



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

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



*Run with flow, Perfect the highest*

**INTERIM REPORT**  
**2018**

## WHO WE ARE

We are the leading manufacturer, brand-owner and retailer of domestic watches in the People's Republic of China (the "PRC").

Established in 1988, the Group's core proprietary brand, Tian Wang (天王), has been developed into a well-known and one of the top national watch brands in the PRC, positioning for the mass market. Another proprietary brand of the Group, Balco, which was initially registered in Switzerland in 1986 by an independent third party and was acquired by the Group in 2002, offers Swiss-made watches targeting younger middle-income consumers in the PRC.

We operate through more than 3,000 directly managed and controlled point of sales as well as e-commerce sales channels, with a strong sales network and long brand heritage and reputation in the PRC.

## MISSION

We continue to improve our efficiency in production and store operation through strategically expanding sales network and devote greater effort on e-commerce, enhancing the Group's overall competitiveness.

We will continue to focus on achieving good financial performance to deliver stable returns and long term value to our shareholders.

We deliver quality experience to our customers through provision of excellence pre-sale and aftersale service.

We hire talents that participate in the success of the Company and will invest in the development of all our employees.

## VISION

We strive to provide stylish and high-quality watches with reasonable price to customers, strengthen our leading position in the market, deliver sustainable shareholder value to our shareholders and help our employees to grow and share the success of the Company.



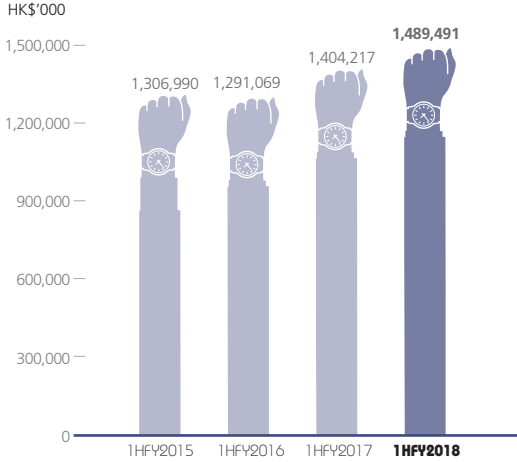
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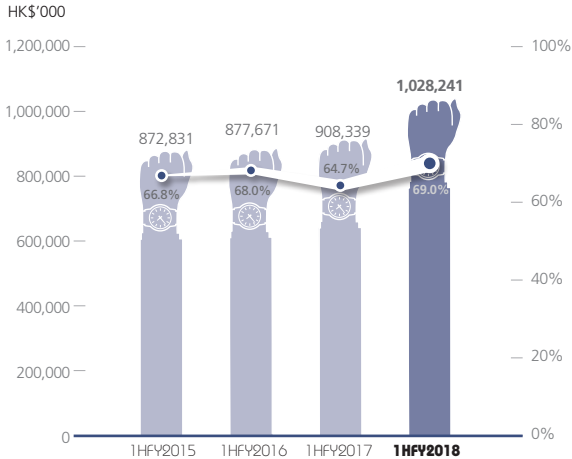
## FINANCIAL HIGHLIGHTS

	<b>Six months ended 31 December 2017 <i>HK\$'000</i> (Unaudited)</b>	Six months ended 31 December 2016 <i>HK\$'000</i> (Unaudited)
Revenue	<b>1,489,491</b>	1,404,217
Gross profit	<b>1,028,241</b>	908,339
Gross margin (%)	<b>69.0%</b>	64.7%
Profit attributable to owners of the Company	<b>146,169</b>	101,455
	<b>As at 31 December 2017 <i>HK\$'000</i> (Unaudited)</b>	As at 30 June 2017 <i>HK\$'000</i> (Audited)
Total assets	<b>2,549,001</b>	2,396,771
Total liabilities	<b>594,316</b>	548,669
Equity attributable to owners of the Company	<b>1,989,457</b>	1,878,025
Average Inventory Turnover Days (days)	<b>227</b>	238
Average Trade Receivables Turnover Days (days)	<b>49</b>	55
Average Trade Payables Turnover Days (days)	<b>47</b>	48

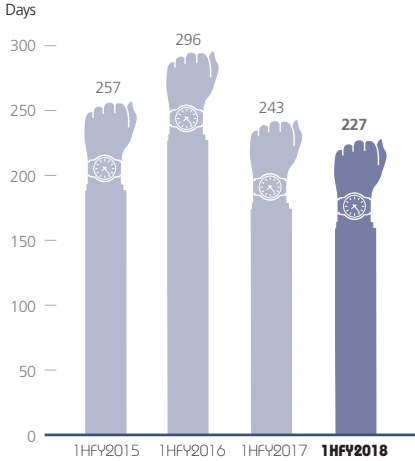
## Revenue



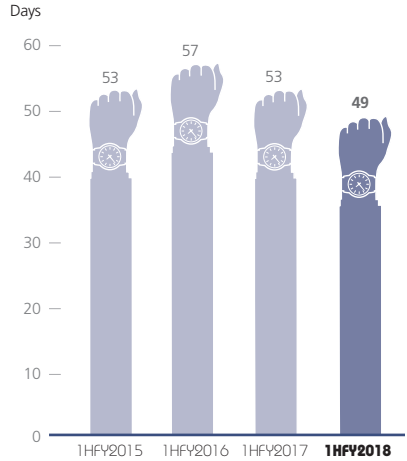
## Gross profit and gross margin



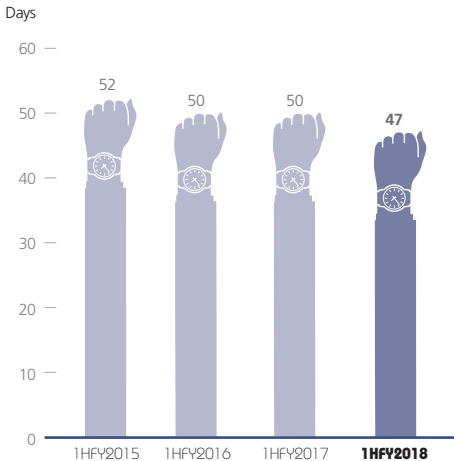
### Average inventory turnover days



### Average Trade Receivables Turnover Days



### Average trade payables turnover days



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue

Revenue of Time Watch Investments Limited (the “Company” or “Time Watch”) and its subsidiaries (collectively, the “Group”) increased by approximately HK\$85.3 million or approximately 6.1% from approximately HK\$1,404.2 million for the six months ended 31 December 2016 (“1HFY2017”) to approximately HK\$1,489.5 million for the six months ended 31 December 2017 (“1HFY2018”).

