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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2033)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

- Revenue grew by approximately 35.4% to approximately HK$931.9 million for the six months ended 31 December 2012 ("**1HFY2013**") as compared to approximately HK$688.4 million for the six months ended 31 December 2011 ("**1HFY2012**").

- The same-store sales growth rate for the Group was approximately 18.3% in 1HFY2013, as compared to approximately 26.0% in 1HFY2012. The same-store sales growth rate for Tian Wang watches was approximately 21.8% in 1HFY2013 as compared to approximately 23.2% in 1HFY2012.

- The Group's gross profit was approximately HK$550.4 million in 1HFY2013, as compared to approximately HK$424.5 million in 1HFY2012. For Tian Wang watches, the gross profit was approximately HK$446.4 million in 1HFY2013 as compared to approximately HK$353.1 million in 1HFY2012.

- The Group's gross profit margin was approximately 59.1% in 1HFY2013, as compared to approximately 61.7% in 1HFY2012. For Tian Wang watches, the gross profit margin was approximately 77.5% in 1HFY2013 as compared to approximately 81.0% in 1HFY2012.

- The Group's profit for the period attributable to owners of the Company was approximately HK$104.2 million in 1HFY2013, as compared to approximately HK$93.4 million in 1HFY2012. Excluding listing expenses, the Group's profit for the period attributable to owners of the Company was approximately HK$125.2 million in 1HFY2013, representing an increase of approximately HK$27.6 million or approximately 28.3% as compared to approximately HK$97.6 million in 1HFY2012.

- Earnings per share were HK6.9 cents in 1HFY2013 (1HFY2012: HK6.2 cents).

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

The board (the "**Board**") of directors (the "**Directors**") of Time Watch Investments Limited (the "**Company**") is pleased to announce the audited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 31 December 2012 which have been audited by the Company's auditor Deloitte Touche Tohmatsu, in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certificated Public Accountants, together with the unaudited comparative figures for the six months ended 31 December 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2012

		Six months ended 31 December	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
			(Unaudited)
Revenue	*3*	**931,895**	688,373
Cost of sales		**(381,451)**	(263,867)
Gross profit		**550,444**	424,506
Other gains and income	*4*	**10,626**	5,244
Other expenses	*4*	**(21,002)**	(4,200)
Selling and distribution costs		**(352,102)**	(268,686)
Administrative expenses		**(38,049)**	(34,373)
Finance costs	*5*	**(5,515)**	(2,191)
Profit before taxation		**144,402**	120,300
Income tax	*6*	**(38,410)**	(25,174)
Profit for the period	*7*	**105,992**	95,126
Other comprehensive income which will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**7,293**	4,978
Total comprehensive income for the period		**113,285**	100,104
Profit for the period attributable to:			
Owners of the Company		**104,216**	93,381
Non-controlling interests		**1,776**	1,745
		105,992	95,126
Total comprehensive income attributable to:			
Owners of the Company		**111,130**	98,138
Non-controlling interests		**2,155**	1,966
		113,285	100,104
Earnings per share, basic (*HK cents*)	*9*	**6.9**	6.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	**As at 31 December 2012** *HK$'000*	As at 30 June 2012 *HK$'000*
Non-current assets			
Property, plant and equipment		**56,722**	47,297
Deferred tax assets		**9,612**	12,000
		66,334	59,297
Current assets			
Inventories	*10*	**469,873**	466,370
Trade receivables	*11*	**248,162**	233,221
Other receivables, deposits and prepayments		**63,939**	56,129
Amounts due from fellow subsidiaries		**–**	834
Amount due from a related company		**–**	60
Bank balances and cash		**151,099**	156,512
		933,073	913,126
Current liabilities			
Trade payables and bills payable	*12*	**86,807**	120,354
Other payables and accrued charges		**91,237**	73,501
Amount due to a director		**40,610**	33,483
Amounts due to fellow subsidiaries		**–**	316
Dividend payable to a non-controlling shareholder of a subsidiary		**2,992**	–
Tax liabilities		**25,972**	19,154
Bank borrowings	*13*	**273,933**	285,520
Financial guarantee liability		**–**	4,000
		521,551	536,328
Net current assets		**411,522**	376,798
Total assets less current liabilities		**477,856**	436,095

	As at 31 December 2012 HK$'000	As at 30 June 2012 HK$'000
Capital and reserves		
Share capital	**100**	100
Reserves	**417,608**	377,019
Equity attributable to owners of the Company	**417,708**	377,119
Non-controlling interests	**36,992**	37,829
Total equity	**454,700**	414,948
Non-current liabilities		
Deferred tax liabilities	**23,156**	21,147
	477,856	436,095

1. GROUP REORGANISATION AND BASIS OF PREPARATION

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 on 21 September 2011. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 5 February 2013. Its immediate holding company is Red Glory Investments Limited ("Red Glory"), a company incorporated in the British Virgin Islands ("BVI"). Its ultimate holding company is Red Rewarding Limited ("Red Rewarding"), a company incorporated in the BVI. Red Rewarding is wholly owned by Mr. Tung Koon Ming ("Mr. Tung"). The address of the Company's registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business is 27th Floor, CEO Tower, 77 Wing Hong Street, Kowloon, Hong Kong.

The Company is an investment holding company.

