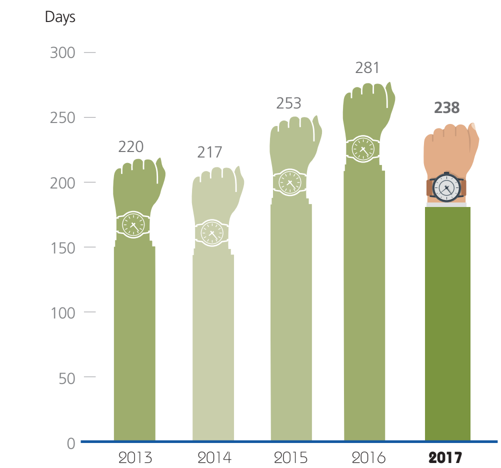


FINANCIAL HIGHLIGHTS

Profit attributable to owners of the Company

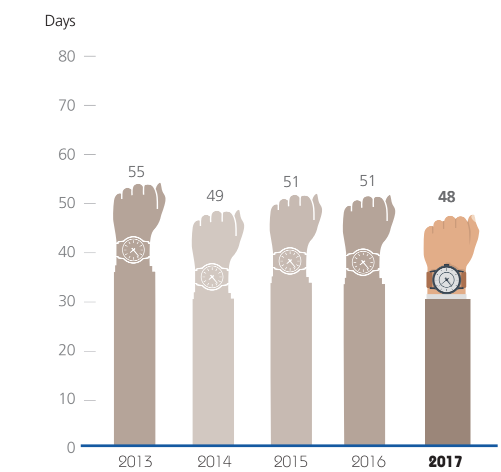


Average inventory turnover days

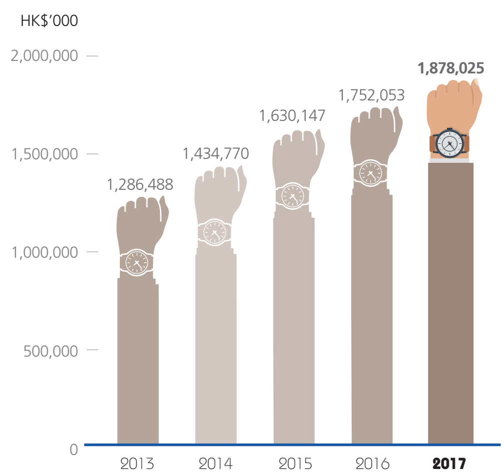


Average trade receivables turnover days

Average trade payables turnover days



Equity attributable to owners of the Company




TIAN WANG
AUTOMATIC
Time is the wisest
counselor of all.

CHAIRMAN'S STATEMENT

REVIEW OF THE FINANCIAL YEAR ENDED 30 JUNE 2017

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 2017 ("FY2017"). During the year under review, although the market was fluctuated and challenging, the Group still recorded a stable growth in business and generated a total revenue of approximately HK$2,762.9 million, representing an increase of approximately 6.0% as compared with that in the previous year. Profit attributable to owners of the Company decreased by approximately 20.4% to approximately HK$235.7 million with an earnings per share of HK11.3 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 26.5% of the profit attributable to owners of the Company, which is subject to shareholders' approval in the coming annual general meeting of the Company.

During FY2017, the general and watch retail market of the PRC and Hong Kong was full of challenges and uncertainties, the consumer market in the PRC continued to experience slow growth and consumer confidence had been affected. With over 26-years long brand heritage and reputation, success market strategy, well-established team and retail network, the Group continued to maintain its leading position in the PRC national watch market during the year. During FY2017, the Group remained manufacturing and retail sales of two proprietary brands watches, which was Tian Wang（天王）and Balco（拜戈）watches. Tian Wang and Balco watches contributed approximately 69.8% and 4.6% of the total revenue of the Group for the year respectively. The Group also maintained balance strategy on selling of Other Brands (PRC) Business watches, Other Brands (Global) Business watches and engaging in Watch Movements Trading Business, which contributed approximately 8.7%, 11.4% and 5.5% of the total revenue of the Group for the year respectively.

Starting from 2013, the Group commenced e-commence business and started strategic operations. Since its establishment in 2013, the Group's e-commence business achieved double digits percentage growth in sale of watches for four consecutive years. For FY2017, there was significant increase in sales of watches through e-commence channels by approximately 51.3% to approximately HK$410.6 million.

As of 30 June 2017, the Group has 3,093 point of sales ("POS") (2016: 2,958 POS) in PRC. Through POS, the Group would be able to obtain direct and first hand market information and response from customers/potential customers. It is the strategy of the Group to assess the performance of each POS, to restructure and maintain a stable growth in POS distribution network.

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 brands), the Group recorded a full year contribution for Other Brands (Global) Business revenue. Revenue from global distribution of Other Brands (Global) Business was increased by approximately 78.4% to approximately HK$316.1 million for FY2017.

Although FY2017 was a challenging year, the Group recorded a steady growth in revenue after discounting the effect of depreciation of Renminbi. Looking forward, the coming year is expected to be full of challenges but filled with opportunities. With solid business foundation, the Group is confidence to maintain steady growth in its business through different sales platforms, including selling through POS, e-commence platform, and other sales opportunities such as exploring of new sales channel in nearby Asia regions.

Time Flies for over the past 26 years, the Group will continue its effort in improvement and betterment of its watch pieces under existing proprietary brands Tian Wang（天王）, Balco（拜戈）and newly acquired global brands watches, and will further explore business expansion opportunities for different brand names for different category of watches, which strive to cater for demand for high quality and trendy watches for different age group of customers. The Group believes there is room to develop the 2nd, 3rd and 4th tier cities in the PRC due to improving of purchasing power and economic development of those region. 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 optimising product design, to diversify product profile and continue the mission to be **Navigator 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 2017

MANAGEMENT DISCUSSION AND ANALYSIS

EFFECTIVE RETAIL MANAGEMENT THROUGH THE GROUP'S DIRECTLY MANAGED SALES NETWORK

Number of point of sales of the Group as at 30 June 2017

Tian Wang Watch Business	Balco Watch Business	Other Brands (PRC) Business	Total
2,569	441	83	3,093

- Directly managed retail sales network ensuring effective control on brand image, sales effectiveness & inventory management
- Through our direct management of POS Sales Network, we are able to obtain first-hand market information and direct feedbacks on customer's satisfaction level for our products, and their changing tastes and preferences.

MANAGEMENT DISCUSSION AND ANALYSIS


TIAN WANG
The key is in not spending
time, but in investing it.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by approximately HK$156.3 million or approximately 6.0% from approximately HK$2,606.6 million for FY2016 to approximately HK$2,762.9 million for FY2017.

Tian Wang Watch Business

Revenue of Tian Wang Watch Business continued to be the Group's main source of revenue which accounted for approximately 69.8% of the total revenue of the Group for FY2017 (FY2016: approximately 70.1%). Revenue of Tian Wang Watch Business increased by approximately HK$100.1 million or approximately 5.5% from approximately HK$1,827.8 million for FY2016 to approximately HK$1,927.9 million for FY2017. The retail network was expanded from 2,398 POS as at 30 June 2016 to 2,569 POS as at 30 June 2017, with a net increase of 171 POS. Discounting the effect of depreciation of Renminbi, the retail sales recorded a small increase of approximately 2.8% as compared to FY2016. Sales of watches through e-commerce channels increased significantly by approximately HK$139.2 million or approximately 51.3% from approximately HK$271.4 million for FY2016 to approximately HK$410.6 million for FY2017.

Balco Watch Business

Revenue of Balco Watch Business decreased by approximately HK$32.3 million or approximately 20.1% from approximately HK$160.6 million for FY2016 to approximately HK$128.3 million for FY2017, which accounted for approximately 4.6% of the total revenue of the Group for FY2017 (FY2016: approximately 6.2%). Sales of Balco Watch in the PRC decreased by approximately HK$7.8 million or approximately 6.9% from approximately HK$113.0 million for FY2016 to approximately HK$105.2 million for FY2017. Sales of Balco Watch to multi-brand watch distributors in Hong Kong, Macau and Taiwan decreased by approximately HK$24.5 million or approximately 51.5% from approximately HK$47.6 million for FY2016 to approximately HK$23.1 million for FY2017.

Other Brands (PRC) Business

Retail sales of other well-known brand watches other than Tian Wang and Balco Watch decreased by approximately HK$45.8 million or approximately 16.1% from approximately HK$285.1 million for FY2016 to approximately HK$239.4 million for FY2017, which accounted for approximately 8.7% of the total revenue of the Group for FY2017 (FY2016: approximately 10.9%). The decrease in revenue of Other Brands (PRC) Business was mainly due to the general decline in the retail market of the PRC, especially for the imported mid-range and high-end watches and keen competition from other imported watches with similar price range.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Brands (Global) Business

Global distribution of certain owned and licensed international brands of watches recorded an increase in revenue of approximately HK$138.9 million or approximately 78.4% from approximately HK$177.2 million for FY2016 to approximately HK$316.1 million for FY2017. The increase was primarily due to the fact that there was a full year contribution to the Group in FY2017 while there was only around seven months contribution to the Group in FY2016 since the establishment of this segment in November 2015.

Watch Movements Trading Business

Revenue of Watch Movements Trading Business accounted for approximately 5.5% of the Group's total revenue for FY2017 (FY2016: approximately 6.0%). For FY2017, revenue from trading of watch movements was approximately HK$151.3 million, representing a decrease of approximately HK$4.5 million or approximately 2.9% from approximately HK$155.8 million for FY2016. The slightly decrease was primarily due to the slowdown of watch movements trading business in Hong Kong and the PRC during FY2017.

Gross Profit

The Group's gross profit increased by approximately HK$64.5 million or approximately 3.6% from approximately HK$1,784.5 million for FY2016 to approximately HK$1,848.9 million for FY2017. The increase was mainly due to (i) increase in Tian Wang Watch Business as in line with the increase in revenue; and (ii) the full year contribution in FY2017 from the Other Brands (Global) Business, which was established in November 2015. The Group's gross profit margin slightly decreased by 1.6 percentage point from approximately 68.5% for FY2016 to approximately 66.9% for FY2017. The decrease was mainly due to the contribution of the lower gross profit margin from Other Brands (PRC) Business and Balco Watch Business. The gross profit margin of Tian Wang Watch Business remained stable for both years.

Other Income, Gains and Losses and Other Expenses

The Group's other income, gains and losses increased by approximately HK$21.6 million or approximately 276.3% from approximately HK$7.8 million for FY2016 to approximately HK$29.4 million for FY2017. The increase was mainly due to a combination effect of increase in the government subsidies of approximately HK$8.7 million, decrease in net exchange loss of approximately HK$18.3 million and the absence of the reversal of allowance for other receivables of approximately HK$8.7 million for FY2016 in FY2017.

Other expenses for FY2016 represented legal and professional fee and consultancy fee incurred for the establishment of the Other Brands (Global) Business.

Selling and Distribution Costs

The Group's selling and distribution costs increased by approximately HK$111.0 million or approximately 8.7% from approximately HK$1,271.1 million for FY2016 to approximately HK$1,382.1 million for FY2017. The increase was mainly due to (i) 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; (ii) the increase of advertising and promotion expenses as in line with the increase in revenue; and (iii) the increase of the overall selling and distribution expenses in Other Brands (Global) Business due to full year contribution in FY2017 while there was only around seven months contribution in FY2016 since the establishment of this segment in November 2015.

Administrative Expenses

The Group's administrative expenses increased by approximately HK$18.4 million or approximately 10.3% from approximately HK$179.2 million for FY2016 to approximately HK$197.6 million for FY2017. The increase was mainly due to (i) an increase in donation of approximately HK$5.8 million; (ii) an increase in legal and professional fees of approximately HK$7.9 million; and (iii) an increase in office rental expenses of approximately HK$5.1 million.

Finance Costs and Income Tax

The Group's finance costs increased by approximately HK$4.1 million or approximately 96.7% from approximately HK$4.3 million for FY2016 to approximately HK$8.4 million for FY2017 as a result of the increase in bank borrowings and other loans during FY2017.

The Group's income tax increased by approximately HK$24.4 million or approximately 31.4% from approximately HK$77.7 million for FY2016 to approximately HK$102.1 million for FY2017. The increase was mainly due to the absence of the one-off tax credit in FY2017 arising from the overprovision for the PRC Enterprise Income Tax for FY2016 as a result of preferential tax treatment for the calendar year ended 31 December 2015. As a result, the Group's effective tax rate increased from approximately 23.9% for FY2016 to approximately 35.2% for FY2017.

Profit attributable to the owners of the Company

As a combined result of the factors discussed above, the profit attributable to the owners of the Company for FY2017 decreased by approximately HK$60.6 million or approximately 20.4% from approximately HK$296.3 million for FY2016 to approximately HK$235.7 million for FY2017.

BUSINESS REVIEW

Overview

During FY2017, the Group's principal business remained manufacturing, retail sales and e-commerce business of its two proprietary brands watches (namely, Tian Wang and Balco Watch), retail sales of Other Brands of watches in the PRC, global distribution of Other Brands of watches and its ancillary Watch Movements Trading Business.