#### *Tian Wang Watch Business*

Revenue of Tian Wang Watch Business continued to be the Group’s main source of revenue which accounted for approximately 71.5% of the total revenue of the Group for 1HFY2018 (1HFY2017: approximately 65.5%). Revenue of Tian Wang Watch Business increased by approximately HK\$145.3 million or approximately 15.8% from approximately HK\$920.1 million for 1HFY2017 to approximately HK\$1,065.3 million for 1HFY2018. The retail network remains stable from 2,569 point of sales (“POS”) as at 30 June 2017 to 2,571 POS as at 31 December 2017, with a net increase of 2 POS. The retail sales recorded an increase of approximately 4.3% as compared to 1HFY2017. Sales of watches through e-commerce channels increased significantly by approximately HK\$116.2 million or approximately 62.8% from approximately HK\$185.1 million for 1HFY2017 to approximately HK\$301.3 million for 1HFY2018.

### ***Balco Watch Business***

Revenue of Balco Watch Business decreased by approximately HK\$5.3 million or approximately 7.6% from approximately HK\$68.8 million for 1HFY2017 to approximately HK\$63.5 million for 1HFY2018, which accounted for approximately 4.3% of the total revenue of the Group for 1HFY2018 (1HFY2017: approximately 4.9%). Sales of Balco Watch in the PRC decreased by approximately HK\$3.9 million or approximately 7.5% from approximately HK\$51.8 million for 1HFY2017 to approximately HK\$47.9 million for 1HFY2018. Sales of Balco Watch to multi-brand watch distributors in Hong Kong, Macau and Taiwan decreased by approximately HK\$1.4 million or approximately 8.2% from approximately HK\$17.0 million for 1HFY2017 to approximately HK\$15.6 million for 1HFY2018.

### ***Other Brands (PRC) Business***

Retail sales of other well-known brand watches other than Tian Wang and Balco Watch decreased by approximately HK\$10.6 million or approximately 8.7% from approximately HK\$121.0 million for 1HFY2017 to approximately HK\$110.5 million for 1HFY2018, which accounted for approximately 7.4% of the total revenue of the Group for 1HFY2018 (1HFY2017: approximately 8.6%). 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.

### ***Other Brands (Global) Business***

Revenue of global distribution of certain owned and licensed international brands of watches decreased by approximately HK\$35.9 million or approximately 17.2% from approximately HK\$208.7 million from 1HFY2017 to approximately HK\$172.8 million for 1HFY2018, which accounted for approximately 11.6% of the total revenue of the Group for 1HFY2018 (1HFY2017: approximately 14.9%). Although revenue was decreased, the negative segment results significantly decreased by approximately HK\$37.7 million or approximately 83.3% from approximately HK\$45.3 million from 1HFY2017 to approximately HK\$7.5 million for 1HFY2018.



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

Revenue of Watch Movements Trading Business accounted for approximately 5.2% of the Group's total revenue for 1HFY2018 (1HFY2017: approximately 6.1%). For 1HFY2018, revenue from trading of watch movements was approximately HK\$77.4 million, representing a decrease of approximately HK\$8.2 million or approximately 9.6% from approximately HK\$85.6 million for 1HFY2017. The decrease was primarily due to the slowdown of watch movements trading business in Hong Kong and the PRC during 1HFY2018.

### **Gross Profit**

The Group's gross profit increased by approximately HK\$119.9 million or approximately 13.2% from approximately HK\$908.3 million for 1HFY2017 to approximately HK\$1,028.2 million for 1HFY2018. The increase was mainly due to (i) increase in Tian Wang Watch Business as in line with the increase in revenue; and (ii) increase in contribution of higher gross margin sales in Other Brands (Global) Business. The Group's gross profit margin increased by 4.3 percentage point from approximately 64.7% for 1HFY2017 to approximately 69.0% for 1HFY2018. The increase was mainly due to the contribution of the higher gross profit margin from Other Brands (Global) Business, Other Brands (PRC) Business and Balco Watch Business. The gross profit margin of Tian Wang Watch Business remained stable for both periods.

### **Other Income, Gains and Losses**

The Group's other income, gains and losses decreased by approximately HK\$8.3 million or approximately 62.4% from approximately HK\$13.3 million for 1HFY2017 to approximately HK\$5.0 million for 1HFY2018. The decrease was mainly due to a combined effect of increase in bank interest income and rental income of approximately HK\$4.2 million and approximately HK\$1.7 million respectively, decrease in government subsidies of approximately HK\$3.6 million, increase in allowance for doubtful debts of approximately HK\$10.7 million (1HFY2017: nil) and loss on disposal of available-for-sale investments of approximately HK\$1.7 million for 1HFY2018 (1HFY2017: nil).

## **Selling and Distribution Costs**

The Group's selling and distribution costs increased by approximately HK\$39.4 million or approximately 5.7% from approximately HK\$693.9 million for 1HFY2017 to approximately HK\$733.3 million for 1HFY2018. The increase was mainly due to a combined effect of increase in staff costs of sales personnel, advertising and promotion expenses as in line with the increase in revenue and the decrease of the overall selling and distribution expenses in Other Brands (Global) Business.

## **Administrative Expenses**

The Group's administrative expenses decreased by approximately HK\$6.3 million or approximately 6.1% from approximately HK\$104.5 million for 1HFY2017 to approximately HK\$98.1 million for 1HFY2018. The decrease was mainly due to (i) a decrease in donations of approximately HK\$4.9 million; (ii) a decrease in legal and professional fees of approximately HK\$4.8 million; and (iii) an increase in service charges of approximately HK\$1.8 million.