In the preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 1 June 2012. The details of the Reorganisation are set out in the prospectus dated 24 January 2013 issued by the Company. The Company and its subsidiaries (including the Watch Movements Trading Business) have been under the common control of Mr. Tung throughout the year ended 30 June 2012 or since their respective date of incorporation or establishment, where there is a shorter period and that control is not transitory.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting which is consistent with the principle as stated in the Accounting Guideline 5 "Merger Accounting Under Common Control Combinations" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended 31 December 2011 include the results, changes in equity and cash flows of the companies (including the Watch Movements Trading Business) now comprising the Group as if the current group structure had been in existence throughout the six months ended 31 December 2011, or since their respective dates of incorporation or establishment, where there is a shorter period.

During the six months ended 31 December 2011, the Watch Movements Trading Business of the Group was carried out by Winning Metal Products Manufacturing Company Limited ("Winning Metal"). Win Source Trading Limited ("Win Source") acquired the Watch Movements Trading Business from Winning Metal upon the completion of the Reorganisation. On 1 June 2012, the assets and the liabilities of Winning Metal except for (i) properties used for corporate purpose, and (ii) the investments in subsidiaries not forming part of the Group and certain current account balances with these subsidiaries were transferred to Win Source upon completion of the Reorganisation. Accordingly, the consolidated statement of comprehensive income for the six months ended 31 December 2011 includes all of the Group's activities in doing Watch Movements Trading Business. Considering the extent of the Watch Movements Trading Business carried out by Winning Metal, other than specific assets and income that are identified to the investment holding activity of Winning Metal which are not directly attributable to the Watch Movements Trading Business, all items of income and expenses of Winning Metal are included in the consolidated statement of comprehensive income for the six months ended 31 December 2011.

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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for properties, which are measured at revalued amounts, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods. The principal accounting policies adopted in the consolidated financial statements are the same as those followed in the preparation of the Group's financial information for each of the three years ended 30 June 2012 and the three months ended 30 September 2012 as contained in the Accountants' Report set out in Appendix I of the prospectus ("Prospectus") issued by the Company on 24 January 2013.

The Group has applied all the standards, amendments and interpretations issued by the Hong Kong Certified Public Accountants, which are effective for the Group's financial period beginning on 1 July 2012.

The Group has not early adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting financial assets and financial liabilities[1]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures[2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment entities[3]
HKFRS 9	Financial instruments[2]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities[3]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2015.
[3] Effective for annual periods beginning on or after 1 January 2014.

The directors of the Company anticipates that the application of these new and revised standards, amendments or interpretation will have no material impact on the consolidated financial statements of the Group.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of goods.

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

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

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

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

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

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

Segment revenue and results

Six months ended 31 December 2012

	Tian Wang Watch Business *HK$'000*	Balco Watch Business *HK$'000*	Watch Movements Trading Business *HK$'000*	Other Brands *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	**575,829**	**66,321**	**164,981**	**124,764**	**931,895**
Inter-segment sales	**–**	**–**	**14,951**	**–**	**14,951**
Segment revenue	**575,829**	**66,321**	**179,932**	**124,764**	**946,846**
Elimination					**(14,951)**
Group revenue					**931,895**
Results					
Segment results	**155,993**	**7,323**	**7,634**	**8,650**	**179,600**
Interest income					**1,135**
Financial guarantee income					**4,000**
Central administration costs					**(34,818)**
Finance costs					**(5,515)**
Profit before taxation					**144,402**

Six months ended 31 December 2011 (unaudited)

	Tian Wang Watch Business *HK$'000*	Balco Watch Business *HK$'000*	Watch Movements Trading Business *HK$'000*	Other Brands *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	435,893	53,892	129,808	68,780	688,373
Inter-segment sales	–	–	31,374	–	31,374
Segment revenue	435,893	53,892	161,182	68,780	719,747
Elimination					(31,374)
Group revenue					688,373
Results					
Segment results	126,161	(979)	9,403	6,699	141,284
Interest income					1,253
Financial guarantee income					1,000
Central administration costs					(21,046)
Finance costs					(2,191)
Profit before taxation					120,300

Segment results represent the results of each segment without allocation of corporate items, including interest income, financial guarantee income, central administration costs and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. OTHER GAINS AND INCOME/OTHER EXPENSES

	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
		(Unaudited)
Other gains and income		
Bank interest income	**1,135**	495
Interest income from a director	**–**	758
Financial guarantee income	**4,000**	1,000
Others	**5,491**	2,991
	10,626	5,244
Other expenses		
Listing expenses	**21,002**	4,200

5. FINANCE COSTS

	Six months ended 31 December 2012 *HK$'000*	2011 *HK$'000* (Unaudited)
The finance costs represent interests on:		
Bank borrowings wholly repayable within five years	**5,515**	2,168
Finance leases	**–**	23
	5,515	2,191

6. INCOME TAX

	Six months ended 31 December 2012 *HK$'000*	2011 *HK$'000* (Unaudited)
Current tax:		
PRC Enterprise Income Tax	**31,198**	20,892
PRC withholding tax	**3,095**	–
	34,293	20,892
Overprovision in prior years:		
PRC Enterprise Income Tax	**(280)**	–
	34,013	20,892
Deferred taxation	**4,397**	4,282
	38,410	25,174

The Company and its subsidiaries incorporated in Cayman Islands and BVI are exempted under the tax laws of the Cayman Islands and the BVI.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits. No provision for Hong Kong Profits Tax has been made for the six months ended 31 December 2012 and 2011, as the Group's subsidiaries subject to Hong Kong Profits Tax either incurred tax losses or their assessable profits wholly absorbed by tax losses brought forward.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of EIT Law, the tax rate of the PRC subsidiaries is 25%. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa (2007) No.39), the tax concessions of Ye Guang Li Electronics (Meizhou) Company Limited ("Ye Guang Li") and Tian Wang Electronics (Shenzhen) Co., Ltd. ("Tian Wang Shenzhen") (set out below) are still applicable under the EIT Law.