In FY2017, the general and watch retail market of the PRC and Hong Kong still remain challenging and consumer confidence has been affected by the continuous downturn in the economic growth of the PRC, resulting in slower growth in sales and downward pressure on profitability of the Group. Nevertheless, building on its competitive advantages developed over years and sustainable growth in sales of e-commerce business, the Group continued to maintain its leading position in the PRC national watch market.

Tian Wang Watch Business continues to be the Group's core brand business, which contributed approximately 69.8% of the total revenue of the Group in FY2017. Its over-26-years-long brand heritage and reputation of delivering high quality, precise and stylish watches are key factors of Tian Wang Watch Business continuing 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 increasing demand for high quality and trendy watches from different age group of the customers.

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 77% of the Group's sales of Tian Wang and Balco Watch 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 staffs. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2017, number of the Group's POS for Tian Wang Watch Business was 2,569, representing a net increase of 171 POS as compared to the number of POS for Tian Wang Watch Business as at 30 June 2016. As at 30 June 2017, number of the Group's POS for Balco Watch Business was 441, representing a net decrease of 21 POS as compared to the number of POS for Balco Watch Business as at 30 June 2016. As at 30 June 2017, number of the Group's POS for Other Brands (PRC) Business was 83, representing a net decrease of 15 POS as compared to the number of POS for Other Brands (PRC) Business as at 30 June 2016.

Proprietary Watches of the Group

Tian Wang Watch

Revenue of Tian Wang Watch Business remained the Group's major source of revenue, which contributed approximately 69.8% of the Group's total revenue for FY2017 (FY2016: approximately 70.1%). Discounting the effect of depreciation of Renminbi, the retail sales of Tian Wang Watch Business for FY2017 slightly increased by approximately 2.8% as compared to FY2016. During FY2017, the Group has launched not less than 70 new models of Tian Wang watches with price ranging from approximately RMB100 to RMB4,600 per watch for direct retail sales, e-commerce channels and corporate sales. 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 and age groups.

Balco Watch

Balco watches are assembled in and imported from Switzerland. Revenue of Balco Watch Business accounted for approximately 4.6% of the Group's total revenue for FY2017 (FY2016: approximately 6.2%). For FY2017, revenue from Balco Watch Business was approximately HK$128.3 million as compared with approximately HK$160.6 million for FY2016, representing a decrease of approximately HK$32.3 million or approximately 20.1%. The decrease was mainly resulting from the (i) general decline in the retail market in Hong Kong, Macau and Taiwan; (ii) the keen competition from other imported watches of similar price range, including but not limited to Citizen, Casio, Titoni and Enicar; and (iii) depreciation of Renminbi. The Group continued to implement constructive strategic plans to improve the performance of Balco Watch Business, which including but not limited to optimising its sales and distribution channels within and outside of the PRC and launching new stylish models of Balco watches to the market.

Other Brands (PRC) Business

Revenue of Other Brands (PRC) Business was approximately HK$239.4 million for FY2017 as compared with approximately HK$285.1 million for FY2016, representing a decrease of approximately HK$45.8 million or approximately 16.1%. Revenue of Other Brands (PRC) Business accounted for approximately 8.7% of the Group's total revenue for FY2017 (FY2016: approximately 10.9%). The decrease in revenue of Other Brands (PRC) Business was mainly due to the general decline in the retail market in the PRC, especially for the imported mid-range and high-end watches and keen competition from other imported watches with similar price range.

Other Brands (Global) Business

Revenue from global distribution of Other Brands (Global) Business was approximately HK$316.1 million for FY2017 as compared with approximately HK$177.2 million for FY2016, representing a significant increase of approximately HK$138.9 million or approximately 78.4%. The increase was primarily due to the fact that there was a full year contribution in FY2017 while there was only around seven months contribution in FY2016 since the establishment of this segment in November 2015. Revenue of Other Brands (Global) Business accounted for approximately 11.4% of the Group's total revenue for FY2017 (FY2016: approximately 6.8%).

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 generating 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 Tian Wang Watch Business. For FY2017, revenue of Watch Movements Trading Business accounted for approximately 5.5% of the Group's total revenue (FY2016: approximately 6.0%). There was a small decrease in revenue of approximately HK$4.5 million or approximately 2.9% from approximately HK$155.8 million for FY2016 to approximately HK$151.3 million for FY2017.

E-commerce Business

Starting from 2013, the Group commenced e-commerce business and started strategic operations with several major online sales platforms (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 enable the Group to reach out to an extensive range of customers across different age groups. For FY2017, there was a significant increase in sales of watches through e-commerce channels by approximately HK$139.2 million or approximately 51.3% from approximately HK$271.4 million for FY2016 to approximately HK$410.6 million for FY2017. The e-commerce business achieved double digits percentage growth in sale of watches for four consecutive financial years since its establishment in 2013.

INVENTORY CONTROL

The Group's inventory balance was approximately HK$549.1 million as at 30 June 2017, representing a decrease of approximately HK$95.9 million or approximately 14.9% as compared with approximately HK$645.0 million as at 30 June 2016. The Group's inventory turnover days decreased to approximately 238 days for FY2017, as compared with 281 days for FY2016. 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 aged over two years were approximately HK$134.5 million and approximately HK$112.7 million as at 30 June 2017 and 30 June 2016 respectively, with corresponding provision for these inventory balances of approximately HK$82.3 million and approximately HK$71.6 million respectively. Management of the Group 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, management will provide necessary provision if the net realisable value of the inventory is estimated to be below the cost.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group adopts a conservative treasury policy. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The Group financed its operations primarily through cash flows from operations and short-term bank loans. The cash and cash equivalents, net with bank overdraft, were approximately HK$651.0 million and approximately HK$493.2 million as at 30 June 2017 and 30 June 2016 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's net cash generated from operating activities for FY2017 was approximately HK$371.8 million, representing an increase of approximately HK$23.8 million from approximately HK$348.0 million for FY2016. The amount was primarily attributable to profit before taxation of approximately HK$290.2 million from the Group's operations adjusted for non-cash items of approximately HK$111.9 million, increase of working capital balances of approximately HK$44.9 million, income taxes paid of approximately HK$85.8 million and interest received of approximately HK$10.5 million.

The Group's net cash used in investing activities for FY2017 was approximately HK$166.0 million, which was mainly attributable to purchase of property, plant and equipment of approximately HK$80.5 million, purchase of available-for-sale investments of approximately HK$50.5 million and purchase of investment property of approximately HK$104.9 million which was partially offset by proceeds from disposal of available-for-sale investments of approximately HK$64.9 million.

The Group's net cash used in financing activities for FY2017 was approximately HK$46.0 million, which was mainly attributable to dividends paid of approximately HK$104.0 million and repayment of bank borrowings of approximately HK$529.6 million, which was partially offset by borrowings raised of approximately HK$531.1 million, other loans raised of approximately HK$69.7 million. The Group's bank borrowings and overdraft were approximately HK$65.0 million and approximately HK$60.5 million as at 30 June 2017 and 30 June 2016 respectively.

The Group had a net cash position as at 30 June 2017 and 30 June 2016. As at 30 June 2017, the Group's total equity was approximately HK$1,848.1 million, representing an increase of approximately HK$76.3 million from approximately HK$1,771.8 million as at 30 June 2016. The Group's working capital was approximately HK$1,667.0 million as at 30 June 2017, representing an increase of approximately HK$80.8 million as compared with approximately HK$1,586.1 million as at 30 June 2016.

As at 30 June 2017, the Group's bank balances and cash were mainly denominated in Renminbi and Hong Kong dollar. As at 30 June 2017, 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 9.8% and approximately 6.2% as at 30 June 2017 and 30 June 2016 respectively.

Details of the Group's bank borrowings as at 30 June 2017 are set out in note 24 to this annual report.

INVESTMENT PROPERTY

During FY2017, the Group entered into a sale and purchase agreement with a third party, which is independent of the Group and its connected person (within the meaning of the Listing Rules), to acquire an investment property for a consideration of HK$96.3 million. The acquisition of the investment property did not constitute notifiable transaction under Chapter 14 of the Listing Rules. The investment property comprises several workshops and car parking space at CEO Tower, No. 77 Wing Hong Street, Kowloon, Hong Kong. The investment property remained vacant since its acquisition by the Group and as at the date of this annual report. The Company intends to lease the investment property to a third party which is independent of the Group and its connected person (within the meaning of the Listing Rules) for rental income. Please refer to note 16 of the notes to the consolidated financial statements of this annual report for the fair value and other details of the investment property.

STRUCTURED DEPOSITS

During FY2017, the Group entered into two structured deposits (the "Structured Deposits") with a bank in the PRC with an aggregate amount of approximately HK$172.65 million. The Structured Deposits are interest rate-linked principal protected deposits with a floating interest rate. The nature of the Structured Deposits is RMB fixed deposits of which the interest income shall be determined by reference to the London Interbank Offered Rate of United States dollars' bank deposits. The two Structured Deposits have a term of six months and three months respectively which would be mature in the year ending 30 June 2018. The making of the Structured Deposits did not constitute notifiable transaction under Chapter 14 of the Listing Rules. Please refer to note 21 of the notes to the consolidated financial statements of this annual report for other details of the Structured Deposits.

CHARGE ON GROUP ASSETS

There was no material charge on the Group's assets as at 30 June 2017 and 2016.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2017 and 2016.

CAPITAL COMMITMENTS

The Group did not have any material capital commitments as at 30 June 2017 and 2016.

FOREIGN CURRENCY EXPOSURE

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

EMPLOYEES AND EMOLUMENTS POLICIES

As at 30 June 2017, the Group employed a total of approximately 5,200 full time employees (30 June 2016: approximately 5,000). The staff costs incurred during FY2017 was approximately HK$476.6 million (FY2016: approximately HK$450.8 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 FY2017 amounted to approximately HK$5.9 million (FY2016: approximately HK$0.1 million). 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$583.7 million had been utilised for FY2013, FY2014, FY2015 and FY2016. For FY2017, the Company had further utilised approximately HK$117.5 million of the proceeds in the manner set out in the following table.

	Amount of net proceeds allocated and unutilised as at 1 July 2016 *(HK$'m)*	Amount of net proceeds utilised for FY2017 *(HK$'m)*	Balance as at 30 June 2017 *(HK$'m)*	Actual business progress up to 30 June 2017
Opening of POS in the coming years	109.5	109.5	–	Approximately HK$109.5 million of IPO proceeds was used for opening 383 new POS during FY2017.
Establishing joint ventures worldwide with experienced operators of watch sales network and acquiring their inventories	8.8	8.0	0.8	Approximately HK$8.0 million of IPO proceeds was used for the business of design and distribution of certain owned and licensed international brands of watches during FY2017.
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.
	158.3	117.5	40.8	

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

PROSPECTS AND STRATEGIES

FY2017 was a year full of challenges and uncertainties for the PRC watch industry. The consumer market in the PRC continued to experience slow growth and consumer confidence has been impacted. Looking forward, given the overall market condition, the Group still expects another challenging year but filled with numerous opportunities as the Group has laid a solid business foundation in the recent past.

For retail business, the Group will continue to roll out and execute its POS expansion plan of opening new POS for Tian Wang in a steady and conservative pace. It is the Group's strategy to increase its market share and presence through opening new POS with not less than 100 POS for Tian Wang per year in the 2nd, 3rd and 4th tier cities in the PRC, where the purchasing power is improving in recent years along with the development of the PRC. At the same time, the Group will also closely monitor and assess the performance of all existing POS on a regular basis and implement strategic business plan to the POS distribution network in order to optimise the market coverage and increase the revenue stream.

E-commerce business continues to be another revenue driver for the Group and focuses on targeting customers from the younger generation. The watches for e-commerce business are exclusive and different from those selling in the Tian Wang POS. Hence, the competition between Tian Wang retail business and Tian Wang e-commerce business is minimised. The Group will continue to allocate more resources and put more efforts to the e-commerce business in order to maintain the sustainable growth on the sales and profitability level.

For other business segments including Balco Watch Business, Other Brands (PRC) Business and Other Brands (Global) Business, they are still experiencing difficulties and affected by uncontrollable market factors in the last year given the market downward trend in their respective markets. The Group will closely monitor and formulate constructive business plans to improve its business performance and also open to different options so as to improve the overall profitability of the Group.

The Directors are confident that the sustainable high growth in e-commerce business will compensate for some slowdown in the growth of retail sales. The Directors are also confident that the Group will maintain steady growth in its business in the near future through the implementation of the above strategic business plans.

MAJOR EVENTS

Shine Collection of Tian Wang Watch features with glitter fashion design, demonstrating the excellences of a modern confident woman.

With zircon set of bezel shining as bright as the sun, and a mother-of pearl dial engraved with Roman numeral hour markers, Shine Collection exhibiting the perfect match of stylish and classic elegance.

Leader Collection

With a direction in mind, you can steer yourself to the destination at any point in time.

Start your journey with a new timepiece of Leader Collection.

The unique running seconds hand and 24-hour time format function as the navigators in your life. Simple and stylish Geneva stripe dial featured with date display in the running seconds hand shows classic style in details, exuding an air of exquisiteness and excellence that business elites are aspiring of.

MAJOR EVENTS

New piece of Grace Collection achieves a glamorous and feminine look with fancy oval shaped case, presenting an attractive streamline appearance.