## **Finance Costs and Income Tax**

The Group's finance costs increased by approximately HK\$0.7 million or approximately 23.5% from approximately HK\$3.2 million for 1HFY2017 to approximately HK\$3.9 million for 1HFY2018 as a result of the increase in bank borrowings and other loans during 1HFY2018. The Group's income tax increased by approximately HK\$11.6 million or approximately 25.5% from approximately HK\$45.5 million for 1HFY2017 to approximately HK\$57.1 million for 1HFY2018. The increase was mainly due to increase of the Group's profit before tax for 1HFY2018 as compared to 1HFY2017.

## **Profit attributable to owners of the Company**

As a combined result of the factors discussed above, the profit attributable to owners of the Company for 1HFY2018 increased by approximately HK\$44.7 million or approximately 44.1% from approximately HK\$101.5 million for 1HFY2017 to approximately HK\$146.2 million for 1HFY2018.

## **BUSINESS REVIEW**

### **Overview**

During 1HFY2018, 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.

Tian Wang Watch Business continues to be the Group's core brand business, which contributed approximately 71.5% of the total revenue of the Group in 1HFY2018. 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 70% 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.

As at 31 December 2017, number of the Group's POS for Tian Wang Watch Business was 2,571, representing a net increase of 2 POS as compared to the number of POS for Tian Wang Watch Business as at 30 June 2017. As at 31 December 2017, number of the Group's POS for Balco Watch Business was 419, representing a net decrease of 22 POS as compared to the number of POS for Balco Watch Business as at 30 June 2017. As at 31 December 2017, number of the Group's POS for Other Brands (PRC) Business was 77, representing a net decrease of 6 POS as compared to the number of POS for Other Brands (PRC) Business as at 30 June 2017.

## **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 71.5% of the Group's total revenue for 1HFY2018 (1HFY2017: approximately 65.5%). The retail sales of Tian Wang Watch Business for 1HFY2018 increased by approximately 15.8% as compared to 1HFY2017. During 1HFY2018, the Group has launched not less than 60 new models of Tian Wang watches with price range from approximately RMB400 to RMB7,700 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. For 1HFY2018, revenue from Balco Watch Business was approximately HK\$63.5 million as compared with approximately HK\$68.8 million for 1HFY2017, representing a decrease of approximately HK\$5.3 million or approximately 7.6%. The decrease was mainly resulting from the (i) general decline in the retail market in Hong Kong, Macau and Taiwan; and (ii) the keen competition from other imported watches of similar price range, including but not limited to Citizen, Casio, Titoni and Enicar. The Group continued to implement constructive business 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\$110.5 million for 1HFY2018 as compared with approximately HK\$121.0 million for 1HFY2017, representing a decrease of approximately HK\$10.6 million or approximately 8.7%. 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. Due to less allowance for inventories made through implementation of stringent inventory control, we recorded a small positive segment results of approximately HK\$0.4 million for 1HFY2018 while negative segment results of approximately HK\$4.0 million for 1HFY2017.

### ***Other Brands (Global) Business***

Revenue from global distribution of Other Brands (Global) Business was approximately HK\$172.8 million for 1HFY2018 as compared with approximately HK\$208.7 million for 1HFY2017, representing a decrease of approximately HK\$35.9 million or approximately 17.2%. Through implementation of constructive business restructure plans, the negative segment results significantly decreased by approximately HK\$37.7 million or approximately 83.3% from approximately HK\$45.3 million for 1HFY2017 to approximately HK\$7.5 million for 1HFY2018 while the revenue for 1HFY2018 was decreased as compared to 1HFY2017.

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

The board (the “Board”) of directors (the “Directors”) of the Company 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.

## ***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 lowerpriced 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 1HFY2018, e-commerce business continued as one of the main driver for revenue increase and recorded a significant increase in sales of watches through e-commerce channels by approximately HK\$116.2 million or approximately 62.8% from approximately HK\$185.1 million for 1HFY2017 to approximately HK\$301.3 million for 1HFY2018. 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\$595.6 million as at 31 December 2017, representing an increase of approximately HK\$46.5 million or approximately 8.5% as compared with approximately HK\$549.1 million as at 30 June 2017. The Group's inventory turnover days decreased to approximately 227 days for 1HFY2018, as compared with 238 days for the year ended 30 June 2017. 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\$152.9 million and approximately HK\$134.5 million as at 31 December 2017 and 30 June 2017 respectively, with corresponding provision for these inventory balances of approximately HK\$86.9 million and approximately HK\$82.3 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\$741.0 million and approximately HK\$651.0 million as at 31 December 2017 and 30 June 2017 respectively.

The Group's net cash generated from operating activities for 1HFY2018 was approximately HK\$241.1 million, representing an increase of approximately HK\$87.8 million from approximately HK\$153.3 million for 1HFY2017. The amount was primarily attributable to profit before taxation of approximately HK\$197.9 million from the Group's operations adjusted for non-cash items of approximately HK\$62.4 million, increase of working capital balances of approximately HK\$23.6 million, income taxes paid of approximately HK\$45.2 million and interest received of approximately HK\$2.4 million.



The Group's net cash used in investing activities for 1HFY2018 was approximately HK\$124.8 million, which was mainly attributable to purchase of property, plant and equipment of approximately HK\$37.6 million, new placed of structured deposits of approximately HK\$117.4 million which was partially offset by proceeds from disposal of available-for-sale investments of approximately HK\$36.6 million.

The Group's net cash used in financing activities for 1HFY2018 was approximately HK\$34.7 million, which was mainly attributable to dividends paid of approximately HK\$62.4 million and repayment of bank borrowings of approximately HK\$139.9 million, which was partially offset by borrowings raised of approximately HK\$170.2 million. The Group's bank borrowings and overdraft were approximately HK\$79.8 million and approximately HK\$65.0 million as at 31 December 2017 and 30 June 2017 respectively. The Group had a net cash position as at 31 December 2017 and 30 June 2017. As at 31 December 2017, the Group's total equity was approximately HK\$1,954.7 million, representing an increase of approximately HK\$106.6 million from approximately HK\$1,848.1 million as at 30 June 2017. The Group's working capital was approximately HK\$1,797.0 million as at 31 December 2017, representing an increase of approximately HK\$130.0 million as compared with approximately HK\$1,667.0 million as at 30 June 2017.