Pursuant to the relevant laws and regulations in the PRC, Ye Guang Li is entitled to an exemption from PRC Enterprise Income Tax for the two years starting from their first profit-making year, followed by a 50% tax relief for the next three years. The tax charge provided has taken into account these tax incentives. Ye Guang Li commenced its first profit making year for the calendar year ended 31 December 2007 and accordingly, Ye Guang Li was exempted from PRC Enterprise Income Tax for the calendar years ended 31 December 2007 and 2008, the applicable tax rate for the calendar years ended 31 December 2009, 2010 and 2011 was 12.5% and the applicable tax rate for the six months ended 31 December 2012 was 25%.

The applicable tax rates for Tian Wang Shenzhen for the calendar years ended 31 December 2009 and 2010 are 20% and 22% respectively, being the concession tax rate for foreign invested enterprise in the area of Shenzhen Economic Zone. Tian Wang Shenzhen obtained the qualification as a high and new technology enterprise on 23 February 2011, which is valid for three years and it also completed the relevant filing requirements with the competent tax authorities on 18 April 2012. Hence, Tian Wang Shenzhen is subject to the preferential tax treatment and the applicable tax rate for the calendar years ended 31 December 2011 and 2012 is 15%.

Under the EIT Law, PRC withholding income tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to non-PRC tax resident group entities in Hong Kong in respect of profits generated after 1 January 2008 shall be subject to the withholding tax at 5%. Deferred tax in relation to withholding income tax for the undistributed profits of the PRC subsidiaries has been provided.

7. PROFIT FOR THE PERIOD

	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
		(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Auditor's remuneration	**1,218**	871
Directors' remuneration		
Fees	**–**	–
Other emoluments	**3,581**	9,038
Retirement benefits scheme contributions	**24**	17
	3,605	9,055
Other staff costs	**90,404**	76,570
Retirement benefits scheme contributions	**9,765**	4,781
Total staff costs	**103,774**	90,406
Depreciation of property, plant and equipment		
Owned assets	**11,905**	11,404
Leased assets	**–**	80
(Reversal of allowance) allowance for obsolete inventories recognised as cost of sales	**(329)**	7,369
Loss on disposal and write off of property, plant and equipment	**1,087**	1,533
Concessionaire fee *(Note)*	**177,595**	128,798
Operating lease payment in respect of shop counters and shops	**12,770**	6,517
Operating lease payment for office premises and factories	**3,198**	716
Net foreign exchange gain	**(1,492)**	(540)

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. DIVIDEND

During the six months ended 31 December 2012, the Company declared a total dividend of HK$70,541,000 (six months ended 31 December 2011: nil) to its immediate holding company.

9. EARNINGS PER SHARE

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

	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
		(Unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	**104,216**	93,381
	'000	*'000*
Numbers of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,500,000**	1,500,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been adjusted for the effect of the Reorganisation and the capitalisation issue of 1,499,000,000 shares on 5 February 2013.

There was no diluted earnings per share for the six months ended 31 December 2012 and 2011 as there were no potential ordinary shares in issue during the six months ended 31 December 2012 and 2011.

10. INVENTORIES

	As at 31 December 2012	As at 30 June 2012
	HK$'000	*HK$'000*
Raw materials and consumables	**39,720**	60,914
Work in progress	**13,231**	22,936
Finished goods	**416,922**	382,520
	469,873	466,370

During the six months ended 31 December 2012, certain inventories previously provided for impairment were sold and hence, allowance for obsolete inventories of HK$329,000 was reversed.

11. TRADE RECEIVABLES

	As at 31 December 2012	As at 30 June 2012
	HK$'000	*HK$'000*
Trade receivables from third parties	**244,091**	227,956
Trade receivables from fellow subsidiaries	**3,200**	3,469
Trade receivable from a related company	**1,301**	2,226
Less: allowance for doubtful debts	**(430)**	(430)
	248,162	233,221

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 credit period granted to the department stores is 60 days. The Group did not have a credit period policy to its related party customers and the related party customers normally settled trade receivables within three months.

The following is an aged analysis of trade receivables from third parties net of allowance for doubtful debts presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised:

	As at 31 December 2012	As at 30 June 2012
	HK$'000	*HK$'000*
0 to 60 days	**210,070**	194,330
61 to 120 days	**21,667**	19,681
121 to 180 days	**7,465**	5,461
Over 180 days	**4,459**	8,054
	243,661	227,526

The following is an aged analysis of trade receivables from fellow subsidiaries presented based on invoice date:

	As at 31 December 2012	As at 30 June 2012
	HK$'000	*HK$'000*
0 to 60 days	**3,200**	3,469

The following is an aged analysis of trade receivable from a related company (in which Mr. Tung has control) presented based on invoice date:

	As at 31 December 2012	As at 30 June 2012
	HK$'000	*HK$'000*
0 to 60 days	**621**	1,293
61 to 120 days	**680**	933
	1,301	2,226

As at 31 December 2012, included in the Group's trade receivables are debtors with a carrying amount of HK$33,591,000 (30 June 2012: HK$33,196,000), which are past due at the end of the reporting period for which the Group has not provided 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 31 December 2012 is 109 days (30 June 2012: 118 days).