With sparkling zircons decorated at 6-o'-clock position, the new timepiece demonstrates the glamour of dynamic and artistic design, radiated a touch of pleasant and delightful serendipity in every graceful gestures of hands.

Time Proves Our Excellence

A Journey of Splendid and Classic Pursuits of Tian Wang Watch

Tian Wang Watch has presented classic wristwatch masterpieces by fine craftsmanship, witnessing every brilliant and exquisite moment.

To celebrate the upcoming 30th anniversary, Tian Wang Watch has commenced its journey of splendid and classic pursuits and has held a number of wonderful and impressive exhibition tours all over the country. Tian Wang Watch has come of age with the exquisite wristwatches and quality service, and now embarks its new glorious journey on the 30th anniversary.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tung Koon Ming（董觀明）, aged 66, 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 深圳時計寶管理諮詢有限公司, 大埔時計寶商貿有限公司, 四川安寶時商貿有限公司, 深圳市天唯雅科技有限公司 (formerly known as "深圳市萊奧科技有限公司"), Shenzhen Half Hour Trade and Commercial Limited ("Half Hour Trade and Commercial") 深圳市半小時商貿有限公司, 深圳市聖緹斯科技有限公司 and Shenzhen Yi Cun Jin Technology Co. Limited ("Yi Cun Jin Technology") 深圳市壹寸金科技有限公司.

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 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.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Hou Qinghai (侯慶海), aged 68, 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") a director of 天王(深圳)營運發展有限公司 and a director of Suzhou Paragon Watch Company Limited 蘇州寶利辰表行有限公司.

Mr. Hou has over 21 years of experience in manufacturing of watches industry. He graduated from Harbin Worker Parttime 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. 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.

Mr. Tung Wai Kit (董偉傑), aged 43, 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 17 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 深圳時計寶管理諮詢有限公司, Half Hour Trade and Commercial 深圳市半小時商貿有限公司 and Yi Cun Jin Technology 深圳市壹寸金科技有限公司, 深圳市聖緹斯科技有限公司, 深圳市天唯雅科技有限公司 (formerly known as "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 was a director of 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. Deng Guanglei (鄧光磊), aged 47, 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 16 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 and has been appointed as the Deputy General Manager since February 2017.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ma Ching Nam, J.P. (馬清楠), aged 64, 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 31 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.

Mr. Wong Wing Keung Meyrick (王泳強), aged 59, 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 41, 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 19 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 51, 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 21 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.

Mr. Chan Hon To（陳瀚濤）, aged 41, is the Chief Financial Officer (the "CFO") of the Group. He is responsible for the overall financial management, tax, treasury and corporate finance matters of the Group. He joined the Group as the CFO on 21 September 2017 and has over 19 years of experience in auditing, accounting, corporate finance, funding raisings and company secretary. Prior to joining the Group, he held senior management positions as Vice President-Strategic Investment, CFO and Group Financial Controller in several listed companies in Hong Kong. He has also gained extensive experience in auditing and initial public offering exercise during his service with Deloitte Touche Tohmatsu in Hong Kong and the United States of America from 2002 to 2009. He is a Fellow Member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

Ms. Wong Siu Yu Rachel（黃少如）, aged 47, 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, Shenzhen Time Watch Trading Company Limited 深圳市時計寶商貿有限公司, Shenzhen Time Watch Management Consulting Limited 深圳時計寶管理諮詢有限公司, Half Hour Trade and Commercial 深圳市半小時商貿有限公司, Yi Cun Jin Technology 深圳市壹寸金科技有限公司, 深圳市天唯雅科技有限公司 (formerly known as "深圳市萊奧科技有限公司"), 深圳市聖緹斯科技有限公司, 大埔時計寶商貿有限公司, 四川安寶時商貿有限公司. She has over 25 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 FY2017 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 FY2017 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 2017, 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

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 FY2017, the Company had held thirteen board meetings and one general meeting which was the annual general meeting for FY2016. 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)*	13/13	1/1
Mr. Hou Qinghai	13/13	1/1
Mr. Tung Wai Kit	12/13	1/1
Mr. Deng Guanglei	13/13	0/1
Independent non-executive Directors		
Mr. Ma Ching Nam	12/13	1/1
Mr. Wong Wing Keung Meyrick	13/13	1/1
Mr. Choi Ho Yan	13/13	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.

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 was 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 FY2017, 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.

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 FY2017, the Remuneration Committee has reviewed and approved the remuneration policy and packages of the Directors and the senior management and made recommendation to the Board for consideration and approval.

The Remuneration Committee currently comprises three independent non-executive Directors. Two Remuneration Committee meeting was held during FY2017. Members of the Remuneration Committee and the attendance record of each member are set out below:

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

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 FY2017, 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 2017. 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 FY2017, 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. Three Audit Committee meetings were held during FY2017. Members of the Audit Committee and the attendance record of each member are set out below:

Members	Attendance/ Number of meetings held
Executive Directors	
Mr. Choi Ho Yan *(Chairman)*	3/3
Mr. Wong Wing Keung Meyrick	3/3
Mr. Ma Ching Nam	3/3

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 of this annual report, 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.

The Nomination Committee currently comprises one executive Director and two independent non-executive Directors. One Nomination Committee meeting was held during FY2017 to review the structure, size, diversity and composition of the Board, assess the independence of independent non-executive Directors and make recommendation to the Board on re-election of retiring directors. Members of the Nomination Committee and attendance record of the members are set out below:

Members	Attendance/ Number of meetings held
Executive Directors	
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 FY2017 to review the policies and practices on corporate governance of the Group. Members of the CG Committee and the attendance record of each member are set out below:

Members	Attendance/ Number of meetings held
Executive Directors	
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 FY2017 amounted to approximately HK$2,640,000 (2016: approximately HK$2,114,000). 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 FY2017, suitable accounting policies have been adopted and applied consistently. The financial statements for the reporting year have been prepared on a going concern basis.

A statement by the auditors of the Company about their reporting responsibilities is set out in the "Independent Auditor's Report" on pages 55 to 59 of this annual 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 FY2017.

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.

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 FY2017. 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 FY2017.

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. The chief financial officer of the Group, is the primary point of contact at the Company with the Company Secretary.

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

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.

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 FY2017 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 FY2016, 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 FY2016, 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 registration procedure for the four lease agreements have not been completed up to the date of this annual report because the local authorities have not provided clear registration procedures to the Group

DIRECTORS' REPORT

The Board of Directors of the Company is pleased to present this annual report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for FY2017.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

BUSINESS REVIEW

A business review of the Group for the FY2017 is set out in sections headed "Management Discussion and Analysis" of this annual report on page 13.

Details of the Group's environmental policies and performance are published in the separate Environmental, Social and Governance Report which will be available at the Group's website and the website of the Stock Exchange not later than 3 months after the publication of this annual report.

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 page 38 in this annual report, during FY2017, 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 FY2017, sales to the Group's five largest customers accounted for approximately 4.5% of the Group's total revenue of the year and purchase from the Group's five largest suppliers accounted for approximately 42.4% of the Group's total purchase of the year. Purchase from the largest supplier of the Group accounted for approximately 17.0% 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 FY2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 60 of this annual report and the state of affairs of the Group as at 30 June 2017 are set out in the consolidated statement of financial position on page 61 to 62 of this annual report.

The Directors have recommended the payment of a final dividend of HK3 cents per Share for FY2017 amounting to approximately HK$62.4 million, which is subject to shareholders' approval in the coming annual general meeting of the Company. For FY2016, 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 22 November 2017, 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 28 November 2017. It is expected that the proposed final dividend will be paid on or about 7 December 2017.

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 17 November 2017 to 22 November 2017(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 16 November 2017.

For the purpose of determining members who are qualified for the proposed final dividend for FY2017 which is subject to approval by the shareholders at the Annual General Meeting, the register of members of the Company will be closed on 28 November 2017, on which no transfer of share of the Company will be effected. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at the above address for registration no later than 4:30 p.m. on 27 November 2017.

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$1,010.2 million for FY2017 (FY2016: approximately HK$1,037.7 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 30 to the consolidated financial statements in this annual report.

PROPERTY, PLANT AND EQUIPMENT

During FY2017, the Group paid for leasehold improvements at a cost of approximately HK$1.6 million, acquired furniture and fixtures at a cost of approximately HK$0.3 million, computer equipment at a cost of approximately HK$3.3 million, tools, machinery, factory equipment and fittings at a cost of approximately HK$67.9 million, motor vehicles at a cost of approximately HK$0.8 million and construction in progress of approximately HK$6.1 million.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 14 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 25 to the consolidated financial statements in this annual report.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during FY2017 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. Tung Koon Ming, Mr. Tung Wai Kit and Mr. Choi Ho Yan (collectively, the "Retiring Directors") will retire at the Annual General Meeting. The Retiring Directors, being eligible, will offer themselves for re-election.

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

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 FY2017 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 6 and 7 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 2017, 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)*	1,456,277,000 (L)	70.2%

Notes:

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

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

Save as disclosed above, as at 30 June 2017, 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 2017, 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	1,456,277,000 Shares (L)	70.02%
Ms. Tam Fun Hung ("Ms. Tam")	Interest of spouse *(note 2)*	1,456,277,000 Shares (L)	70.02%
Areo Holdings Limited	Interest of a controlled corporation *(note 3)*	193,930,000 Shares (L)	9.32%
Lam Lai Ming	Interest of a controlled corporation *(note 3)*	193,930,000 Shares (L)	9.32%
Li Gabriel	Interest of a controlled corporation *(note 3)*	193,930,000 Shares (L)	9.32%
Orchid Asia V, L.P.	Beneficial owner *(note 3)*	188,298,000 Shares (L)	9.05%
OAV Holdings, L.P.	Interest of a controlled corporation *(note 3)*	188,298,000 Shares (L)	9.05%
Orchid Asia V GP, Limited	Interest of a controlled corporation *(note 3)*	188,298,000 Shares (L)	9.05%
Orchid Asia V Group Management, Limited	Interest of a controlled corporation *(note 3)*	188,298,000 Shares (L)	9.05%
Orchid Asia V Group, Limited	Interest of a controlled corporation *(note 3)*	188,298,000 Shares (L)	9.05%

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 188,298,000 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 2017, 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 FY2017, 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; any advisor (professional or otherwise) or consultant to any area of business or business development of the Group or any invested entity; (vii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and (viii) any company wholly owned by one or more eligible participants as referred to in (i) to (vii) above.

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

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

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

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 FY2017, no share option was granted, exercised, cancelled or lapsed under the Scheme.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the related party transaction as set out in note 34 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 the related party transaction as set out in note 34 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' INTERESTS IN COMPETING BUSINESS

During FY2017 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 FY2017, 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 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 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 FY2017, the aggregate purchase price receivable from Fortune Silver amounted to approximately HK$2.7 million (FY2016: approximately HK$7.0 million), representing approximately 0.1% of the total revenue of the Group (FY2016: approximately 0.3%).

As Fortune Silver is owned as to 48% by Fine Jade International Limited, a direct wholly-owned subsidiary of 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, Fortune Silver is a connected person of the Company.

(b) 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 FY2017, the aggregate purchase price receivable from Time Watch Taiwan amounted to approximately HK$476,000 (FY2016: approximately HK$6.0 million), representing less than 0.1% of the total revenue of the Group (FY2016: 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.

(c) Pursuant to a distribution agreement ("**US Distribution Agreement**") entered into between the Group and PT Far East Limited ("**PTFE**") dated 17 August 2016, PTFE has agreed to (i) grant to the Group a non-exclusive right to market, sell and distribute the watch(es) which carry(ies) the trademark of "Timberland" ("**Timberland Watches**") on retail basis in the United States; and (ii) sell the Timberland Watches to the Group on wholesale basis for a term commencing from 1 July 2016 to 30 June 2018 (both dates inclusive). The purchase price per unit of Timberland Watches to be supplied by PTFE to the Group shall be an agreed percentage of discount ("**Discount Percentage**") to the recommended retail price of each of the Timberland Watches in the United States from time to time informed by PTFE to the Group. The Discount Percentage has already been fixed and agreed by the parties, and has been stipulated in the US Distribution Agreement. PTFE shall supply to the Group up-to-date copies of the recommended retail price of the Timberland Watches from time to time by giving not less than one month's notice in writing of any alteration in such recommended retail price. During FY2017, the aggregate monetary amount of purchase of the Timberland Watches from PTFE under the US Distribution Agreement was approximately HK$6.9 million (FY2016: nil).

(d) Pursuant to an agency agreement ("**Sales Agency Agreement**") entered into between the Group and Fortune Concept Limited ("**Fortune Concept**") dated 17 August 2016 in relation to the appointment of Fortune Concept as agent for the sale of watch(es) which carry(ies) the trademarks of "Kenneth Cole" or (as the case may be) "Ted Baker" ("**KC/TB Watches**") to airlines for a term of two years commencing from 1 July 2016 to 30 June 2018 (both dates inclusive). In consideration of the agency services provided by Fortune Concept, the Group shall pay Fortune Concept a sales commission amounting to 15% of the aggregate sales price of the KC/TB Watches delivered to Fortune Concept for the sale of such KC/TB Watches to the relevant airlines each month. During FY2017, the aggregate transaction amount for obtaining agency services from Fortune Concept under the Sales Agency Agreement was approximately HK$0.8 million (FY2016: nil).