As at 31 December 2017, the Group's bank balances and cash were mainly denominated in Renminbi and Hong Kong dollar. As at 31 December 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 10.9% and approximately 9.8% as at 31 December 2017 and 30 June 2017 respectively.

## **Investment Property**

During the year ended 30 June 2017 (“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 Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”)), to acquire an investment property for a consideration of approximately 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, Cheung Sha Wan, Kowloon, Hong Kong. In January 2018, the investment property was leased out to third parties which are independent of the Group and its connected person (within the meaning of the Listing Rules) for rental income.

## **Charge on Group Assets**

There was no material charge on the Group’s assets as at 31 December 2017 and 30 June 2017.

## **Contingent Liabilities**

The Group did not have any material contingent liabilities as at 31 December 2017 and 30 June 2017.

## **Capital Commitments**

The Group did not have any material capital commitments as at 31 December 2017 and 30 June 2017.

## **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 31 December 2017, the Group employed a total of approximately 5,200 full time employees (30 June 2017: approximately 5,200). The staff costs incurred during 1HFY2018 was approximately HK\$255.8 million (1HFY2017: approximately HK\$245.2 million). The Group's emolument policies are formulated on the performance of individual employees and on the basis of the trends of salaries in various regions, which will be reviewed regularly every year. Apart from provident fund scheme and medical insurance, discretionary bonuses are also awarded to employees according to the assessment of individual performance.

## **Social Responsibility**

The Group's charitable and other donations for 1HFY2018 amounted to approximately HK\$0.1 million (1HFY2017: approximately HK\$5.0 million). No donations were made to political parties.

## **Prospects and Strategies**

Looking forward, 2018 will be another challenging year but at the same time filled with numerous opportunities as the Group has laid a solid foundation in the recent past for its future developments.

For retail business, the Group continues to roll out POS expansion for Tian Wang Watch Business in a steady and conservative pace. It is the Group's strategy to increase its market share and bolster its presence through opening new POS for Tian Wang Watch Business per year in the 2nd, 3rd and 4th tier cities in 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 enhance profitability.

E-commerce business continues to be another revenue driver for the Group and focus 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, in order to avoid overlapping of sales channel. The Group will continue to allocate more resources and put more efforts to the e-commerce business in order to fuel growth on sales and profitability. The management are confident that the sustainable high growth in e-commerce business will compensate for the slowdown in the growth of retail sales.

For Other Brands (Global) Business, through implementation of constructive business restructure plans during FY2017, the negative segment results was significantly decreased as compared to 1HFY2017. We will stay focus and strictly implement business plans to increase sales, control costs and continue to narrow the losses of the business.

For other business segments, they are still experiencing difficulties and affected by uncontrollable market factors given the market downward trend in their respective markets. The Group will closely monitor and formulate constructive business plans to improve its business performance.

The management are confident that the Group will maintain steady growth in its business in the coming future through the implementation of the above strategic business plans.

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

For the six months ended 31 December 2017

	Notes	Six months ended 31 December	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	<b>1,489,491</b>	1,404,217
Cost of sales		<b>(461,250)</b>	(495,878)
Gross profit		<b>1,028,241</b>	908,339
Other income, gains and losses	4	<b>4,983</b>	13,260
Selling and distribution costs		<b>(733,253)</b>	(693,872)
Administrative expenses		<b>(98,141)</b>	(104,473)
Finance costs	5	<b>(3,908)</b>	(3,164)
Profit before taxation		<b>197,922</b>	120,090
Income tax	6	<b>(57,093)</b>	(45,477)
Profit for the period	7	<b>140,829</b>	74,613
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of leasehold land and buildings		<b>237</b>	180
Exchange differences arising on translation		<b>27,040</b>	(4,715)
Items that may be reclassified subsequently to profit or loss:			
Fair value change of available-for-sale investments		<b>(170)</b>	(1,487)
Reclassification adjustment relating to available-for-sale investments disposed of during the period		<b>1,498</b>	206
Total comprehensive income for the period		<b>169,434</b>	68,797

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (cont'd)

For the six months ended 31 December 2017

	<b>Six months ended</b>	
	<b>31 December</b>	
<i>Notes</i>	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Profit (loss) for the period attributable to:		
Owners of the Company	<b>146,169</b>	101,455
Non-controlling interests	<b>(5,340)</b>	(26,842)
	<b>140,829</b>	74,613
Total comprehensive income (expense) attributable to:		
Owners of the Company	<b>174,061</b>	95,968
Non-controlling interests	<b>(4,627)</b>	(27,171)
	<b>169,434</b>	68,797
Earnings per share – basic ( <i>HK cents</i> )	<i>9</i>	<i>4.9</i>
	<b>7.0</b>	4.9

**CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION***At 31 December 2017*

	<i>Notes</i>	<b>As at 31 December 2017 HK\$'000 (Unaudited)</b>	As at 30 June 2017 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>163,107</b>	162,475
Prepaid lease payments		<b>37,773</b>	37,745
Investment property	11	<b>104,946</b>	104,946
Deposits paid for acquisition of property, plant and equipment		<b>8,756</b>	4,301
Available-for-sale investments	12	<b>19,674</b>	19,744
Deferred tax assets	18	<b>28,858</b>	28,238
		<b>363,114</b>	357,449
<b>Current assets</b>			
Inventories	13	<b>595,632</b>	549,104
Prepaid lease payments		<b>1,399</b>	1,320
Trade receivables	14	<b>379,319</b>	418,265
Other receivables, deposits and prepayments		<b>131,425</b>	165,939
Tax recoverable		<b>11</b>	1,491
Available-for-sale investments	12	<b>30,168</b>	65,553
Structured deposits	15	<b>293,500</b>	172,650
Pledged bank deposits		<b>5,995</b>	6,192
Bank balances and cash		<b>748,438</b>	658,808
		<b>2,185,887</b>	2,039,322
<b>Current liabilities</b>			
Trade payables and bills payable	16	<b>115,245</b>	122,101
Other payables and accrued charges		<b>153,120</b>	145,255
Tax liabilities		<b>40,730</b>	39,963
Borrowings and bank overdraft		<b>79,792</b>	65,018
		<b>388,887</b>	372,337
Net current assets		<b>1,797,000</b>	1,666,985
Total assets less current liabilities		<b>2,160,114</b>	2,024,434