Movement in the allowance for doubtful debts

	As at 31 December 2012 *HK$'000*	As at 30 June 2012 *HK$'000*
Balance at beginning and at the end of the period/year	**430**	430

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.

12. TRADE PAYABLES AND BILLS PAYABLE

	As at 31 December 2012 *HK$'000*	As at 30 June 2012 *HK$'000*
Trade payables and bills payable:		
Trade payables	**77,876**	107,010
Bills payable	**7,506**	6,532
Trade payable to entity owned by a non-controlling shareholder of a subsidiary	**1,425**	6,812
	86,807	120,354

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

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

	As at 31 December 2012 *HK$'000*	As at 30 June 2012 *HK$'000*
0 – 30 days	**53,944**	48,761
31 – 60 days	**11,290**	20,301
61 – 90 days	**4,798**	15,688
Over 90 days	**7,844**	22,260
	77,876	107,010

The entity owned by a non-controlling shareholder of a subsidiary did not have a specified credit period policy granting to the Group and the Group normally settled trade payables within three months. The following is an aged analysis of trade payables to entity owned by a non-controlling shareholder of a subsidiary based on invoice date at the end of the reporting period:

	As at 31 December 2012 *HK$'000*	As at 30 June 2012 *HK$'000*
0 – 60 days	**1,425**	6,812

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

13. BANK BORROWINGS

	As at 31 December 2012 *HK$'000*	As at 30 June 2012 *HK$'000*
Trust receipts loans	**77,766**	36,372
Bank loans	**196,167**	249,148
	273,933	285,520
Analysed as:		
Secured	**126,261**	146,004
Unsecured	**147,672**	139,516
	273,933	285,520
The borrowings are repayable as follows:		
On demand and within one year	**221,767**	225,353
Carrying amount of bank loans that are repayable within one to two years from the end of the reporting period but contain a repayment on demand clause	**14,000**	15,000
Carrying amount of bank loans that are repayable within two to five years from the end of the reporting period but contain a repayment on demand clause	**38,166**	45,167
Total amount shown as current liabilities	**273,933**	285,520

Trust receipt loans and bank loans were arranged at floating rates at interest rates ranged from 2.03% to 7.62%, and the average interest rate is approximately 3.28% per annum as at 31 December 2012 (30 June 2012: 3.62% per annum). Thus the Group exposes to cash flow interest rate risk.

The Group's trust receipt loans and bank loans are under guarantees provided by certain group entities, a director and fellow subsidiaries. On 25 May 2012, a subsidiary provided a floating charge on its bank accounts of a bank to secure a banking facility. On 11 July 2012, the Group pledged the shares of Win Sun International Limited ("Win Sun") and Sky Sun Investments Limited ("Sky Sun") to secure a banking facility from a bank. The pledged shares of Win Sun and Sky Sun were released on 5 February 2013. As at 31 December 2012, the secured trust receipt loans and bank loans related to the facilities stated above amounted to approximately HK$120,790,000 (30 June 2012: HK$134,159,000).

As at 31 December 2012, the Group had trust receipts loans of approximately HK$5,471,000 (30 June 2012: HK$11,845,000), which were secured by properties in PRC owned by a fellow subsidiary of the Group.

14. SUBSEQUENT EVENTS

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

(ii) Pursuant to a written resolution of the sole shareholder passed on 11 January 2013:

(a) the authorised share capital of the Company was conditionally increased from HK$350,000 to HK$10,000,000,000 by the creation of 99,996,500,000 new shares of HK$0.10 each; and

(b) conditional on the share premium account of the Company being credited as a result of the offering of the shares of the Company to the public in Hong Kong and placing of the Company's shares, the directors were authorised to capitalise HK$149,900,000 standing to the credit of the share premium account of the Company applying such sum in paying up in full at par 1,499,000,000 shares for allotment and issue to the holder of shares whose name appears on the register of the members of the Company at the close of business on 11 January 2013.

The increase in authorised share capital and credit to the share premium account became unconditional upon the listing of the Company on 5 February 2013.

(iii) On 5 February 2013, the Company issued 500,000,000 new shares and the Company's shares were listed on the Stock Exchange on 5 February 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

In 1HFY2013, the Group recorded a revenue of approximately HK$931.9 million, representing an increase of approximately HK$243.5 million or approximately 35.4% as compared to approximately HK$688.4 million in 1HFY2012.

Sales of Tian Wang watches continued to be the Group's main source of revenue and accounted for approximately 61.8% (1HFY2012: 63.3%) of the total revenue. Sales of Tian Wang watches recorded a revenue of approximately HK$575.8 million in 1HFY2013, representing an increase of approximately HK$139.9 million or approximately 32.1% as compared to approximately HK$435.9 million in 1HFY2012. The growth in the current period was mainly fuelled by the expansion of the retail network which had an increase of approximately 17.5% from 1,178 POS as at 30 June 2012 to 1,384 POS as at 31 December 2012, as well as increasing demand for Tian Wang watches. The average monthly revenue per POS of Tian Wang watches increased from approximately HK$65,000 in 1HFY2012 to approximately HK$71,000 in 1HFY2013, representing an increase of approximately 9.2%. The same-store sales growth rate of Tian Wang watches was approximately 21.8% in 1HFY2013 (1HFY2012: 23.2%). In addition, we also conducted a nation-wide sales campaign in September 2012, to coincide with Mid-Autumn Festival in September 2012, which resulted in an increased number of promotional events held at department stores to promote sales of regular-priced watches as well as watch models aged more than two years and at the same time identified as slow moving.