DIRECTORS' REPORT

(e) Pursuant to an agreement entered into between ILG of Switzerland Ltd ("**ILG**") and the Group dated 17 August 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 to ILG and its subsidiaries ("**ILG Group**") for a term of two years commencing from 1 July 2016 to 30 June 2018 (both dates inclusive) unless terminated earlier by a party serving three months notice in writing on the other party. Any member of the ILG Group may from time to time deliver services notice ("**E&I Services Notice**") in writing to the Group which shall specify, among other matters, (i) such multi-brand watches and/or accessories to be purchased and taken delivery by a member of the Group in the PRC or Hong Kong (the "**Import Agent**") from the ILG Group, which would in turn be sold by the Group to another member of the ILG Group in the PRC or Hong Kong; and (ii) the aggregate purchase price of the watches and/or accessories ordered and purchased. The Group shall provide the export and import services to the ILG Group by the Import Agent entering into the contracts with the relevant member of the ILG Group for the purchase of such watches and/or accessories at such purchase price as specified in the E&I Services Notice. In consideration of the export and import services performed by the Group in respect of each sale and purchase contract, ILG shall pay the Group a service fee amounting to the higher of (i) 2.5% of the selling price which is equal to the aggregate of (i) the purchase price paid by the Group for such watches and/or accessories; (ii) custom duty; (iii) value-added tax; and (iv) other taxation and levy payable or paid by the Group for the purpose of the export and import of such watches and/or accessories from Hong Kong into the PRC or (as the case may be) from the PRC into Hong Kong, and (ii) HK$16,000. The service fee has been 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 FY2017, the aggregate service fees derived from provision of export and import services of watches and accessories by the Group pursuant to the E&I Agreement was approximately HK$35,000 (FY2016: nil). Further details about the connection between ILG and the Company are set out under sub-paragraph (k) below.

(f) Pursuant to a watch movement supply agreement entered into between the Group and ILG dated 17 August 2016 (the "**Watch Movement Supply Agreement**") for a term of two years commencing from 1 July 2016 to 30 June 2018 (both dates inclusive), the Group agreed to supply watch movements to the ILG Group. During the term of the Watch Movement Supply Agreement, any member of the ILG Group may from time to time seek the latest quotation from the Group for the purchase of watch movements and place orders with the Group for the purchase of watch movements for delivery to the ILG Group's designated location by way of purchase orders, 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 FY2017, the aggregate revenue from sale of watch movements by the Group to the ILG Group was approximately HK$13.9 million (FY2016: HK$4.6 million). Further details about the connection between ILG and the Company are set out under sub-paragraph (k) below.

(g) Pursuant to an agreement entered into between the Group and Good Base Evertime Limited ("**Good Base**") dated 17 August 2016 (the "**Watch Procurement Agreement**") for a term of one year commencing from 1 July 2016 to 30 June 2017 (both dates inclusive) unless terminated earlier by a party serving three months notice in writing on the other party, 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. During the term of the Watch Procurement Agreement, Good Base shall, at such time as reasonably requested by the Group, submit to the relevant member of the Group materials, designs, sketches, colors, samples and ideas of watches twice a year for consideration and selection by the Group. Subject to the Group's approval of the design of watches rendered by Good Base, the Group shall purchase the watches from Good Base by placing purchase orders. 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, depending on the complexity of the design, choice of raw materials and other requirement of production at the range of 105% to 110% of the cost of procurement and production in respect of such watches. During FY2017, the aggregate transaction amount for the transaction under the Watch Procurement Agreement was approximately HK$123.2 million (FY2016: HK$33.0 million). Further details about the connection between Good Base and the Company are set out under sub-paragraph (k) below.

(h) On 28 September 2016, the Group entered into an agency agreement ("**Asia Sales agency Agreement**") with Fortune Concept, agency agreement ("**Europe Sales Agency Agreement**") with Swiss Fashion Time GmbH ("**Swiss Fashion Time**") and agency agreement ("**Middle East Sales Agency Agreement**") with Swiss Watch Group DWC LLC ("**Swiss Watch Group**") in relation to the appointment of each of Fortune Concept, Swiss Fashion Time and Swiss Watch Group as non-exclusive agent for the sale of watch(es) which carry(ies) the trademarks of "Kenneth Cole" or (as the case may be) "Ted Baker" in the Asia region, the Europe region and the Middle East region, respectively for a term commencing from 1 October 2016 and ending on 30 June 2017 (both dates inclusive). In consideration of the agency services provided by Fortune Concept, Swiss Fashion Time and Swiss Watch Group, the Group shall pay to each of Fortune Concept, Swiss Fashion Time and Swiss Watch Group an agency fee of US$10,000 (equivalent to approximately HK$77,600), US$20,000 (equivalent to approximately HK$155,200) and US$4,000 (equivalent to approximately HK$31,040), respectively, per month. The Europe Sales Agency Agreement was terminated on 16 February 2017 with retrospective effect from 31 January 2017. Please refer to the announcement of the Company dated 16 February 2017 for further details of the termination. During FY2017, the aggregate agency fee paid by the Group under each of the Asia Sales Agency Agreement, the Europe Sales Agency Agreement and the Middle East Sales Agency Agreement was approximately HK$698,400, HK$620,800 and HK$279,360 respectively (FY2016: nil). Further details about the connection between Fortune Concept, Swiss Fashion Time and Swiss Watch Group and the Company are set out under sub-paragraph (k) below.

DIRECTORS' REPORT

(i) Pursuant to an agency agreement ("**Agency Agreement**") dated 22 November 2016 and entered into between ILG and the Group, the Group was appointed as agent for the sales of off-season multi-brand watches and accessories of the ILG Group or those of which the ILG Group is licensed to distribute ("**Off-season Products**") to the retailers for sale of watches in the United States to whom the Group shall re-sell the Off-season Products purchased from the ILG Group ("**US Customer(s)**") for a term commencing from 1 October 2016 to 30 June 2017 (both dates inclusive) unless terminated earlier by a party serving three months notice in writing on the other party. During the term of the Agency Agreement, the Group shall (i) enter into purchase contracts (the "**Purchase Contract**") with such member of the ILG Group for the purchase of such Off-season Products at such purchase price (the "**Purchase Price**") as specified in the services notice; and (ii) enter into sale contracts (the "**Sale Contract**") with such US Customer for the sale of such Off-season Products to such US Customer at the relevant selling price. In consideration of the agency services performed by the Group in respect of each Purchase Contract and Sale Contract, ILG shall pay the Group a sales commission amounting to 5% of the aggregate Purchase Price of the Off-season Products delivered by the ILG Group to the Group for sale to the relevant US Customer. During FY2017, the aggregate transaction amount for the provision of the agency services was approximately HK$11.3 million (FY2016: nil). Further details about the connection between ILG and the Company are set out under sub-paragraph (k) below.

(j) Pursuant to a services agreement entered into between the Group and Fortune Concept dated 28 September 2016 (as amended by a supplemental agreement ("**Supplemental Administrative Agreement**") dated 16 February 2017) entered into by Fortune Concept and the Group ("**Administrative Services Agreement**"), the Group has engaged Fortune Concept to provide administrative services in relation to Group's sales of multi-brand watches and accessories or those of which the Group is licensed to distribute in any place of the world (other than the United States) ("**Administrative Services**") for a term commencing from 1 October 2016 and ending on 30 June 2017 (both dates inclusive) unless terminated earlier by a party serving three months notice in writing on the other party. In consideration of the Administrative Services provided by Fortune Concept, the Group shall pay Fortune Concept a services fee of HK$230,000 per month. During FY2017, the aggregate services fee paid by the Group under the Administrative Services Agreement was approximately HK$1,942,000 (FY2016: nil). Further details about the connection between Fortune Concept and the Company are set out under sub-paragraph (k) below.

Pursuant to the Supplemental Administrative Agreement, the parties have agreed to revise the services fee of the Administrative Services under the Administrative Services Agreement from HK$230,000 per month to HK$198,000 per month with effect from 1 March 2017. Please refer to the announcement of the Company dated 16 February 2017 for further details of the Supplemental Administrative Agreement.

(k) In relation to each of the US Distribution Agreement, the Sales Agency Agreement, the E&I Agreement, the Watch Movement Supply Agreement, the Watch Procurement Agreement, the Asia Sales Agency Agreement, the Europe Sales Agency Agreement, the Middle East Sales Agency Agreement, the Administrative Services Agreement and the Agency 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 (an indirect non-wholly owned subsidiary of the Company); (3) Mr. Frommherz was a director of Geneva Watch Group, Inc ("**GWG**") (an indirect non-wholly-owned subsidiary of the Company); and (4) each of Good Base, Fortune Concept, Swiss Fashion Time, Swiss Watch Group and PTFE is wholly owned by ILG, each of ILG, Good Base, Fortune Concept, Swiss Fashion Time, Swiss Watch Group, PTFE 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, 31 May 2016, 17 August 2016, 28 September 2016, 22 November 2016, 16 February 2017 and 20 April 2017 for further details of the aforementioned continuing connected transactions.

(l) Pursuant to a tenancy agreement entered into between Winning Asia Holdings Group Limited ("**Winning Asia**") and the Group dated 31 May 2016, 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 2016 and ending on 30 June 2017 (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 FY2017, the rent paid by the Group to Winning Asia for rental of the said premises was HK$4,284,000 (FY2016: HK$4,284,000).

As Winning Asia is wholly-owned by 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.

(m) 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 31 May 2016, 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 one year commencing from 1 July 2016 and ending on 30 June 2017 (both days inclusive) at a monthly rent of RMB32,467 inclusive 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 FY2017, the rent paid by the Group to Zhengzhou Hengdi for rental of the said premises was RMB389,600 (FY2016: RMB272,724).

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.

DIRECTORS' REPORT

(n) Pursuant to a master production agreement ("**Master Production Agreement**") entered into between the Group and FM Swiss Logistic SA ("**FM Swiss**") dated 22 November 2016, the Group outsourced and licensed the rights of production of watches (including but not limited to their parts and accessories) bearing the mark "Balco" or "拜戈", which has been registered by Balco Switzerland ("**Balco Watches**") to FM Swiss for a term of three years commencing from 22 November 2016 and it shall be automatically renewed for another term of three years upon expiry of the initial term unless terminated by either party by giving notice in writing to the other party at least six months prior to the expiry of the then term. In consideration of Balco Watches to be supplied by FM Swiss, the Group shall pay to FM Swiss the purchase price per unit of the Balco Watches to be supplied by FM Swiss which shall be on a cost plus basis and shall be, depending on the complexity of the design, components, materials used and other requirements of production, at the range of 5% to 20% of the cost of materials and components as quoted to the Group in respect of the production of such Balco Watches. For FY2017, the aggregate purchase amount of Balco Watches under the Master Production Agreement was approximately HK$24.9 million (FY2016: nil).

As (i) FM Swiss is owned as to 50% by Mr. Frommherz; and (ii) Mr. Frommherz is a director of GWG, FM Swiss is a connected person of the Company at the subsidiary level.

(o) Pursuant to a services agreement ("**Procurement Administrative Services Agreement**") entered into between the Group and East Base Limited ("**East Base**") dated 20 April 2017, the Group has engaged East Base to provide administrative services in relation to the Group's procurement of the multi-brand watches and accessories or those of which the Group is licensed to distribute ("**Multi-brand Watches**") for its global distribution of Multi-brand Watches ("**Procurement Administrative Services**") for a term commencing from 1 April 2017 and ending on 30 June 2018 (both dates inclusive) unless terminated earlier by a party serving three months notice in writing on the other party. In consideration of the Procurement Administrative Services provided by East Base, the Group shall pay a fixed fee of HK$78,250 per month and in respect of performing quality control for the Multi-brand Watches, the Group shall pay a fixed fee per Multi-brand Watch shipped, with a higher fee for stainless steel Multi-brand Watches and a lower fee for alloy Multi-brand Watches. For FY2017, the aggregate services fee paid by the Group to East Base was approximately HK$234,750 (FY2016: nil).

As (i) East Base is owned as to 99.99% by ILG, which is owned as to approximately 59.8% by Mr. Chainani and his brother; and (ii) Mr. Chainani is the sole shareholder of IWG, being a substantial shareholder of TWB, a non-wholly owned subsidiary of the Company, each of ILG and other members of the ILG Group (including East Base) is a connected person of the Company at the subsidiary level.

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$117.5 million, 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 FY2017, 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 FY2017.

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 FY2017 amounted to approximately HK$5.9 million (FY2016: HK$0.1 million). 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 133 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 2017 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 28 to page 38 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 FY2017.

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 FY2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PERMITTED INDEMNITY PROVISIONS

During FY2017 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 FY2017.