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

At 31 December 2017

		<b>As at 31 December 2017</b>	As at 30 June 2017
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Audited)
Capital and reserves			
Share capital	17	<b>207,995</b>	207,995
Reserves		<b>1,781,462</b>	1,670,030
Equity attributable to owners of the Company		<b>1,989,457</b>	1,878,025
Non-controlling interests		<b>(34,772)</b>	(29,923)
Total equity		<b>1,954,685</b>	1,848,102
Non-current liabilities			
Deferred tax liabilities	18	<b>72,462</b>	60,972
Other loans		<b>132,967</b>	115,360
		<b>205,429</b>	176,332
		<b>2,160,114</b>	2,024,434



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 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 2017 (audited)	207,995	511,101	(230,345)	(36,342)	(2,389)	3,914	69,594	1,254,497	1,878,025	(29,923)	1,848,102
Profit (loss) for the period	-	-	-	-	-	-	-	146,169	146,169	(5,340)	140,829
Exchange differences arising on translation	-	-	-	26,327	-	-	-	26,327	26,327	713	27,040
Gain on revaluation of leasehold land and buildings	-	-	-	-	-	237	-	-	237	-	237
Fair value change of available-for-sale investments	-	-	-	-	(170)	-	-	-	(170)	-	(170)
Reclassified to profit or loss on disposal of available-for-sale investment	-	-	-	-	1,498	-	-	-	1,498	-	1,498
Total comprehensive income (expense) for the period	-	-	-	26,327	1,328	237	-	146,169	174,061	(4,627)	169,434
Appropriation to reserve	-	-	-	-	-	-	2,003	(2,003)	-	-	-
Dividends recognized as distribution during the period (Note 8)	-	-	-	-	-	-	-	(62,398)	(62,398)	-	(62,398)
Deemed contribution from non-controlling interest arising from loan from a non-controlling interest of a subsidiary	-	-	(231)	-	-	-	-	-	(231)	(222)	(453)
At 31 December 2017 (unaudited)	207,995	511,101	(230,576)	(10,015)	(1,061)	4,151	71,597	1,436,265	1,989,457	(34,772)	1,954,685
At 1 July 2016 (audited)	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 period	-	-	-	-	-	-	-	101,455	101,455	(26,842)	74,613
Exchange differences arising on translation	-	-	-	(4,386)	-	-	-	-	(4,386)	(329)	(4,715)
Gain on revaluation of leasehold land and buildings	-	-	-	-	-	180	-	-	180	-	180
Fair value change of available-for-sale investments	-	-	-	-	(1,487)	-	-	-	(1,487)	-	(1,487)
Reclassified to profit or loss on disposal of available-for-sale investment	-	-	-	-	206	-	-	-	206	-	206
Total comprehensive (expense) income for the period	-	-	-	(4,386)	(1,281)	180	-	101,455	95,968	(27,171)	68,797
Appropriation to reserve	-	-	-	-	-	-	614	(614)	-	-	-
Dividends recognized as distribution during the period (Note 8)	-	-	-	-	-	-	-	(62,398)	(62,398)	-	(62,398)
Dividends declared by a subsidiary to non-controlling shareholder	-	-	-	-	-	-	-	-	-	(944)	(944)
At 31 December 2016 (unaudited)	207,995	511,101	(232,078)	(30,773)	(2,552)	529	69,560	1,261,841	1,785,623	(8,407)	1,777,216

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

*For the six months ended 31 December 2017*

*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 PRC.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2017

	Six months ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	<b>241,118</b>	153,269
NET CASH (USED IN) FROM INVESTING ACTIVITIES	<b>(124,841)</b>	24,786
NET CASH USED IN FINANCING ACTIVITIES	<b>(34,694)</b>	(46,204)
NET INCREASE IN CASH AND CASH EQUIVALENTS	<b>81,583</b>	131,851
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<b>658,808</b>	498,126
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>8,047</b>	(4,571)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by		
Bank balances and cash	<b>748,438</b>	625,406
Bank overdraft	<b>(7,485)</b>	(7,907)
	<b>740,953</b>	617,499

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 31 December 2017*

### 1. BASIS OF PREPARATION

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

### 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2017.

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

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

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

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

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

### 3. 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 own brand watches – Tian Wang Watch;
- b. **Balco Watch Business** – Trading and retailing business of own 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.



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

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

Six months ended 31 December 2016 (Unaudited)

	Tian Wang Watch Business <i>HK\$'000</i>	Balco Watch Business <i>HK\$'000</i>	Watch Movements Trading Business <i>HK\$'000</i>	Other Brands (PRC) Business <i>HK\$'000</i>	Other Brands (Global) Business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Revenue</b>						
External sales	920,090	68,769	85,602	121,046	208,710	1,404,217
Inter-segment sales	-	-	43,877	-	-	43,877
Segment revenue	<u>920,090</u>	<u>68,769</u>	<u>129,479</u>	<u>121,046</u>	<u>208,710</u>	<u>1,448,094</u>
Elimination						<u>(43,877)</u>
Group revenue						<u>1,404,217</u>
<b>Results</b>						
Segment results	<u>212,704</u>	<u>(24,985)</u>	<u>1,874</u>	<u>(3,954)</u>	<u>(45,271)</u>	140,368
Interest income						4,129
Unallocated other income, gains and losses						518
Central administration costs						(21,761)
Finance costs						<u>(3,164)</u>
Profit before taxation						<u>120,090</u>

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 resource allocation and performance assessment.