Sales of Balco watches increased by approximately HK$12.4 million or approximately 23.1% from approximately HK$53.9 million in 1HFY2012 to approximately HK$66.3 million in 1HFY2013, and accounted for approximately 7.1% of the total revenue (1HFY2012: 7.8%). The increase was primarily due to the increase in the sales to multi-brand watch distributors in Hong Kong, Macau and Taiwan and sales to the Group's corporate customers. Revenue from these sales increased from approximately HK$7.7 million in 1HFY2012 to approximately HK$16.7 million in 1HFY2013.

Sales of branded watches other than Tian Wang and Balco brands ("**Other Brands**") watches increased by approximately HK$56.0 million or approximately 81.4% from approximately HK$68.8 million in 1HFY2012 to approximately HK$124.8 million in 1HFY2013, and accounted for approximately 13.4% (1HFY2012: 10.0%) of the total revenue. The increase in sales of Other Brands watches can be attributed to two newly established joint venture companies of the Group, namely Time Watch (Hefei) Timepieces Company Limited ("**Time Watch Hefei**") and Time Watch (Shanghai) Timepieces Company Limited ("**Time Watch Shanghai**") which contributed approximately HK$24.0 million and approximately HK$25.8 million respectively to the revenue of the Group in 1HFY2013. As Time Watch Hefei and Time Watch Shanghai were established in November 2011 and January 2012 respectively, no revenue had been recorded from them in 1HFY2012. In addition, Suzhou Paragon Watch Company Limited ("**Suzhou Paragon**") recorded an increase in revenue from approximately HK$68.8 million in 1HFY2012 to approximately HK$75.0 million, representing an increase of approximately HK$6.2 million or approximately 9.0%.

Trading of watch movements accounted for approximately 17.7% (1HFY2012: 18.9%) of the Group's total revenue. For 1HFY2013, revenue from trading of watch movements was approximately HK$165.0 million, representing an increase of approximately HK$35.2 million or approximately 27.1% as compared to approximately HK$129.8 million for 1HFY2012. The increase was primarily due to more watch movements spared for trading as the Group had produced sufficient Tian Wang watches for the year ended 30 June 2012, and had been monitoring and controlling the production of Tian Wang watches since then.

The Group's gross profit increased by approximately HK$125.9 million or approximately 29.7% from approximately HK$424.5 million in 1HFY2012 to approximately HK$550.4 million in 1HFY2013, while the gross profit margin declined to approximately 59.1% in 1HFY2013 from approximately 61.7% in 1HFY2012. The increase in gross profit was primarily due to increase in sales of Tian Wang, Balco and Other Brands watches, while the decline in gross profit margin was mainly due to decrease in gross profit margin of Tian Wang watches from approximately 81.0% in 1HFY2012 to approximately 77.5% in 1HFY2013 as a result of the nationwide sales campaign of the Group in September 2012 (whereby the Group did not carry out the same sales campaign in September 2011) to promote sales of regular-priced watches and watch models which are aged more than 2 years and identified as slow moving. For the latter category of watches, higher discounts (generally between 30% and 40%) were given for the sales which resulted in lower gross profit margin.

The Group's other income increased from approximately HK$5.2 million in 1HFY2012 to approximately HK$10.6 million in 1HFY2013 representing an increase of approximately HK$5.4 million or approximately 102.6%. This was primarily due to the Group recognizing a financial guarantee income of HK$4.0 million upon release of financial guarantees provided by the Group to our ultimate holding company by the bank in 12 November 2012. The Group's other expenses represented professional fees incurred for the initial public offering of the ordinary shares ("Shares") of HK$0.10 each in the share capital of the Company.

The Group's selling and distribution costs increased by approximately HK$83.4 million or approximately 31.0% from approximately HK$268.7 million in 1HFY2012 to approximately HK$352.1 million in 1HFY2013, representing approximately 37.8% (1HFY2012: 39.1%) of the Group's total revenue. The increase was mainly due to (i) an increase in concessionaire and rental fees of approximately HK$55.1 million as a result of increase in revenue, (ii) an increase in salaries of sales personnel of approximately HK$13.0 million as a result of increase in number of sales staff which was in line with increased number of POS and increased sales commissions which was in line with increased revenue, (iii) an increase in advertising and promotion fee of approximately HK$5.6 million as the Group rolled out a nation-wide sales campaign in September 2012, and (iv) an increase of approximately HK$9.7 million in other selling related costs such as packing, entertainment expenses, service charges and management fee, which were in connection with the Group's market expansion.

The Group's administrative expenses increased to approximately HK$38.0 million in 1HFY2013 from approximately HK$34.4 million in 1HFY2012, representing an increase of approximately HK$3.7 million or approximately 10.7%, primarily due to increase in PRC local regulatory surcharges (such as city construction tax and education levy) of approximately HK$3.1 million.

The Group's finance costs increased by approximately HK$3.3 million or approximately 151.7% from approximately HK$2.2 million in 1HFY2012 to approximately HK$5.5 million in 1HFY2013 as a result of increased bank borrowings. The Group's income tax increased from approximately HK$25.2 million in 1HFY2012 to approximately HK$38.4 million in 1HFY2013, representing an increase of approximately HK$13.2 million or approximately 52.6%. The Group's effective tax rate (after adding back listing expenses) increased from approximately 20.2% in 1HFY2012 to approximately 23.2% in 1HFY2013 mainly due to tax loss of approximately HK$17.9 million not recognized in 1HFY2013.