AUDITORS

The Company has appointed Deloitte Touche Tohmatsu as auditors of the Company for FY2017 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 2018 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 2017

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

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 60 to 132, which comprise the consolidated statement of financial position as at 30 June 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories	
We identified the valuation of inventories as a key audit matter because of its significance to the consolidated financial statements, and the significant judgement exercised by management in identifying slow-moving inventory items that are no longer suitable for use in production or for sale and determining the appropriate levels of write down of inventories. As set out in note 4 to the consolidated financial statements, in determining the write down of obsolete and slow-moving inventory items, the management reviews the ageing of inventories and carries out an inventory review on a product-by-product basis with reference to subsequent sales and usage of inventories, latest selling prices and current market condition. As at 30 June 2017, the carrying amount of inventories is approximately HK$549,104,000 and write down of inventories of approximately HK$16,134,000 was charged to profit or loss for the year then ended as set out in note 19 to the consolidated financial statements.	Our procedures in relation to evaluating the reasonableness of the valuation of inventories included: • Understanding the inventory allowance policy of the Group in the identification of slow-moving inventories and measurement of the write down of inventories; • Assessing whether the inventory allowance at the end of the reporting period was calculated in a manner consistent with the Group's inventory write down policy; • Testing the accuracy of the Group's inventory ageing analysis, on a sample basis, to purchase invoices or production notes and assessing whether the write down of inventories is reasonable based on the factors considered by the management; • Enquiring the management and the sales team about any expected changes in plans for the markdown of selling price of slow-moving inventories; and • Assessing the reasonableness of the estimation of the net realisable value of inventories with reference to usage and sales of inventories subsequent to the end of the reporting period and latest selling prices, on a sample basis.

Key audit matter	How our audit addressed the key audit matter
Valuation of trade receivables	
We identified the valuation of trade receivables as a key audit matter due to its significance to the consolidated financial statements, and the use of judgement and estimates by the management on the evaluation of the recoverability of trade receivables. As set out in note 4 to the consolidated financial statements, in determining the allowance for doubtful debts, the management considers the credit history of its customers, including default or delay in payments, settlement records, subsequent settlements and ageing analysis of the trade receivables. As at 30 June 2017, the carrying amount of trade receivables is approximately HK$418,265,000. An amount of approximately HK$1,630,000 was recognised as impairment loss as at 30 June 2017 due to financial difficulties of the relevant customers as set out in note 20 to the consolidated financial statements.	Our procedures in relation to evaluating the recoverability of trade receivables included: • Obtaining an understanding of how the allowance for doubtful debts was estimated by management; • Testing the accuracy of the Group's trade receivables ageing analysis, on a sample basis, to date of delivery of goods; • Assessing the reasonableness of allowance for doubtful debts made by the management with reference to the credit history of its customers, including default or delay in payments, settlement records, subsequent settlements and ageing analysis of the trade receivables; • Testing the subsequent settlements, on a sample basis, to bank remittance advice; and • Inquiring management for follow up plan on overdue trade receivables without subsequent settlement.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 HKFRSs issued by 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wan Chi Lap.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	NOTES	**2017** **HK$'000**	2016 HK$'000
Revenue	5	**2,762,884**	2,606,570
Cost of sales		**(913,973)**	(822,109)
Gross profit		**1,848,911**	1,784,461
Other income, gains and losses	8	**29,434**	7,822
Selling and distribution costs		**(1,382,121)**	(1,271,093)
Administrative expenses		**(197,624)**	(179,183)
Other expenses	8	**–**	(12,742)
Finance costs	9	**(8,409)**	(4,275)
Profit before taxation		**290,191**	324,990
Income tax	10	**(102,073)**	(77,696)
Profit for the year	11	**188,118**	247,294
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of leasehold land and buildings		**3,565**	349
Exchange differences arising on translation		**(11,157)**	(75,506)
Items that may be reclassified subsequently to profit or loss:			
Fair value change of available-for-sale investments		**(2,001)**	(1,271)
Reclassification adjustment relating to available-for-sale investment disposed of during the year		**883**	–
		(8,710)	(76,428)
Total comprehensive income for the year		**179,408**	170,866
Profit (loss) for the year attributable to:			
Owners of the Company		**235,744**	296,341
Non-controlling interests		**(47,626)**	(49,047)
		188,118	247,294
Total comprehensive income (expense) attributable to:			
Owners of the Company		**228,236**	223,603
Non-controlling interests		**(48,828)**	(52,737)
		179,408	170,866
Earnings per share	13		
– Basic (HK cents)		**11.3**	14.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	14	**162,475**	172,655
Prepaid lease payments	15	**37,745**	39,608
Investment property	16	**104,946**	–
Intangible assets	17	**–**	7,086
Deposits paid for acquisition of property, plant and equipment		**4,301**	507
Available-for-sale investments	18	**19,744**	36,006
Deferred tax assets	26	**28,238**	22,145
		357,449	278,007
Current assets			
Inventories	19	**549,104**	645,041
Prepaid lease payments	15	**1,320**	1,339
Trade receivables	20	**418,265**	409,023
Other receivables, deposits and prepayments	20	**165,939**	131,613
Tax recoverable		**1,491**	–
Available-for-sale investments	18	**65,553**	65,018
Structured deposits	21	**172,650**	–
Pledged bank deposits	22	**6,192**	2,000
Short-term deposits	22	**–**	180,000
Bank balances and cash	22	**658,808**	498,126
		2,039,322	1,932,160
Current liabilities			
Trade payables and bills payable	23	**122,101**	117,736
Other payables and accrued charges	23	**145,255**	132,700
Tax liabilities		**39,963**	35,072
Bank borrowings and overdraft	24	**65,018**	60,511
		372,337	346,019
Net current assets		**1,666,985**	1,586,141
Total assets less current liabilities		**2,024,434**	1,864,148

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	NOTES	**2017** **HK$'000**	2016 *HK$'000*
Capital and reserves			
Share capital	*25*	**207,995**	207,995
Reserves		**1,670,030**	1,544,058
Equity attributable to owners of the Company		**1,878,025**	1,752,053
Non-controlling interests		**(29,923)**	19,708
Total equity		**1,848,102**	1,771,761
Non-current liabilities			
Deferred tax liabilities	*26*	**60,972**	42,706
Other loans	*27*	**115,360**	49,681
		176,332	92,387
		2,024,434	1,864,148

The consolidated financial statements on pages 60 to 132 were approved and authorised for issue by the Board of Directors on 27 September 2017 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 2017

	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 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 12)*	–	–	–	–	–	–	–	(103,997)	(103,997)	–	(103,997)
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	(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
Profit (loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**235,744**	**235,744**	**(47,626)**	**188,118**
Exchange differences arising on translation	**-**	**-**	**-**	**(9,955)**	**-**	**-**	**-**	**-**	**(9,955)**	**(1,202)**	**(11,157)**
Gain on revaluation of leasehold land and buildings	**-**	**-**	**-**	**-**	**-**	**3,565**	**-**	**-**	**3,565**	**-**	**3,565**
Fair value change of available-for-sale investments	**-**	**-**	**-**	**-**	**(2,001)**	**-**	**-**	**-**	**(2,001)**	**-**	**(2,001)**
Reclassification adjustment relating to available-for-sale investment disposed of during the year	**-**	**-**	**-**	**-**	**883**	**-**	**-**	**-**	**883**	**-**	**883**
Total comprehensive (expense) income for the year	**-**	**-**	**-**	**(9,955)**	**(1,118)**	**3,565**	**-**	**235,744**	**228,236**	**(48,828)**	**179,408**
Appropriation to reserve	**-**	**-**	**-**	**-**	**-**	**-**	**648**	**(648)**	**-**	**-**	**-**
Dividends recognised as distribution during the year *(note 12)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(103,997)**	**(103,997)**	**-**	**(103,997)**
Dividends declared by subsidiaries to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,470)**	**(2,470)**
Deemed contribution from a non-controlling interest arising from loan from a non-controlling interest of a subsidiary	**-**	**-**	**1,733**	**-**	**-**	**-**	**-**	**-**	**1,733**	**1,667**	**3,400**
At 30 June 2017	**207,995**	**511,101**	**(230,345)**	**(36,342)**	**(2,389)**	**3,914**	**69,594**	**1,354,497**	**1,878,025**	**(29,923)**	**1,848,102**

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 2017

	NOTE	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**290,191**	324,990
Adjustments for:			
Allowance for obsolete inventories		**16,134**	22,004
Allowance for (reversal of allowance for) doubtful debts		**1,630**	(7,039)
Depreciation of property, plant and equipment		**82,270**	77,248
Loss on disposal and written-off of property, plant and equipment		**9,408**	10,177
Amortisation of prepaid lease payments		**1,308**	1,346
Gain on disposal of intangible asset		**(1,758)**	–
Written-off of intangible asset		**4,190**	–
Loss on disposal of available-for-sale investments		**828**	–
Interest expenses		**8,409**	4,275
Interest income		**(10,528)**	(8,739)
Operating cash flows before movements in working capital		**402,082**	424,262
Decrease (increase) in inventories		**72,847**	(10,311)
(Increase) decrease in trade receivables		**(15,191)**	23,120
Increase in other receivables, deposits and prepayments		**(33,371)**	(2,020)
Increase in trade payables and bills payable		**5,150**	10,727
Increase (decrease) in other payables and accrued charges		**15,492**	(9,113)
Cash generated from operations		**447,009**	436,665
Interest received		**10,528**	8,029
Income tax paid		**(85,773)**	(96,723)
NET CASH FROM OPERATING ACTIVITIES		**371,764**	347,971
INVESTING ACTIVITIES			
Structured deposits placed		**(171,150)**	–
Withdrawal of structured deposits		**–**	120,500
Withdrawal of (new) short-term deposits placed		**180,000**	(180,000)
New pledged bank deposit placed		**(4,192)**	(2,000)
Purchase of available-for-sale investments		**(50,543)**	(101,585)
Purchase of property, plant and equipment		**(80,545)**	(87,888)
Purchase of investment property		**(104,946)**	–
Additions of prepaid lease payment		**–**	(6,512)
Deposits paid for acquisition of property, plant and equipment		**(4,260)**	(524)
Proceeds from disposal of property, plant and equipment		**61**	115
Proceeds from disposal of available-for-sale investments		**64,876**	–
Proceeds from disposal of intangible asset		**4,659**	–
Acquisition of business	29	**–**	(116,280)
Cash distribution to non-controlling interest upon deregistration of a subsidiary		**–**	(8,554)
NET CASH USED IN INVESTING ACTIVITIES		**(166,040)**	(382,728)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	2017 HK$'000	2016 HK$'000
FINANCING ACTIVITIES		
Dividends paid	**(103,997)**	(103,997)
Dividends paid to non-controlling interests of subsidiaries	**(2,470)**	(5,654)
Contribution from non-controlling interests of subsidiaries	**–**	22,620
Interest paid	**(5,821)**	(3,388)
Borrowings raised	**531,057**	390,524
Other loans raised	**69,730**	53,304
Repayment of borrowings	**(529,626)**	(368,954)
Repayment of other loans	**(3,883)**	–
Advance from a non-controlling interest of a subsidiary	**2,450**	–
Repayment to a non-controlling interest of a subsidiary	**(3,420)**	–
NET CASH USED IN FINANCING ACTIVITIES	**(45,980)**	(15,545)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**159,744**	(50,302)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**493,238**	550,510
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,974)**	(6,970)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**651,008**	493,238
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**658,808**	498,126
Bank overdraft	**(7,800)**	(4,888)
	651,008	493,238

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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 35.

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")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

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

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

Amendments to HKAS 1 Disclosure Initiative

The Group has applied the amendments to HKAS 1 "Disclosure Initiative" for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. Hence, the grouping and ordering of certain notes have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Specifically, information to capital risk management and financial instruments was reordered to notes 32 and 33 respectively. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in its consolidated financial statements.

New and amendments to HKFRSs and interpretations in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 cycle except for Amendments to HKFRS 12[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

New and amendments to HKFRSs and interpretations in issue but not yet effective (cont'd)

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

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

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 HKFRS 9 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 fair value through other comprehensive income ("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.

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 2017, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. 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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold land for owned use and those classified as investment property while other operating lease payments are presented as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold land where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2017, the Group has non-cancellable operating lease commitments of approximately HK$68,467,000 as disclosed in note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Except as disclosed above, the directors of the Company do not anticipate that the application of the other new and amendments to HKFRSs and interpretations will have 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.

The consolidated financial statements have been prepared on the historical cost basis except for leasehold land and buildings, investment property 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 "Leases", 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 "Inventories" or value in use for the purposes of impairment assessment in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 2017

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.

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 amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. 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 2017

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Intangible assets (cont'd)

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).

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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. 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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of 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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Retirement benefits costs

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

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Taxation (cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

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 2017

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.

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).

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 deposits, 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.

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 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 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 2017

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 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 other loans are subsequently measured at amortised cost, using the effective interest method.

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.

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND 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 critical judgements involving estimations, 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.

Valuation of inventories

The management of the Group reviews ageing analysis and also carries out inventory review on a product-by-product basis with reference to its plans of markdown or disposal at the end of each reporting period and writes down slow-moving inventory items identified that are no longer suitable for use in production or for sale. Where the actual net realisable values of the inventories are less than expected, further write down of inventories may arise.

During the year ended 30 June 2017, write down of inventories of approximately HK$16,134,000 (2016: HK$22,004,000) was charged to profit or loss. As at 30 June 2017, the carrying amount of the Group's inventories is approximately HK$549,104,000 (2016: HK$645,041,000).

Valuation of trade receivables

In determining the impairment loss on trade receivables of the Group is based on the management's judgement on the evaluation of recoverability of the trade receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables based on credit history of its customers, including default or delay in payments, settlement records, subsequent settlements and ageing analysis of the trade receivables. The amount of the impairment loss on trade receivables is measured as the difference between the carrying amount of the trade receivables and the expected cash inflows in foreseeable future. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, further impairment loss may arise.