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

	Six months ended	
	31 December	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Other income:</i>		
Bank interest income	<b>5,838</b>	1,657
Interest income on available-for-sale investments	<b>1,590</b>	2,472
Watch repair and maintenance services income	<b>3,450</b>	4,291
Government subsidies ( <i>Note</i> )	<b>4,918</b>	8,543
Rental income	<b>3,353</b>	1,690
Others	<b>2,862</b>	4,622
	<b>22,011</b>	23,275
<i>Other gains and losses:</i>		
Allowance for doubtful debts, net	<b>(10,739)</b>	–
Loss on disposal and written-off of property, plant and equipment	<b>(5,608)</b>	(4,382)
Loss on disposal of available-for-sale investments	<b>(1,680)</b>	–
Loss on disposal of intangible assets	–	(2,172)
Net exchange gain (loss)	<b>999</b>	(3,461)
	<b>(17,028)</b>	(10,015)
	<b>4,983</b>	13,260

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

## 5. FINANCE COSTS

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Interest on bank borrowings	<b>1,096</b>	1,490
Imputed interest on loan from a non-controlling interest of a subsidiary	<b>1,443</b>	1,245
Interest on loan from a non-controlling interest of a subsidiary	<b>249</b>	–
Interest on loan from a related party	<b>884</b>	429
Interest on loan from a director	<b>236</b>	–
	<b>3,908</b>	3,164

## 6. INCOME TAX

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax:		
Hong Kong Profits Tax	<b>21</b>	–
PRC Enterprise Income Tax	<b>46,074</b>	40,374
PRC withholding tax	<b>128</b>	3,183
	<b>46,223</b>	43,557
Overprovision in prior years:		
PRC Enterprise Income Tax	–	(133)
	<b>46,223</b>	43,424
Deferred taxation	<b>10,870</b>	2,053
	<b>57,093</b>	45,477

## 6. INCOME TAX (cont'd)

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

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of EIT Law, the Enterprise Income Tax rate is 25%. 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 3 calendar years ended 31 December 2017.

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 for both periods. No provision of tax has been made for both periods since this subsidiary incurred tax loss during both periods.

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

Dividends distributed from the PRC subsidiaries are subject to withholding tax at 5% to 10%. Deferred tax in relation to withholding income tax for the undistributed profits of the PRC subsidiaries have been provided. Details of the movement of the deferred tax recognised in respect to withholding income tax for the undistributed profits are set out in note 18.

## 7. PROFIT FOR THE PERIOD

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Profit for the period has been arrived at after charging:		
Staff costs (including Directors' remuneration)	<b>228,451</b>	220,264
Retirement benefits scheme contributions (including Directors' remuneration)	<b>27,375</b>	24,953
Total staff costs	<b>255,826</b>	245,217
Depreciation of property, plant and equipment	<b>40,831</b>	42,334
Allowance for obsolete inventories recognised as cost of sales	<b>3,393</b>	16,061
Concessionaire fee ( <i>Note</i> )	<b>246,422</b>	238,488

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

## 8. DIVIDENDS

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Dividends recognised as distribution during the period:		
2017 Final – HK3 cents per share	<b>62,398</b>	–
2016 Final – HK3 cents per share	–	62,398
	<b>62,398</b>	62,398

## 9. EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per share – profit for the period attributable to owners of the Company	<b>146,169</b>	101,455
	<b>'000</b>	'000
Numbers of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>2,079,946</b>	2,079,946

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

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2017, the Group purchased property, plant and equipment of approximately HK\$37,575,000 (six months ended 31 December 2016: approximately HK\$41,320,000) and wrote off property, plant and equipment of approximately HK\$5,608,000 (six months ended 31 December 2016: approximately HK\$4,441,000).

## 11. INVESTMENT PROPERTY

	<i>HK\$'000</i>
<hr style="border: 1px solid black;"/>	
<b>Fair value</b>	
At 1 July 2016	–
Addition	104,946
	<hr style="border: 1px solid black;"/>
At 30 June 2017 and 31 December 2017	<hr style="border: 1px solid black;"/> 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.

As at 30 June 2017, the fair value of the Group's investment property located in Hong Kong 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.

In the opinion of directors, there is no significant change of fair value of the investment property between 31 December 2017 and 30 June 2017.

## 12. AVAILABLE-FOR-SALE INVESTMENTS

	<b>As at 31 December 2017 HK\$'000 (Unaudited)</b>	As at 30 June 2017 HK\$'000 (Audited)
Listed debt securities	<b>49,842</b>	85,297
Analysed for reporting purposes as:		
Non-current assets	<b>19,674</b>	19,744
Current assets	<b>30,168</b>	65,553
	<b>49,842</b>	85,297

## 13. INVENTORIES

	<b>As at 31 December 2017 HK\$'000 (Unaudited)</b>	As at 30 June 2017 HK\$'000 (Audited)
Raw materials and consumables	<b>72,845</b>	42,958
Work in progress	<b>12,052</b>	7,867
Finished goods	<b>510,735</b>	498,279
	<b>595,632</b>	549,104

## 14. TRADE RECEIVABLES

	<b>As at 31 December 2017 HK\$'000 (Unaudited)</b>	As at 30 June 2017 HK\$'000 (Audited)
Trade receivables from third parties	<b>384,504</b>	415,384
Trade receivables from related companies	<b>4,985</b>	8,233
Less: allowance for doubtful debts	<b>(10,170)</b>	(5,352)
	<b>379,319</b>	418,265

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, as at 31 December 2017 and 30 June 2017:

	<b>As at 31 December 2017 HK\$'000 (Unaudited)</b>	As at 30 June 2017 HK\$'000 (Audited)
0 to 60 days	<b>315,630</b>	346,215
61 to 120 days	<b>40,516</b>	41,560
121 to 180 days	<b>7,122</b>	10,165
Over 180 days	<b>11,774</b>	12,092
	<b>375,042</b>	410,032



## 14. TRADE RECEIVABLES (cont'd)

The following is an ageing analysis of trade receivables from related companies, including entities owned by non-controlling interests of subsidiaries, presented based on the date of delivery of goods, which approximates to the date of revenue recognition, as at 31 December 2017 and 30 June 2017:

	<b>As at 31 December 2017 HK\$'000 (Unaudited)</b>	As at 30 June 2017 HK\$'000 (Audited)
0 to 60 days	<b>3,958</b>	3,922
61 to 120 days	<b>319</b>	4,311
	<b>4,277</b>	8,233

## 15. STRUCTURED DEPOSITS

During the year ended 30 June 2017, the Group entered into two structured deposits with a bank in the PRC with an aggregate amount of approximately HK\$172,650,000. 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. The counterparty bank guaranteed 100% of the invested capital and the returns of which the interest income shall be determined by reference to the 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. The structured deposits have a term of six months and three months respectively which would be matured in the year ending 30 June 2018.