For the factors above, the Group's net profit for the period increased by approximately HK$10.9 million or approximately 11.4% from approximately HK$95.1 million in 1HFY2012 to approximately HK$106.0 million in 1HFY2013. The net profit margin declined slightly from approximately 13.8% in 1HFY2012 to approximately 11.4% in 1HFY2013.

Business Review

Overview

During the period under review, the Group's business primarily focused on the manufacture and retail sales of its two proprietary brands watches (namely, Tian Wang and Balco), the retail sales of the Other Brands watches in the PRC and its ancillary watch movements trading business. During 1HFY2013, sales of Tian Wang watches continued to be the major contributor to the revenue of the Group.

Retail Network

The Group's retail network principally comprises sales counters located inside department stores which are directly managed and controlled by the Group. Over 90% of the sales of Tian Wang and Balco watches by the Group were made through the Group's directly managed sales network. Since the Group sells most of its watches directly to retail customers, the Group has been able to obtain first hand market information and direct feedback from frontline staff and customers. The Group considers that this is a competitive advantage over its competitors which do not have fully directly managed sales network and thus mainly sell their products through their distributors.

Besides, as part of the strategic expansion of the Group, apart from opening new POS, the Group will also form new joint ventures with other independent local operators which shall inject their existing retail network into the joint venture companies formed. In 1HFY2013, the Group has formed one new joint venture, namely, Time Watch (Sichuan) Company Limited, which is in addition to the existing joint ventures of the Group, namely Suzhou Paragon, Time Watch Hefei, Time Watch Shanghai.

As at 31 December 2012, the Group's retail network of Tian Wang watches had 1,384 POS, a net increase of 206 and 318 POS as compared to 30 June 2012 and 31 December 2011, respectively. The Group plans to open an estimate of net 54 more Tian Wang POS for the six months ending 30 June 2013 ("**2HFY2013**"). The retail network of Balco watches and Other Brands watches had 381 and 66 POS, respectively as at 31 December 2012, a net increase of 48 and 4 POS, respectively as compared to the number of POS as at 30 June 2012, and a net increase of 73 and 44 POS, respectively as compared to the number of POS as at 31 December 2011.

Proprietary Watches of the Group

Tian Wang Watches

Tian Wang watches were the major source of revenue of the Group, which contributed approximately 61.8% of the total revenue in 1HFY2013. During 1HFY2013, we launched not less than 20 new models of Tian Wang watches with price ranging from approximately RMB1,000 and RMB8,000. The wide price range can fit the different requirements from customers, and can capture more customers from different income level.

Balco Watches

Balco watches are assembled and imported from Switzerland. The Group faces keen competition from other imported watches of similar price range, including Citizen, Casio, Titoni and Enicar. In 1HFY2013, revenue from Balco watches was approximately HK$66.3 million as compared to approximately HK$53.9 million in 1HFY2012, an increase by approximately HK$12.4 million or approximately 23.1%. Sale of Balco Watches had accounted for approximately 7.1% of the total revenue (1HFY2012: 7.8%). The Group continued to seek other ways to develop the Balco watch business, including broadening our sales and distribution channels in and outside of the PRC. There is an increase in the sales of Balco watches to Hong Kong, Macau and Taiwan through multi-brand watches distributors. Revenue from these sales increased from approximately HK$7.7 million in 1HFY2012 to approximately HK$16.7 million in 1HFY2013.

Other Brands Watches

Revenue from Other Brands watches was approximately HK$124.8 million in 1HFY2013 as compared to approximately HK$68.8 million in 1HFY2012, an increase by approximately HK$56.0 million or approximately 81.4% and accounted for approximately 13.4% (1HFY2012: 10.0%) of the total revenue. The increase in sales of Other Brands watches was mainly due to our formation of new joint ventures companies, Time Watch Hefei and Time Watch Shanghai in 1HFY2013.

Watch Movements Trading Business

The Group operates an in-house watch movement procurement and trading arm which enables the Group to source and maintain stable supply of watch movements for assembling of Tian Wang watches. Furthermore, the Group can also sell the surplus watch movements to other watch manufacturers and distributors. The Directors consider that the in-house watch movement 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 to Tian Wang watches and bringing revenue to the Group through the watch movement trading business.

E-commerce

In 2HFY2013, the Group will invest in a new e-commerce business by forming an e-commerce non-wholly owned subsidiary with an independent third party. The Group plans to concentrate on the sale of low-end watches and new youth series watches in the e-commerce platform. The Group believes its e-commerce channels will continue to extend its customer reach, especially to the younger customers, which will enable the Group to enjoy the blend of online and in-store sales channels in the future.

Inventory Control

The Group's inventory balance was approximately HK$469.9 million as at 31 December 2012, stable as compared to approximately HK$466.4 million as at 30 June 2012. The Group's inventory balance of Tian Wang finished watches had dropped slightly from approximately HK$249 million as at 30 June 2012 to approximately HK$239 million as at 31 December 2012. The Group's inventory turnover days decreased from approximately 231 days for the year ended 30 June 2012 to approximately 225 days for the 31 December 2012. The Group had and will continue to monitor and control its inventory level vigilantly while the Group implements its sales network expansion plan in order to ensure that the expansion plan and inventory level will not adversely affect cash flow and liquidity of the Group. As mentioned in the Prospectus, the Group intends to achieve and maintain an inventory benchmark level of around 500 Tian Wang watches per Tian Wang POS by 30 June 2013. The inventory quantity per Tian Wang POS had dropped from approximately 610 as at 30 June 2012 to approximately 467 as at 31 December 2012. Therefore, by closely monitoring the level of future sales and controlling the production level of Tian Wang watches, the Group is confident to continue to achieve the benchmark level of around 500 Tian Wang watches per Tian Wang POS by 30 June 2013 and that the Group's net operating cash flow for the year ending 30 June 2013 will significantly improve to not less than HK$80 million.