As at 30 June 2017, the carrying amount of the Group's trade receivable is approximately HK$418,265,000 (2016: HK$409,023,000). An amount of approximately HK$1,630,000 (2016: HK$2,999,000) was recognised as allowance for doubtful debts due to financial difficulties of the relevant customers, and no reversal of allowance for doubtful debts (2016: HK$1,304,000) was recognised due to the recovery of doubtful debts from debtors during the year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Estimate fair value of investment property

Investment property was revalued at the end of the reporting period using direct comparison approach by independent qualified professional valuer. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the valuation, management of the Group has made judgement in identifying relevant properties for comparison. The assumptions used are intended to reflect conditions existing at the end of the reporting period. Where there are any changes in the assumptions due to the market conditions in Hong Kong, the estimate of fair value of investment property may be significantly affected. As at 30 June 2017, investment property of approximately HK$104,946,000 was revalued.

5. REVENUE AND SEGMENT INFORMATION

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

a. Tian Wang Watch Business – Manufacturing, trading and retailing business of owned brand watches – Tian Wang Watch;

b. Balco Watch Business – Trading and retailing business of owned brand watches – Balco Watch;

c. Watch Movements Trading Business – Trading of watch movements;

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

e. Other Brands (Global) Business – Global distribution of owned and licensed international brands of watches.

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. Details of the acquisition are set out in note 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Segment revenue and results

Year ended 30 June 2017

	Tian Wang Watch Business HK$'000	Balco Watch Business HK$'000	Watch Movements Trading Business HK$'000	Other Brands (PRC) Business HK$'000	Other Brands (Global) Business HK$'000	Consolidated HK$'000
Revenue						
External sales	1,927,868	128,253	151,298	239,351	316,114	2,762,884
Inter-segment sales	–	–	70,520	–	–	70,520
Segment revenue	1,927,868	128,253	221,818	239,351	316,114	2,833,404
Elimination						(70,520)
Group revenue						2,762,884
Results						
Segment results	450,668	(20,317)	1,958	(15,396)	(87,535)	329,378
Interest income						10,528
Unallocated other income, gains and losses						2,123
Central administration costs						(43,429)
Finance costs						(8,409)
Profit before taxation						290,191

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Segment revenue and results (cont'd)

Year ended 30 June 2016

	Tian Wang Watch Business *HK$'000*	Balco Watch Business *HK$'000*	Watch Movements Trading Business *HK$'000*	Other Brands (PRC) Business *HK$'000*	Other Brands (Global) Business *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 income, gains and losses						8,734
Central administration costs						(41,999)
Finance costs						(4,275)
Profit before taxation						324,990

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

5. 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 2017

	Tian Wang Watch Business *HK$'000*	Balco Watch Business *HK$'000*	Watch Movements Trading Business *HK$'000*	Other Brands (PRC) Business *HK$'000*	Other Brands (Global) Business *HK$'000*	Consolidated *HK$'000*
ASSETS						
Segment assets	796,183	213,602	53,602	142,427	117,649	1,323,463
Tax recoverable						1,491
Pledged bank deposits						6,192
Structured deposits						172,650
Bank balances and cash						658,808
Investment property						104,946
Available-for-sale investments						85,297
Deferred tax assets						28,238
Other assets						15,686
Consolidated total assets						2,396,771
LIABILITIES						
Segment liabilities	129,451	11,238	9,767	21,677	79,932	252,065
Tax liabilities						39,963
Bank borrowings and overdraft						65,018
Other loans						115,360
Deferred tax liabilities						60,972
Other liabilities						15,291
Consolidated total liabilities						548,669

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Segment assets and liabilities (cont'd)

As at 30 June 2016

	Tian Wang Watch Business HK$'000	Balco Watch Business HK$'000	Watch Movements Trading Business HK$'000	Other Brands (PRC) Business HK$'000	Other Brands (Global) Business HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	769,307	264,402	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
Other loan						49,681
Deferred tax liabilities						42,706
Other liabilities						11,857
Consolidated total liabilities						438,406

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

- all assets are allocated to operating segments, other than investment property, available-for-sale investments, structured deposits, pledged bank deposits, short-term deposits, bank balances and cash, tax recoverable, deferred tax assets and certain corporate assets.

- all liabilities are allocated to operating segments, other than tax liabilities, bank borrowings and overdraft, other loans, deferred tax liabilities and certain corporate liabilities.

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For the year ended 30 June 2017

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Other segment information

Year ended 30 June 2017

	Tian Wang Watch Business HK$'000	Balco Watch Business HK$'000	Watch Movements Trading Business HK$'000	Other Brands (PRC) Business HK$'000	Other Brands (Global) Business 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	65,741	11,196	3	1,521	1,197	355	80,013
Depreciation of property, plant and equipment	67,261	8,530	58	3,323	626	2,472	82,270
Loss on disposal and written-off of property, plant and equipment	8,305	–	–	1,103	–	–	9,408
Gain on disposal of intangible asset	–	–	–	–	(1,758)	–	(1,758)
Write-off of intangible asset	–	–	–	–	4,190	–	4,190
Amortisation of prepaid lease payments	1,206	102	–	–	–	–	1,308
Deposits paid for acquisition of property, plant and equipment	4,260	–	–	–	–	–	4,260
Allowance for inventories	634	7,251	459	7,790	–	–	16,134
Allowance for doubtful debts	188	1,140	302	–	–	–	1,630

Year ended 30 June 2016

	Tian Wang Watch Business HK$'000	Balco Watch Business HK$'000	Watch Movements Trading Business HK$'000	Other Brands (PRC) Business HK$'000	Other Brands (Global) Business 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	6,512	–	–	–	–	–	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 inventories	10,243	3,355	–	8,406	–	–	22,004
Allowance for doubtful debts, net	217	55	558	865	–	–	1,695

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Information about major customers

There is no single customer contributing over 10% of total revenue of the Group for the years ended 30 June 2017 and 2016.

Geographical information

The Group's operations are located in the PRC, Hong Kong and the United States of America (the "USA"). 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:

	2017	2016
	HK$'000	*HK$'000*
The PRC	**2,272,373**	2,225,927
Asia Pacific (besides the PRC)	**222,324**	214,848
North and South America	**222,582**	142,002
Europe	**27,309**	13,450
Middle East	**18,296**	10,343
	2,762,884	2,606,570

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

	2017	2016
	HK$'000	*HK$'000*
The PRC	**172,103**	181,559
Hong Kong	**135,758**	30,185
The USA	**1,606**	8,112
	309,467	219,856

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

6. 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 2017								
Fee	**90**	**90**	**90**	**90**	**240**	**240**	**240**	**1,080**
Salaries and allowances	**6,998**	**790**	**811**	**1,173**	**–**	**–**	**–**	**9,772**
Bonus *(Note a)*	**–**	**68**	**113**	**117**	**–**	**–**	**–**	**298**
Contributions to retirement benefit scheme	**2**	**18**	**23**	**51**	**–**	**–**	**–**	**94**
Total remuneration	**7,090**	**966**	**1,037**	**1,431**	**240**	**240**	**240**	**11,244**

	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

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.

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 2017 and 2016, 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.

7. EMPLOYEES' EMOLUMENTS

The five highest paid individuals include one director of the Company for the year ended 30 June 2017 (2016: two). The emoluments of the remaining four individuals for the year ended 30 June 2017 (2016: three) are as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Salaries and other benefits	**10,238**	7,200
Contributions to retirement benefit scheme	**36**	18
	10,274	7,218

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

	2017 **Number of individuals**	2016 Number of individuals
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**2**	1
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**1**	–

During the years ended 30 June 2017 and 2016, 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 2017

8. OTHER INCOME, GAINS AND LOSSES/OTHER EXPENSES

	2017 HK$'000	2016 HK$'000
Other income:		
Bank interest income	4,977	8,029
Interest income on available-for-sale investments	5,551	710
Watch repair and maintenance services income	7,203	5,765
Government subsidies *(Note)*	15,174	6,461
Rental income	4,128	2,612
Others	7,548	6,493
	44,581	30,070
Other gains and losses:		
Allowance for doubtful debts, net	(1,630)	(1,695)
Reversal of allowance for other receivables	–	8,734
Loss on disposal and written-off of property, plant and equipment	(9,408)	(10,177)
Loss on disposal of available-for-sale investments	(828)	–
Gain on disposal of intangible asset	1,758	–
Written-off of intangible asset	(4,190)	–
Net exchange loss	(849)	(19,110)
	(15,147)	(22,248)
	29,434	7,822

Note: The amount represents (i) government subsidies from local finance bureau which are calculated by reference to the amount of tax paid 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 ended 30 June 2016 represented the legal and professional fee and consultancy fee incurred for the acquisition of a business. Details of acquisition are set out in note 29.

9. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank borrowings	**4,781**	3,388
Interest on loan from a director	**36**	–
Interest on loan from a related party	**1,024**	–
Imputed interest on loan from a non-controlling interest of a subsidiary	**2,568**	887
	8,409	4,275

10. INCOME TAX

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**–**	1,020
PRC Enterprise Income Tax	**86,215**	75,860
PRC withholding tax	**3,548**	28,786
	89,763	105,666
Underprovision (overprovision) in prior years:		
Hong Kong Profits Tax	**–**	35
PRC Enterprise Income Tax	**137**	(22,930)
	89,900	82,771
Deferred taxation *(note 26)*	**12,173**	(5,075)
	102,073	77,696

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

10. INCOME TAX (cont'd)

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 both years. 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 ending 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 both years since this subsidiary incurred tax loss for both years.

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

Dividends distributed from the PRC subsidiaries are subject to withholding tax at 5%. 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 26.

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

	2017 ***HK$'000***	2016 *HK$'000*
Profit before taxation	**290,191**	324,990
Tax at the PRC Enterprise Income Tax rate of 25%	**72,548**	81,248
Tax effect of expenses not deductible for tax purpose	**12,982**	14,255
Tax effect of income not taxable for tax purpose	**(4,854)**	(4,434)
Income tax on concession and preferential tax rates	**(31,409)**	(40,066)
Tax effect of tax loss not recognised	**37,642**	34,441
Underprovision (overprovision) in prior years	**137**	(22,895)
Additional tax benefit to the Group *(Note)*	**(5,827)**	(5,443)
Withholding tax for distributable earnings of PRC subsidiaries	**20,854**	20,590
Tax charge for the year	**102,073**	77,696

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$5,827,000 for the year ended 30 June 2017 (2016: HK$5,443,000).

11. PROFIT FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**2,640**	2,114
Directors' remuneration *(note 6)*		
Fees	**1,080**	1,062
Other emoluments	**10,070**	6,958
Retirement benefits scheme contributions	**94**	89
	11,244	8,109
Other staff costs	**416,527**	397,894
Retirement benefits scheme contributions	**48,808**	44,842
Total staff costs	**476,579**	450,845
Depreciation of property, plant and equipment	**82,270**	77,248
Cost of inventories recognised as cost of sales	**851,223**	755,694
Research and development costs recognised as cost of sales	**46,616**	44,411
Allowance for inventories recognised as cost of sales	**16,134**	22,004
Concessionaire fee *(Note)*	**493,740**	512,389
Operating lease payment in respect of shop counters and shops	**25,498**	26,735
Operating lease payment in respect of office premises and factories	**21,992**	16,871

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

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For the year ended 30 June 2017

12. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2017 Interim – HK2 cents (2016 Interim – HK2 cents) per share	**41,599**	41,599
2016 Final – HK3 cents (2015 Final – HK3 cents) per share	**62,398**	62,398
	103,997	103,997

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 30 June 2017 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.

13. EARNINGS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purposes of calculating basic earnings per share – profit for the year attributable to owners of the Company	**235,744**	296,341
	'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.

14. 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 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
Exchange adjustments	–	(572)	(91)	(45)	(215)	(196)	(3,044)	–	56	(4,107)
Additions	–	1,647	1,324	297	3,290	789	66,553	–	6,113	80,013
Revaluation	3,205	–	–	–	–	–	–	–	–	3,205
Disposals and written-off	–	(2,906)	–	(36)	(1,436)	–	(28,714)	–	–	(33,092)
At 30 June 2017	**14,720**	**42,514**	**8,787**	**4,614**	**19,868**	**25,050**	**283,437**	**12,250**	**6,484**	**417,724**
Comprising:										
At cost	–	42,514	8,787	4,614	19,868	25,050	283,437	12,250	6,484	403,004
At valuation	14,720	–	–	–	–	–	–	–	–	14,720
	14,720	42,514	8,787	4,614	19,868	25,050	283,437	12,250	6,484	417,724
DEPRECIATION										
At 1 July 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
Exchange adjustments	–	(305)	(34)	(23)	(132)	(102)	(1,492)	–	–	(2,088)
Provided for the year	360	8,617	1,227	557	3,980	2,568	63,736	1,225	–	82,270
Eliminated on disposals and written-off	–	(1,803)	–	(36)	(1,247)	–	(20,537)	–	–	(23,623)
Eliminated on revaluation	(360)	–	–	–	–	–	–	–	–	(360)
At 30 June 2017	**–**	**32,993**	**4,495**	**2,753**	**14,633**	**15,336**	**181,568**	**3,471**	**–**	**255,249**
CARRYING VALUES										
At 30 June 2017	**14,720**	**9,521**	**4,292**	**1,861**	**5,235**	**9,714**	**101,869**	**8,779**	**6,484**	**162,475**
At 30 June 2016	11,515	17,861	4,252	2,143	6,197	11,587	108,781	10,004	315	172,655

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14. 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 2017 and 2016, the fair value of the Group's leasehold land and buildings in Hong Kong was valued by the directors using direct comparison method.