During the six months ended 31 December 2017, the Group entered into two types of structured deposits with banks in the PRC with an aggregate amount of approximately HK\$293,500,000. The structured deposits are interest rate-linked or exchange rate-linked principal protected deposits. The nature of the structured deposits is RMB fixed deposits. The counterparty bank guaranteed 100% of the invested capital and the returns of which the interest income shall be determined by reference to the fluctuation of London Interbank Offered Rate of United States dollars' bank deposits or the exchange rate of Euro to US dollars and the effective interest rate of these deposits are 4.1% per annum or 3.2% per annum. The structured deposits have terms range from one to three months which would be matured in the year ending 30 June 2018.

## 16. TRADE PAYABLES AND BILLS PAYABLE

	<b>As at 31 December 2017 HK\$'000 (Unaudited)</b>	As at 30 June 2017 HK\$'000 (Audited)
Trade payables	<b>95,260</b>	58,116
Bills payable	<b>7,917</b>	3,262
Trade payables to related companies	<b>12,068</b>	60,723
	<b>115,245</b>	122,101

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 as at 31 December 2017 and 30 June 2017:

	<b>As at 31 December 2017 HK\$'000 (Unaudited)</b>	As at 30 June 2017 HK\$'000 (Audited)
0 to 30 days	<b>74,549</b>	35,684
31 to 60 days	<b>12,368</b>	12,976
61 to 90 days	<b>2,572</b>	3,310
Over 90 days	<b>5,771</b>	6,146
	<b>95,260</b>	58,116

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

The related companies, including companies in which 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 related companies based on the invoice date as at 31 December 2017 and 30 June 2017:

	<b>As at 31 December 2017 HK\$'000 (Unaudited)</b>	As at 30 June 2017 HK\$'000 (Audited)
0 to 30 days	<b>1,078</b>	12,779
31 to 60 days	–	7,413
61 to 90 days	<b>20</b>	645
Over 90 days	<b>10,970</b>	39,886
	<b>12,068</b>	60,723

Bills payable as at 31 December 2017 and 30 June 2017 is aged within 30 days based on goods receipt date.

## 17. SHARE CAPITAL

	<b>Number of shares</b>	<b>Share capital</b> <i>HK\$'000</i>
<i>Ordinary shares of HK\$0.1 each</i>		
<i>Issued and fully paid:</i>		
At 1 July 2016 (audited) and 31 December 2016 (unaudited)	<u>2,079,946,000</u>	<u>207,995</u>
At 1 July 2017 (audited) and 31 December 2017 (unaudited)	<u>2,079,946,000</u>	<u>207,995</u>

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

## 18. DEFERRED TAXATION

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

	<b>Allowance for obsolete inventories</b>	<b>Unrealised profit</b>	<b>Accelerated tax depreciation</b>	<b>Withholding tax arising from PRC subsidiaries</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 July 2017 (audited)	(19,923)	(8,315)	2,593	58,379	32,734
(Credit) charge to profit or loss	(620)	-	-	11,490	10,870
At 31 December 2017 (unaudited)	<u>(20,543)</u>	<u>(8,315)</u>	<u>2,593</u>	<u>69,869</u>	<u>43,604</u>

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

	<b>As at 31 December 2017 HK\$'000 (Unaudited)</b>	<b>As at 30 June 2017 HK\$'000 (Audited)</b>
Deferred tax assets	<u><b>28,858</b></u>	28,238
Deferred tax liabilities	<u><b>72,462</b></u>	60,972

The Group had unused tax losses of approximately HK\$444,773,000 and approximately HK\$422,211,000 as at 31 December 2017 and 30 June 2017 respectively. No deferred tax assets have been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

## 19. COMMITMENTS

### a. Operating lease commitments

#### *The Group as lessee*

At 31 December 2017 and 30 June 2017, the Group had commitments for future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>As at 31 December 2017 HK\$'000 (Unaudited)</b>	As at 30 June 2017 HK\$'000 (Audited)
Within one year	<b>31,342</b>	29,563
In the second to fifth year inclusive	<b>34,901</b>	38,887
Over five years	–	17
	<b>66,243</b>	68,467

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.

## 19. COMMITMENTS (cont'd)

### a. Operating lease commitments (cont'd)

#### *The Group as lessor*

At 31 December 2017 and 30 June 2017, the Group had contracted with tenants for the following future minimum lease payments:

	<b>As at 31 December 2017 HK\$'000 (Unaudited)</b>	As at 30 June 2017 HK\$'000 (Audited)
Within one year	<b>6,507</b>	2,623
In the second to fifth year inclusive	<b>8,820</b>	4,808
	<b>15,327</b>	7,431

### 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.

## 20. RELATED PARTY TRANSACTIONS

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

	<b>Six months ended 31 December 2017 HK\$'000 (Unaudited)</b>	2016 HK\$'000 (Unaudited)
Sales to related companies ( <i>Notes a &amp; d</i> )	–	3,179
Sales to entities related to a non-controlling interest of subsidiaries ( <i>Note d</i> )	<b>4,809</b>	7,495
Sales commission paid/payable to a related company ( <i>Notes a &amp; d</i> )	–	19
Sales commission paid/payable to entities related to a non-controlling interest of subsidiaries ( <i>Note d</i> )	<b>613</b>	450
Purchase from entities owned by non-controlling interests of subsidiaries	–	3,601
Purchase from entities related to a non-controlling interest of subsidiaries ( <i>Note d</i> )	<b>5,815</b>	93,229
Rental expenses paid/payable to related companies ( <i>Note b &amp; d</i> )	<b>2,410</b>	2,301
Refund of service fee received/receivable from a non-controlling interest of a subsidiary	<b>351</b>	331
Service fee received/receivable from entities related to a non-controlling interest of subsidiaries ( <i>Note d</i> )	<b>23</b>	11
Promotion fee paid/payable to related companies ( <i>Notes c &amp; d</i> )	–	34
Service fee paid/payable to entities related to a non-controlling interest of a subsidiary ( <i>Note d</i> )	<b>2,811</b>	1,481
Dividend paid/payable to a non-controlling interest of a subsidiary	–	945
Interest expense paid/payable to a related party ( <i>Note e</i> )	<b>884</b>	429
Imputed interest expense paid/payable to a non-controlling interest of a subsidiary	<b>1,443</b>	1,245
Interest expense paid/payable to a non-controlling interest of a subsidiary	<b>249</b>	–
Interest expense paid/payable to a director	<b>236</b>	–
Purchase from an entity owned by a related party ( <i>Note d &amp; e</i> )	<b>16,315</b>	15,740