The inventory aged over two years were approximately HK$47.6 million and approximately HK$50.1 million as at 30 June 2012 and 31 December 2012 respectively, with corresponding provision for these inventory balances of approximately HK$35.6 million and approximately HK$35.7 million respectively. The management assesses and reviews the inventory ageing analysis at the end of each reporting period and identifies the slow-moving inventory items that are no longer suitable for use in production or sales. At the end of each reporting period, the management will provide necessary provision if the net realisable value of the inventory is estimated to be below the cost.

Liquidity and Financial Resources

The Group financed its operations primarily through cash flows from operations and short-term bank loans. The cash and cash equivalents were approximately HK$151.1 million and approximately HK$156.5 million as at 31 December 2012 and 30 June 2012 respectively.

The Group's net cash generated from operating activities in 1HFY2013 was approximately HK$91.3 million, representing an increase of approximately HK$90.0 million from approximately HK$1.3 million in 1HFY2012. The amount was primarily attributable to profit before income tax of approximately HK$144.4 million from the Group's operations adjusted for non-cash items of approximately HK$13.0 million, increase of working capital balances of approximately HK$39.5 million, income taxes paid of approximately HK$27.7 million and interest received of approximately HK$1.1 million.

The Group's net cash used in investing activities in 1HFY2013 was approximately HK$21.0 million, which was mainly attributable to purchase of property, plant and equipment of approximately HK$21.8 million, partially offset by repayment from fellow subsidiaries of approximately HK$0.8 million.

The Group's net cash used in financing activities in 1HFY2013 was approximately HK$77.2 million, which was mainly attributable to dividends paid of approximately HK$70.5 million, interest paid of approximately HK$5.5 million and repayment of bank borrowings of approximately HK$169.9 million and partially offset by borrowings raised of approximately HK$158.2 million, advance from a director of approximately HK$7.4 million and advance from a non-controlling shareholder of a subsidiary of approximately HK$3.8 million. The Group's bank borrowings were approximately HK$273.9 million and approximately HK$285.5 million as at 31 December 2012 and 30 June 2012 respectively.

The net gearing ratio (which is calculated using bank borrowings net of bank balances and cash, divided by total equity) was 27.0% as at 31 December 2012, a decrease of approximately 4.1% as compared to 31.1% as at 30 June 2012, which can be attributed to increase in total equity. As at 31 December 2012, the Group's total equity was approximately HK$454.7 million, representing an increase of approximately HK$39.8 million from approximately HK$414.9 million as at 30 June 2012. The Group's working capital was approximately HK$411.5 million as at 31 December 2012, an improvement of approximately HK$34.7 million as compared to approximately HK$376.8 million as at 30 June 2012.

Charge on Group Assets

On 25 May 2012, a subsidiary provided a floating charge on its bank accounts of a bank to secure a banking facility. On 11 July 2012, the Group pledged the shares of two subsidiaries to secure a banking facility from a bank. The pledged shares of the two subsidiaries were released on 5 February 2013. As at 31 December 2012, the secured trust receipt loans and bank loans related to the facilities stated above amounted to approximately HK$120,790,000 (30 June 2012: HK$134,159,000).

Contingent Liabilities

(i) On 29 July 2011, Win Sun, Gold Joy Investments Limited ("Gold Joy"), Sky Sun, Ye Guang Li and Tian Wang Shenzhen provided financial guarantees to a bank for a bank loan of HK$265,000,000 with maturity of three years granted to Red Rewarding. In addition, the shares of Win Sun, Gold Joy and Sky Sun were pledged to the bank as securities of the bank loan. The share charges were released in May 2012. The fair value of the financial guarantees as at 29 July 2011 was arrived at on the basis of valuation carried out on that date by LCH (Asia-Pacific) Surveyors Limited, independent qualified professional valuer not connected with the Group. The fair value of the financial guarantees was calculated using the single asset credit default swap model. On 29 July 2011, the estimated fair value of the financial guarantees of HK$6,000,000 was recognised in the consolidated statement of financial position as financial guarantee liability with the equivalent amount charged to equity as shareholder distribution. During the six months ended 31 December 2011, financial guarantee income of HK$1,000,000 (unaudited) was recognised in profit or loss. As at 30 June 2012, the carrying amount of the financial guarantee liability was HK$4,000,000. On 12 November 2012, the financial guarantees provided by Win Sun, Gold Joy, Sky Sun, Ye Guang Li and Tian Wang Shenzhen were released by the bank and the financial guarantee income of HK$4,000,000 was recognised in profit and loss during the six months ended 31 December 2012.

(ii) During the year ended 30 June 2012, several group companies provided corporate guarantees to the joint banking facilities granted by the banks to Winning Metal and Win Source. Management of the Group considered that the fair value of the financial guarantees to Winning Metal is insignificant. In November 2012, the banking facilities were replaced by new banking facilities which solely granted to Win Source with financial guarantees provided by Mr. Tung, Winning Metal and other group entities. The financial guarantees from Mr. Tung and Winning Metal were released on 5 February 2013.