In determining the fair value of the relevant properties, the board of directors of the Company has set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements. The Chief Financial Officer reports the findings to the board of directors of the Company at the end of the reporting period to explain the cause of fluctuations in the fair value of the assets.

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.

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

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 technique	Significant unobservable input	Significant input	Relationship of inputs to fair value
	2017 **HK$'000**	2016 HK$'000				
Land and buildings in Hong Kong	**14,720**	11,515	Direct comparison approach	Adjusted price per square feet	Adjusted price of HK$5,900 (2016: HK$4,615) per square feet in average	A significant increase in adjusted price would result in a significant increase in fair value, and vice versa

Had the leasehold land and buildings at 30 June 2017 been carried at cost less accumulated depreciation and accumulated impairment losses, its carrying value would have been approximately HK$10,806,000 (2016: HK$11,166,000).

There were no transfer into or out of level 3 during both years.

15. 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:

	2017 **HK$'000**	2016 HK$'000
Current asset	**1,320**	1,339
Non-current asset	**37,745**	39,608
	39,065	40,947

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16. INVESTMENT PROPERTY

	HK$'000
Fair value	
At 1 July 2015 and 30 June 2016	–
Addition	104,946
At 30 June 2017	104,946

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment property.

The fair value of the Group's investment property has been arrived at on the basis of a valuation carried out by Messrs LCH (Asia-Pacific) Surveyors Limited, independent qualified professional valuers not connected to the Group.

The Group engages independent qualified professional valuers to perform the valuation. The valuation committee works closely with the independent qualified professional valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the findings to the board of directors of the Company at the end of the reporting period to explain the cause of fluctuations in the fair value of the assets.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

16. INVESTMENT PROPERTY (cont'd)

The valuation was arrived at by using direct comparison method by making reference to the comparable market transactions as available. The direct comparison method is based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject property. Details of the Group's investment property and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 3	Fair value as at 30 June 2017
	HK$'000	*HK$'000*
Office unit located in Hong Kong	104,946	104,946

	Valuation technique	**Significant unobservable input(s)**	**Sensitivity**
Office unit located in Hong Kong	Direct comparison approach	Based on price per square foot using market observable comparable prices of similar properties ranging from HK$10,469 to HK$17,092 per sq.ft, and adjusted taking into account of locations and other individual factors such as office frontage, size, layout and conditions of the properties.	A significant increase in adjusted price would result in a significant increase in fair value, and vice versa.

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17. INTANGIBLE ASSETS

	Brand names
	HK$'000
COST	
At 1 July 2015	–
Acquired on business combination *(note 29)*	7,079
Exchange adjustments	7
At 30 June 2016	7,086
Written-off	(4,190)
Disposal	(2,901)
Exchange adjustments	5
At 30 June 2017	–
CARRYING VALUES	
At 30 June 2017	–
At 30 June 2016	7,086

All of the Group's brand names were purchased as part of a business combination in the year ended 30 June 2016. Details of business combination are set out in note 29.

The brand names had unlimited legal lives but the registration of brand names were renewable every ten to forty years at minimal cost. As at 30 June 2016, the directors of the Company were 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 were considered by the management of the Group as having an indefinite useful life and brand names would not be amortised until its useful life is determined to be finite.

During the year ended 30 June 2017, the Group entered into an asset purchase and sale agreement with an independent third party (the "Buyer"), pursuant to which the Group shall sell substantially all of the assets of the Group's business carried out in the brand name of Freestyle, which included the brand name itself with carrying amount of approximately HK$2,901,000 and relevant inventories, and the Group shall also transfer to the Buyer relevant open purchase and sale orders as at a specified closing date (the "Disposal"). Total considerations for the Disposal was United States dollars ("USD") 600,000 (equivalent to approximately HK$4,659,000) plus an agreed sum for relevant inventories based on the condition of the inventories. Disposal has been completed during the year and resulted in a gain on disposal of intangible assets of approximately HK$1,758,000.

The remaining brand name with carrying amount of approximately HK$4,190,000 was written-off as the Group has decided to cease using that brand name to trade during the year ended 30 June 2017.

18. AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	HK$'000	*HK$'000*
Listed debt securities	**85,297**	101,024
Analysed for reporting purposes as:		
Non-current assets	**19,744**	36,006
Current assets	**65,553**	65,018
	85,297	101,024

The amounts represent the Group's investments in corporate bonds listed in the 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 4.50% to 5.75% (2016: 3.25% to 5.75%) payable semi-annually and will be matured from September 2017 to January 2020 (2016: June 2017 to January 2018).

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

19. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Raw materials and consumables	**42,958**	63,340
Work in progress	**7,867**	7,459
Finished goods	**498,279**	574,242
	549,104	645,041

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20. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017	2016
	HK$'000	*HK$'000*
Trade receivables from third parties	**415,384**	407,655
Trade receivables from related companies	**8,233**	5,308
Less: allowance for doubtful debts	**(5,352)**	(3,940)
	418,265	409,023
Other receivables, deposits and prepayments	**165,939**	131,613
Total trade and other receivables, deposits and prepayments	**584,204**	540,636

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

The following is an ageing 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:

	2017	2016
	HK$'000	*HK$'000*
0 to 60 days	**346,215**	336,500
61 to 120 days	**41,560**	34,526
121 to 180 days	**10,165**	16,915
Over 180 days	**12,092**	15,774
	410,032	403,715

20. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd)

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

	2017	2016
	HK$'000	*HK$'000*
0 to 60 days	**3,922**	4,111
61 to 120 days	**4,311**	460
Over 180 days	**–**	737
	8,233	5,308

As at 30 June 2017, included in the Group's trade receivables were debtors with a carrying amount of approximately HK$63,817,000 (2016: HK$67,215,000), 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 2017 is 116 days (2016: 124 days).

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

	2017	2016
	HK$'000	*HK$'000*
61 to 120 days	**41,560**	34,526
121 to 180 days	**10,165**	16,915
Over 180 days	**12,092**	15,774
	63,817	67,215

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20. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd)

Movement in the allowance for doubtful debts

	2017 *HK$'000*	2016 *HK$'000*
Balance at beginning of the year	**3,940**	1,346
Exchange adjustments	**(30)**	(134)
Allowance for doubtful debts	**1,630**	2,999
Amounts written off as uncollectible	**(188)**	(271)
Balance at end of the year	**5,352**	3,940

Included in the allowance for doubtful debts are impaired trade receivables with a balance of approximately HK$188,000 (2016: HK$271,000) 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:

	2017 *HK$'000*	2016 *HK$'000*
HK$	**1,272**	1,731
Swiss Franc ("CHF")	**1,151**	4,083

21. STRUCTURED DEPOSITS

The structured deposits are interest rate-linked principal protected deposits entered with a bank in the PRC which will mature in the year ending 30 June 2018. 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 range from 3.6% to 4.2% per annum.

22. PLEDGED BANK DEPOSITS, 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 0.14% (2016: 0.17%) per annum. The short-term deposits of approximately HK$180,000,000 as at 30 June 2016 were bank deposits with original maturity over three months and carried fixed interest rates range from 0.81% to 0.95% per annum.

At 30 June 2017, the bank balances and cash of approximately HK$428,621,000 (2016: HK$276,697,000) are denominated in RMB, which are not freely convertible into other currencies.

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

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

	2017	2016
	HK$'000	*HK$'000*
HK$	**125,760**	365,037
RMB	**432**	485
CHF	**1,877**	949
USD	**63,664**	7

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

	2017	2016
	HK$'000	*HK$'000*
Trade payables and bills payable:		
Trade payables	**58,116**	78,229
Bills payable	**3,262**	7,174
Trade payables to related companies	**60,723**	32,333
	122,101	117,736
Other payables and accrued charges:		
Other tax payables	**35,299**	33,338
Accrued directors' remuneration	**1,079**	1,062
Accrued advertising expenses	**17,184**	6,448
Accrued staff related costs	**19,119**	21,811
Other payables and accrued charges	**62,529**	58,945
Amounts due to non-controlling interests of subsidiaries	**10,045**	11,096
	145,255	132,700
	267,356	250,436

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

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**35,684**	46,273
31 to 60 days	**12,976**	8,767
61 to 90 days	**3,310**	4,764
Over 90 days	**6,146**	18,425
	58,116	78,229

23. 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 interests 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 ageing analysis of trade payables to the related companies based on invoice date at the end of the reporting period:

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**12,779**	22,931
31 to 60 days	**7,413**	2,626
61 to 90 days	**645**	–
Over 90 days	**39,886**	6,776
	60,723	32,333

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

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

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

	2017	2016
	HK$'000	*HK$'000*
HK$	**1,047**	6,991

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24. BANK BORROWINGS AND OVERDRAFT

	2017	2016
	HK$'000	*HK$'000*
Bank overdraft – secured	**7,800**	4,888
Bank loans – unsecured	**–**	18,844
Trust receipts loans – secured	**24,355**	8,186
Trust receipts loans – unsecured	**32,863**	28,593
	65,018	60,511

As at 30 June 2017, the Group's secured bank borrowings of approximately HK$32,155,000 (2016: HK$13,074,000) were secured by pledged bank deposits of approximately HK$6,192,000 (2016: HK$2,000,000) for short-term bank borrowings as disclosed in note 22.

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% (2016: Hong Kong Prime rate minus 2.25%), United States Base rate plus 1.5% (2016: United States Base rate plus 1.5%) and HIBOR plus 1.50% to 1.75% (2016: HIBOR plus 1.25% to 1.75%) per annum, respectively. The weighted average market interest rate of these borrowings is approximately 2.76% per annum as at 30 June 2017 (2016: 3.02% 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:

	2017	2016
	HK$'000	*HK$'000*
HK$	**7,800**	4,888

25. SHARE CAPITAL

	Number of shares ***'000***	Share capital *HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 July 2015, 30 June 2016 and 2017	**100,000,000**	10,000,000
Issued:		
At 1 July 2015, 30 June 2016 and 2017	**2,079,946**	207,995

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

26. 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 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
(Credited) charged to profit or loss	(2,672)	(3,421)	960	17,306	12,173
At 30 June 2017	**(19,923)**	**(8,315)**	**2,593**	**58,379**	**32,734**

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For the year ended 30 June 2017

26. 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.

	2017 *HK$'000*	2016 *HK$'000*
Deferred tax assets	**28,238**	22,145
Deferred tax liabilities	**60,972**	42,706

The Group had unused tax losses of approximately HK$422,211,000 as at 30 June 2017 (2016: HK$271,642,000). No deferred tax assets have been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses for certain subsidiaries operating in the PRC of approximately HK$22,101,000 (2016: HK$22,840,000) that will expire in 2021 (2016: 2020) and losses for the subsidiary in the USA of approximately HK$76,991,000 (2016: HK$87,558,000) that will expire in 2037 (2016: 2036). Other losses may be carried forward indefinitely.

27. OTHER LOANS

	2017 *HK$'000*	2016 *HK$'000*
Loans from a non-controlling interest of a subsidiary	**64,621**	49,681
Loans from a director	**11,709**	–
Loans from a related party	**39,030**	–
Amounts shown under non-current liabilities	**115,360**	49,681

The loans from a non-controlling interest of a subsidiary represented i) a loan of USD1,500,000 (equivalent to approximately HK$11,709,000) (2016: nil), which is interest bearing at a fixed rate of 4% per annum, unsecured and repayable on 31 December 2018; ii) a loan of USD2,450,000 (equivalent to approximately HK$19,125,000) (2016: USD2,450,000, equivalent to approximately HK$19,010,000), which are non-interest bearing, unsecured and originally repayable on 30 April 2018 but extended to 31 December 2018 during the year; and iii) a loan of USD4,900,000 (equivalent to approximately HK$38,249,000) (2016: USD4,900,000, equivalent to approximately HK$38,019,000), which is non-interest bearing, unsecured and originally repayable on 11 November 2017 but extended to 31 December 2018 during the year.

The non-interest bearing loans are carried at amortised cost using an effective interest rate of 5% (2016: 5%) per annum. During the year ended 30 June 2017, amount of approximately HK$3,400,000 (2016: HK$4,510,000) was credited to equity as deemed contribution from a non-controlling interest of a subsidiary and an imputed interest expense of approximately HK$2,568,000 (2016: HK$887,000) is recognised as finance costs in profit or loss.

The loans from a director represented loans of USD1,500,000 (equivalent to approximately HK$11,709,000) from a director of the Company. The loans are interest bearing at fixed interest rates of 4.00% per annum, unsecured and repayable on 31 December 2018.

The loan from a related party represented a loan of USD5,000,000 (equivalent to approximately HK$39,030,000) from a director of a subsidiary. The loan is interest bearing at fixed interest rate of 4.00% per annum, unsecured and repayable on 31 December 2018.