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

Notes:

- (a) The amount represented the sales of watches to related companies in which Mr. Tung Koon Ming, an executive Director ("Mr. Tung") has control and ceased to be related companies started from September 2016 due to loss of control by Mr. Tung.
- (b) The related company is wholly owned and controlled by Mr. Tung.
- (c) The amount represented promotion fees paid to related companies in which Mr. Tung has control and ceased to be related companies 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.

### Compensation of key management personnel

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

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Short-term benefits	<b>7,505</b>	6,687
Post-employment benefits	<b>81</b>	92
	<b>7,586</b>	6,779

## 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2017	30 June 2017		
	<i>HK\$'000</i>	<i>HK\$'000</i>		
	<b>(Unaudited)</b>	(Audited)		

Available-for-sale investments

Debts securities	<b>49,842</b>	85,297	Level 2	Quoted bid prices from a bank.
– Corporate bonds traded in inter-bank market				

There were no transfer between Level 1 and 2 in the period.

## **ADDITIONAL INFORMATION**

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2017.

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

During the six months ended 31 December 2017, there was no material acquisition or disposal of subsidiaries or associated companies by the Company.

### **Corporate Governance Practices**

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules as its code of corporate governance practices. Save as disclosed below, during the six months ended 31 December 2017, the Company had complied with the code provisions of the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Taking into account of Mr. Tung Koon Ming's strong expertise and insight of the watch industry, the Board considered that the roles of chairman and chief executive officer being performed by Mr. Tung Koon Ming enables more effective and efficient overall business planning, decision making and implementation thereof by the Group. In order to maintain good corporate governance and fully comply with code provisions of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

## **Model Code for Securities Transactions by Directors**

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all the Directors, the Company is satisfied that and the Directors confirmed that they have fully complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transaction during the six months ended 31 December 2017.

## **Audit Committee**

The audit committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Company for the six months ended 31 December 2017 and discussed the financial related matters with the management of the Group.

## **Interim Dividend**

The Directors have declared an interim dividend of HK2 cents per share (six months ended 31 December 2016: HK2 cents per share), amounting to approximately HK\$41.6 million for the six months ended 31 December 2017 (six months ended 31 December 2016: approximately HK\$41.6 million) to the shareholders of the Company. The interim dividend will be paid to shareholder whose name appears on the register of members of the Company at the close of business on 15 March 2018. It is expected that the interim dividend will be paid on or about 26 March 2018.

## **Closure of Register of Members**

The register of members of the Company will be closed on 15 March 2018 and no transfer of shares will be effective from that date. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30p.m. on 14 March 2018.

## **Share Option Scheme**

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

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

As at 31 December 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

<b>Name of Director</b>	<b>Name of Group member/ associated corporation</b>	<b>Capacity/ nature of interest</b>	<b>Number and class of securities</b> <i>(Note 1)</i>	<b>Approximate percentage of shareholding</b>
Mr. Tung Koon Ming ("Mr. Tung")	Company	Interest of corporation controlled <i>(Note 2)</i>	1,456,277,000 Shares (L)	70.02%

*Notes:*

- The letter "L" denotes a long position in the shares of the Company or the relevant associated corporation.
- These Company's Shares were held by Red Glory Investments Limited ("Red Glory"), which was wholly owned by Mr. Tung. Mr. Tung was deemed to be interested in all the Shares in which Red Glory, was interested by virtue of the SFO.

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 31 December 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 the SFO were as follows:

<b>Name of shareholders</b>	<b>Capacity/nature of interest</b>	<b>Number and class of securities</b> <i>(Note 1)</i>	<b>Approximate percentage of shareholding</b>
Red Glory	Beneficial owner	1,456,277,000 Shares (L)	70.02%
Ms. Tam Fun Hung ("Ms. Tam")	Interest of spouse <i>(Note 2)</i>	1,456,277,000 Shares (L)	70.02%
Areo Holdings Limited	Interest of a controlled corporation <i>(Note 3)</i>	193,930,000 Shares (L)	9.32%
Lam Lai Ming	Interest of a controlled corporation <i>(Note 3)</i>	193,930,000 Shares (L)	9.32%
Li Gabriel	Interest in a controlled corporation <i>(Note 3)</i>	193,930,000 Shares (L)	9.32%
Orchid Asia V, L.P.	Beneficial owner <i>(Note 3)</i>	188,298,000 Shares (L)	9.05%

<b>Name of shareholders</b>	<b>Capacity/nature of interest</b>	<b>Number and class of securities</b> <i>(Note 1)</i>	<b>Approximate percentage of shareholding</b>
OAV Holdings, L.P.	Interest of a controlled corporation <i>(Note 3)</i>	188,298,000 Shares (L)	9.05%
Orchid Asia V GP, Limited	Interest of a controlled corporation <i>(Note 3)</i>	188,298,000 Shares (L)	9.05%
Orchid Asia V Group Management, Limited	Interest of a controlled corporation <i>(Note 3)</i>	188,298,000 Shares (L)	9.05%
Orchid Asia V Group, Limited	Interest of a controlled corporation <i>(Note 3)</i>	188,298,000 Shares (L)	9.05%

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 interim 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 31 December 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.

## **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**

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

## **HONG KONG BRANCH SHARE REGISTRAR**

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

## **REGISTERED OFFICE**

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Cayman Islands

## **HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

27th Floor, CEO Tower,  
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Kowloon, Hong Kong

## **STOCK CODE ON THE HONG KONG STOCK EXCHANGE**

2033

## **INVESTOR INFORMATION**

For more information about the Group,  
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