(iii) On 23 May 2012, Win Source, Fortune Silver Holdings Limited and Winning Metal provided cross corporate guarantee to each other for the banking facilities of HK$45,000,000 in addition to the personal guarantee provided by Mr. Tung. The banking facilities were available to Win Source, Fortune Silver Holdings Limited and Winning Metal. Management of the Group considered that the fair value of the financial guarantee provided by Win Source is insignificant. On 30 November 2012, the banking facilities were replaced by new banking facilities which solely granted to Win Source with financial guarantees provided by Mr. Tung, Fortune Silver Holdings Limited and Winning Metal. The financial guarantees from Mr. Tung, Winning Metal and Fortune Silver Holdings Limited were released on 5 February 2013.

(iv) On 4 June 2012, Win Source, Winning Asia Holdings Group Limited and Winning Metal provided cross corporate guarantees to each other for the banking facilities of HK$71,000,000 in addition with the personal guarantee provided by Mr. Tung. The banking facilities were available to Win Source and Winning Metal. Management of the Group considered that the fair value of the financial guarantee provided by Win Source is insignificant. On 23 November 2012, the banking facilities were replaced by new banking facilities which solely granted to Win Source with financial guarantees provided by Winning Asia Holdings Group Limited, Winning Metal and Mr. Tung. The financial guarantees from Mr. Tung, Winning Asia Holdings Group Limited and Winning Metal were released on 5 February 2013.

Capital Commitments

The Group did not have any material capital commitments as at 31 December 2012 and 30 June 2012.

Foreign Exchange Risks

Certain group entities have foreign currency sales, which expose the Group to foreign currency risk. In addition, certain trade and other receivables, bank balances, other payables and accrued expenses, and bank borrowings of the Group and intra group balances are denominated in foreign currencies.

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

Social Responsibility

The Group's charitable and other donations during the period amounted to approximately HK$1.6 million (1HFY2012: nil) which comprised approximately HK$1.0 million donated to the Community Chest of Hong Kong, and approximately HK$0.6 million donated to the Ministry of Education in Dabu village, Guangdong Province in the PRC to build a school for the children there. No donations were made to political parties.

Outlook

The Group expects that China's economy is generally steady in 2HFY2013 and is confident about the China's economic outlook. Therefore, the Group will adhere to its business strategy of maintaining its focus in the development of the Mainland China market. The Group's core development strategy remains to be cautious but the Group will also progressively develop its retail business in line with market demand. In 2HFY2013, the Group will strengthen the management of current POS and review the pace of establishing new POS on a regular basis so as to reflect the market's need and enhance the quality of the Group's retail network. Regionally, while the Group will keep its presence in the first-tier cities of the PRC, the Group will also strive to enhance its development in the second and third-tier cities as well as certain fourth-tier cities of the PRC, with a view to perfecting its retail network and keeping in tune with market demand. Apart from establishing new POS by the Group itself, the Group will continue its strategic expansion by forming joint ventures with local operators in order to expand its retail network. In 2HFY2013, the Group will also step up its effort in e-commerce and e-marketing to seize the growing opportunities in the youth market. The management believes innovative marketing promotions are appealing to younger customers, which in turn will expand the Group's customer base. Taking "pragmatic healthy development" as the Group's principle, the Group will keep in line with the market trend and fully capitalize on business opportunities to achieve steady and sustainable profit growth in order to generate more satisfactory returns for our shareholders, investors, staff and society.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The shares of the Company were listed on the Main Board of the Stock Exchange on 5 February 2013. 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 2012.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. Save as disclosed below, since the Shares of the Company were listed on the Stock Exchange on 5 February 2013 (the "**Listing Date**") and up to the date of this announcement, 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 since the Listing Date and up to the date of this announcement.

Employees and Remuneration Policy

As at 31 December 2012, the Group had a total of 2,493 employees (30 June 2012: 2,156 employees). The Group's employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. The remuneration policy of the Group is reviewed regularly with reference to the legal requirements and market condition. Discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and the individual employee. The remuneration policy and remuneration packages of the executive Directors and member of the senior management of the Group are reviewed by the remuneration committee of the Board of Directors. The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme for its employees in Hong Kong and provides its employees in the PRC and Switzerland with welfare schemes as required by the applicable laws and regulations of the PRC and Switzerland.

AUDIT COMMITTEE

The audit committee has reviewed the audited consolidated financial statements of the Company for the six months ended 31 December 2012 and discussed the financial related matters with the management of the Group.

UNDERTAKING GIVEN BY THE COMPANY PURSUANT TO RULE 11.18 OF THE LISTING RULES

Pursuant to Rule 11.18 of the Listing Rules, the Company had given an undertaking to the Stock Exchange that the interim report for the six months ended 31 December 2012 would be audited. Accordingly, the Company engaged an auditor to audit the Company's consolidated financial statements for the six months ended 31 December 2012. The consolidated financial statements of the Group for the six months ended 31 December 2012 have been audited by the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The auditor's report stated that the corresponding figures set out in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the six months ended 31 December 2011 and the related notes have not been audited in accordance with Hong Kong Standards on Auditing issued by Hong Kong Certified Public Accountants.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.timewatch.com.hk. The interim report for the six months ended 31 December 2012 will be despatched to the shareholders of the Company and will be published on the aforesaid websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

By Order of the Board
Time Watch Investments Limited
Mr. Tung Koon Ming
Chairman

Hong Kong, 28 February 2013

As at the date of this announcement, the executive Directors are Mr. Tung Koon Ming, Mr. Lo Wing Sang, Mr. Hou Qinghai and Mr. Tung Wai Kit, and the independent non-executive Directors are Mr. Ma Ching Nam, Dr. Tam Hok Lam Tommy and Mr. Wong Wing Keung Meyrick.