28. 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:

	2017 ***HK$'000***	2016 *HK$'000*
Within one year	**29,563**	31,314
In the second to fifth year inclusive	**38,887**	53,250
Over five years	**17**	2,206
	68,467	86,770

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:

	2017 ***HK$'000***	2016 *HK$'000*
Within one year	**2,623**	3,716
In the second to fifth year inclusive	**4,808**	11,039
	7,431	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.

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29. 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

29. 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 ended 30 June 2016 was 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 ended 30 June 2016 would be the same as currently stated since GWG did not have any business operation prior to the acquisition.

30. 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.

The total expense recognised in profit or loss of approximately HK$48,902,000 (2016: HK$44,931,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 30 June 2017 and 2016, there were no outstanding contributions payable to the schemes.

31. 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.

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32. 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 other loans, 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.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017	2016
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investments	**85,297**	101,024
Loans and receivables (including cash and cash equivalents)	**1,318,107**	1,124,581
Financial liabilities		
Amortised cost	**412,433**	327,290

Financial risk management objectives and policies

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

Currency risk

The Group has foreign currency sales, which expose itself to foreign currency risk. In addition, available-for-sale investments, certain trade and other receivables, pledged bank deposits, 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$, RMB against USD, USD against HK$, HK$ against RMB and CHF against HK$.

33. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies

Currency risk

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	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**127,032**	366,768	**17,968**	11,879
USD	**148,961**	101,024	**–**	–
RMB	**432**	485	**–**	–
CHF	**3,028**	5,032	**–**	–

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$, USD, CHF and RMB, which are foreign currencies of the relevant group entities.

	Amounts due from group entities		Amounts due to group entities	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**877,887**	720,211	**595,839**	333,153
USD	**79,366**	–	**–**	–
RMB	**11,027**	6,073	**13,221**	6,783
CHF	**58,453**	55,865	**–**	–

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.

33. 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.

	2017	2016
	HK$'000	*HK$'000*
Increase in post-tax profit for the year	**25,468**	33,887

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 deposits, short-term deposits, bank deposits and fixed rate loan from a non-controlling interest of a subsidiary. The Group's cash flow interest rate risk relates to the bank balances as well as variable rate bank borrowings and overdraft (note 24 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.

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.

33. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

Sensitivity analysis (cont'd)

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 2017 and 2016 would be:

	2017	2016
	HK$'000	*HK$'000*
Decrease/increase	**273**	227

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

Credit risk

As at 30 June 2017, 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 deposits, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

33. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment dates. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average effective interest rate	Repayable on demand or less than 3 months	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 2017							
Non-derivative financial liabilities							
Trade payables and bills payable	**N/A**	**122,101**	**–**	**–**	**–**	**122,101**	**122,101**
Other payables and accrued charges	**N/A**	**109,954**	**–**	**–**	**–**	**109,954**	**109,954**
Bank borrowings	**2.76**	**57,218**	**–**	**–**	**–**	**57,218**	**57,218**
Bank overdraft	**2.75**	**7,800**	**–**	**–**	**–**	**7,800**	**7,800**
Other loans	**4.48**	**234**	**1,015**	**1,249**	**125,393**	**127,891**	**115,360**
		297,307	**1,015**	**1,249**	**125,393**	**424,964**	**412,433**
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	88,266	–	–	–	88,266	88,266
Amount due to a non-controlling interest of a subsidiary	N/A	11,096	–	–	–	11,096	11,096
Bank borrowings	3.02	36,779	19,236	–	–	56,015	55,623
Bank overdraft	3.00	4,888	–	–	–	4,888	4,888
Other loan	5.00	–	–	–	53,304	53,304	49,681
		258,765	19,236	–	53,304	331,305	327,290

33. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

Bank borrowings with a repayment on demand clause are included in the "Repayment on demand or less than 3 months" time band in the above maturity analysis. As at 30 June 2017, the aggregate carrying amount of these bank loans of amounted to approximately HK$57,218,000 (2016: HK$36,779,000). 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$57,379,000 (2016: HK$36,990,000).

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

	Weighted average effective interest rate	Repayable less than 3 months	3 – 6 months	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings:					
As at 30 June 2017	2.76	52,913	4,466	57,379	57,218
As at 30 June 2016	3.02	36,121	20,105	56,226	55,623

Other price risk

The Group is exposed to debt price risk through its investments in listed debt securities as available-for-sale investments. Management of the Group manages this exposure by maintaining a portfolio of investments with different risks. The Group's debt price risk is mainly concentrated on debt instruments listed in the Stock Exchange and Singapore Exchange Limited. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to debt price risk at the reporting date. If the prices of the respective debt instruments had been 10% (2016: 10%) higher/lower, other comprehensive income for the year ended 30 June 2017 would increase/decrease by approximately HK$8,530,000 (2016: HK$10,102,000) as a result of the changes in fair value of available-for-sale investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

33. FINANCIAL INSTRUMENTS (cont'd)

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 and key input
	2017	2016		
Available-for-sale investments Debts securities – Corporate bonds traded in inter-bank market	**85,297**	101,024	Level 2	Quoted bid prices from a bank.

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

(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.

34. RELATED PARTY TRANSACTIONS

Other than trade receivables from related companies; trade payables to related companies and amounts due to non-controlling interests of subsidiaries; and other loans as disclosed in notes 20, 23 and 27, respectively, the Group had the following related party transactions during the year:

	2017 **HK$'000**	2016 HK$'000
Sales to related companies *(Notes a & d)*	**3,179**	12,940
Sales to entities related to a non-controlling interest of subsidiaries *(Notes d & f)*	**13,932**	5,460
Sales commission paid/payable to a related company *(Notes a & d)*	**19**	243
Purchases from entities related to a non-controlling interest of subsidiaries *(Notes d & g)*	**142,762**	36,443
Purchases from entities owned by non-controlling interests of subsidiaries	**3,882**	4,120
Sales commission received/receivable from entities related to a non-controlling interest of subsidiaries *(Note d)*	**480**	–
Interest expense paid/payable to a related party *(Note e)*	**1,024**	–
Interest expense paid/payable to a director	**36**	–
Purchases from an entity owned by a related party *(Notes d & e)*	**24,949**	–
Service fee paid/payable to entities related to a non-controlling interest of subsidiaries *(Note d)*	**3,777**	–
Sales commissions paid/payable to entities related to a non-controlling interest of subsidiaries *(Note d)*	**813**	–
Rental expenses paid/payable to related companies *(Notes b & d)*	**4,728**	4,613
Refund of service fee received/receivable from non-controlling interests of subsidiaries	**672**	1,570
Service fee received/receivable from entities related to a non-controlling interest of subsidiaries *(Note d)*	**26**	236

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

34. RELATED PARTY TRANSACTIONS (cont'd)

	2017	2016
	HK$'000	*HK$'000*
Royalty income received/receivable from a non-controlling interest of a subsidiary	**860**	860
Promotion fee paid/payable to related companies *(Notes c & d)*	**39**	264
Imputed interest paid/payable to a non-controlling interest of subsidiaries	**2,568**	887
Dividends paid/payable to non-controlling interests of subsidiaries	**2,470**	5,654

Notes:

(a) The amount represented the sales of watches and sales commission to a related company in which Mr. Tung has control and ceased to be related company started from September 2016 due to loss of control by Mr. Tung.

(b) The related companies are wholly owned and controlled by Mr. Tung.

(c) The amounts represented promotion fee paid to related companies in which Mr. Tung has control and ceased to be related company started from September 2016 due to loss of control by Mr. Tung.

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

(e) The related party is a director of a non-wholly owned subsidiary.

(f) Included in the amount is approximately HK$13,932,000 (2016: HK$4,604,000) which is considered as continuing connected transactions under Listing Rules.

(g) Included in the amount is approximately HK$142,762,000 (2016: HK$32,971,000) which is considered as continuing connected transactions under Listing Rules.

Compensation of key management personnel

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

	2017	2016
	HK$'000	*HK$'000*
Short-term benefits	**13,026**	12,198
Post-employment benefits	**162**	174
	13,188	12,372

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 2017

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Country/ place of incorporation/ establishment	Country/ Place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group As at 30 June		Principal activities
				2017	2016	
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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Country/ place of incorporation/ establishment	Country/ Place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group As at 30 June		Principal activities
				2017	2016	
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
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%**	51%	Design and sales of watches
GWG	USA	USA	USD5,000,000	**51%**	51%	Design and sales of watches
Strong Goal Investments Limited 強高投資有限公司	BVI	Hong Kong	1 share of US$1	**100%**	N/A	Property investment
天王(深圳)營運發展有限公司[3]	PRC	PRC	RMB1,000,000	**100%**	N/A	Sales of watches
深圳市聖緹斯科技有限公司[3]	PRC	PRC	RMB300,000	**70%**	N/A	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.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (cont'd)

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.

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 materials 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	
		2017	2016	**2017**	2016	**2017**	2016
				HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
TWB and its subsidiary	Hong Kong/ USA	**49%**	49%	**(46,707)**	(50,027)	**(74,270)**	(28,808)
Individually immaterial subsidiaries with non-controlling interests						**44,347**	48,516
						(29,923)	19,708

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

35. PARTICULARS OF PRINCIPAL 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.

	2017 ***HK$'000***	2016 *HK$'000*
Current assets	**133,990**	124,193
Non-current assets	**1,606**	8,112
Current liabilities	**(171,803)**	(141,415)
Non-current liabilities	**(115,359)**	(49,682)
Net liabilities	**(151,566)**	(58,792)
Equity attributable to owners of the Company	**(77,296)**	(29,984)
Non-controlling interests	**(74,270)**	(28,808)
	(151,566)	(58,792)
Revenue	**316,114**	177,195
Expenses	**(411,428)**	(279,292)
Loss for the year	**(95,314)**	(102,097)
Loss attributable to owners of the Company	**(48,607)**	(52,070)
Loss attributable to non-controlling interests	**(46,707)**	(50,027)
Loss for the year	**(95,314)**	(102,097)
Other comprehensive (expense) income attributable to owners of the Company	**(439)**	18
Other comprehensive (expense) income attributable to non-controlling interests	**(422)**	17
Other comprehensive (expense) income for the year	**(861)**	35
Total comprehensive expense attributable to owners of the Company	**(49,046)**	(52,052)
Total comprehensive expense attributable to non-controlling interests	**(47,129)**	(50,010)
Total comprehensive expense for the year	**(96,175)**	(102,062)
Net cash outflow from operating activities	**(56,222)**	(48,993)
Net cash outflow from investing activities	**(13,856)**	(119,349)
Net cash inflow from financing activities	**71,630**	170,536
Net cash inflow	**1,552**	2,194

36. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017	2016
	HK$'000	*HK$'000*
Non-current assets		
Unlisted investments in subsidiaries, at cost	**148,889**	137,690
Amounts due from subsidiaries	**683,553**	558,450
Available-for-sale investments	**19,744**	36,006
	852,186	732,146
Current assets		
Other receivables	**1,240**	1,354
Available-for-sale investments	**65,553**	65,018
Amounts due from subsidiaries	**44,120**	35,620
Short-term deposits	**–**	180,000
Bank balances	**182,534**	174,385
	293,447	456,377
Current liabilities		
Accrued charges	**1,081**	1,062
Amounts due to subsidiaries	**3,100**	3,100
	4,181	4,162
Net current assets	**289,266**	452,215
Total assets less current liabilities	**1,141,452**	1,184,361
Capital and reserves		
Share capital	**207,995**	207,995
Reserves	**933,457**	976,366
Total equity	**1,141,452**	1,184,361

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

36. 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 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 12)*	–	–	–	(103,997)	(103,997)
At 30 June 2016	511,101	(1,271)	(60,061)	526,597	976,366
Profit and comprehensive (expense) income for the year	–	(1,118)	(14,281)	76,487	61,088
Dividend recognised as distribution during the year *(note 12)*	–	–	–	(103,997)	(103,997)
At 30 June 2017	511,101	(2,389)	(74,342)	499,087	933,457

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				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
Revenue	**2,762,884**	2,606,570	2,652,625	2,402,358	1,912,235
Profit for the year attributable to owners of the Company	**235,744**	296,341	336,755	309,890	213,551

	At 30 June				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities					
Total assets	**2,396,771**	2,210,167	2,055,747	1,850,687	1,620,275
Total liabilities	**(548,669)**	(438,406)	(359,896)	(347,796)	(287,827)
	1,848,102	1,771,761	1,695,851	1,502,891	1,332,448
Equity attributable to the owners of the Company	**1,878,025**	1,752,053	1,630,147	1,434,770	1,286,488
Non-controlling interests	**(29,923)**	19,708	65,704	68,121	45,960
	1,848,102	1,771,761	1,695,851	1,502,891	1,332,448

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

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HONG KONG BRANCH SHARE REGISTRAR

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STOCK CODE ON THE HONG KONG STOCK EXCHANGE

2033

INVESTOR INFORMATION

For more information about the Group,
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Tel: (852) 2411 3567
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WEBSITE

www.timewatch.com.hk

CORPORATE CALENDAR

Annual general meeting	20 November 2017
Payment of final dividend	On or about 5 December 2017
Announcement of interim results for six months ending 31 December 2017	February 2018
Announcement of final results for year ending 30 June 2018	September 2018