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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2033)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2013 AND CHANGE OF USE OF PROCEEDS

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 30 June 2013 ("**FY2013**") grew by approximately 25.4% to approximately HK$1,912.2 million, as compared with approximately HK$1,524.8 million for the year ended 30 June 2012 ("**FY2012**").

- Gross profit for FY2013 increased by approximately 26.2% to approximately HK$1,159.4 million, as compared with approximately HK$918.5 million for FY2012. The gross profit for Tian Wang watches for FY2013 was approximately HK$957.9 million, representing an increase of approximately 23.1% as compared with approximately HK$778.1 million for FY2012.

- Gross profit margin improved slightly from approximately 60.2% for FY2012 to approximately 60.6% for FY2013. The gross profit margin of Tian Wang watches was approximately 77.8% for FY2013, a slight decrease as compared with approximately 79.4% for FY2012.

- Profit attributable to owners of the Company for FY2013 amounted to approximately HK$213.6 million, representing an increase of approximately 16.0% as compared to approximately HK$184.1 million for FY2012.

  Basic earnings per share for FY2013 was HK12.4 cents (FY2012: HK12.3 cents).

- **Other information:**

  Retail network expanded to 1,997 points of sales ("**POS**") as at 30 June 2013, with a net addition of 424 POS in FY2013.

  Proposed final dividend for FY2013 is HK3.0 cents per share and proposed special dividend is HK2.0 cents per share.

Expenses of initial public offering ("**IPO**") of the Company for FY2013 amounted to approximately HK$25.7 million (FY2012: approximately HK$17.9 million). Profit attributable to owners of the Company without taking into account the expenses of IPO for FY2013 would be approximately HK$239.3 million. (FY2012: approximately HK$202.0 million).

ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2013

The board (the "**Board**") of directors (the "**Directors**") of Time Watch Investments Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for FY2013 together with the consolidated statement of financial position of the Group as at 30 June 2013, and the notes with comparative figures for FY2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	3	**1,912,235**	1,524,779
Cost of sales		**(752,878)**	(606,319)
Gross profit		**1,159,357**	918,460
Other gains and income	4	**16,843**	9,559
Other expenses	4	**(25,740)**	(17,930)
Selling and distribution costs		**(758,943)**	(575,791)
Administrative expenses		**(91,371)**	(83,798)
Finance costs	5	**(8,104)**	(6,010)
Profit before taxation		**292,042**	244,490
Income tax	6	**(76,733)**	(55,955)
Profit for the year	7	**215,309**	188,535
Other comprehensive income which will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**25,749**	4,462
Total comprehensive income for the year		**241,058**	192,997
Profit for the year attributable to:			
Owners of the Company		**213,551**	184,093
Non-controlling interests		**1,758**	4,442
		215,309	188,535
Total comprehensive income attributable to:			
Owners of the Company		**237,914**	188,484
Non-controlling interests		**3,144**	4,513
		241,058	192,997
Earnings per share	9		
– Basic *(HK cents)*		**12.4**	12.3
– Diluted *(HK cents)*		**12.4**	N/A

Details of final and special dividends proposed for the year are disclosed in note 8 to this annual results announcement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**69,868**	47,297
Deferred tax assets		**12,023**	12,000
		81,891	59,297
Current assets			
Inventories	*10*	**442,097**	466,370
Trade receivables	*11*	**340,529**	233,221
Other receivables, deposits and prepayments		**68,518**	56,129
Amounts due from fellow subsidiaries		**–**	834
Amount due from a related company		**–**	60
Short-term deposit		**150,000**	–
Bank balances and cash		**537,240**	156,512
		1,538,384	913,126
Current liabilities			
Trade payables and bills payable	*12*	**105,372**	120,354
Other payables and accrued charges		**82,048**	73,501
Amount due to a director		**–**	33,483
Amounts due to fellow subsidiaries		**–**	316
Tax liabilities		**29,343**	19,154
Bank borrowings	*13*	**40,511**	285,520
Financial guarantee liability		**–**	4,000
		257,274	536,328
Net current assets		**1,281,110**	376,798
Total assets less current liabilities		**1,363,001**	436,095

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	2013	2012
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**207,995**	100
Reserves	**1,078,493**	377,019
Equity attributable to owners of the Company	**1,286,488**	377,119
Non-controlling interests	**45,960**	37,829
Total equity	**1,332,448**	414,948
Non-current liabilities		
Deferred tax liabilities	**30,553**	21,147
	1,363,001	436,095

NOTES:

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**"), a director of the Company. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO 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 "**Reorganisation**"). The details of the Reorganisation are set out in the prospectus dated 24 January 2013 issued by the Company (the "**Prospectus**"). The Company and its subsidiaries (including the watch movements trading business (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 profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for FY2012 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 FY2012, or since their respective dates of incorporation or establishment, where there is a shorter period.

During FY2012, 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 profit or loss and other comprehensive income for FY2012 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 profit or loss and other comprehensive income for FY2012.

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. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on the historical cost basis, except for 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, and the Group's financial information for the six months ended 31 December 2012 as contained in Interim Report.

The Group has applied all the standards, amendments and interpretations issued by the HKICPA, 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 HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle[1]
Amendments to HKFRS 1	Government loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	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 (Revised 2011)	Employee benefits[1]
HKAS 27 (Revised 2011)	Separate financial statements[1]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[3]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[3]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[3]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[1]
HK(IFRIC) – INT 21	Levies[3]

[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.

2. BASIS OF PREPARATION – Continued

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (Revised 2011) and HKAS 28 (Revised 2011).

Key requirements of HKFRS 10, HKFRS 11 and HKFRS 12 are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for the Group's annual period beginning on 1 July 2013 and that the application of the new standards is not expected to have material impact on the amounts reported in the consolidated financial statements but will result in more disclosures in the consolidated financial statements.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements 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 officer of the Company, for the purposes of resources allocation and assessing their performance. Each of the operating division represents an operating segment.

Segment revenue and results

Year ended 30 June 2013

	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	**1,231,497**	**150,108**	**282,061**	**248,569**	**1,912,235**
Inter-segment sales	**–**	**–**	**40,789**	**–**	**40,789**
Segment revenue	**1,231,497**	**150,108**	**322,850**	**248,569**	**1,953,024**
Elimination					**(40,789)**
Group revenue					**1,912,235**
Results					
Segment results	**330,797**	**8,774**	**8,708**	**10,315**	**358,594**
Interest income					**3,000**
Financial guarantee income					**4,000**
Central administration costs					**(65,448)**
Finance costs					**(8,104)**
Profit before taxation					**292,042**

Year ended 30 June 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	980,446	108,523	251,603	184,207	1,524,779
Inter-segment sales	–	–	67,177	–	67,177
Segment revenue	980,446	108,523	318,780	184,207	1,591,956
Elimination					(67,177)
Group revenue					1,524,779
Results					
Segment results	281,486	2,071	13,712	7,379	304,648
Interest income					2,209
Financial guarantee income					2,000
Central administration costs					(58,357)
Finance costs					(6,010)
Profit before taxation					244,490

Segment results represents 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

	2013 ***HK$'000***	2012 *HK$'000*
Other gains and income		
Bank interest income	**3,000**	698
Interest income from a director	**–**	1,511
Financial guarantee income	**4,000**	2,000
Others	**9,843**	5,350
	16,843	9,559
Other expenses		
Listing expenses	**25,740**	17,930

5. FINANCE COSTS

	2013 ***HK$'000***	2012 *HK$'000*
The finance costs represent interests on:		
Bank borrowings wholly repayable within five years	**8,104**	5,923
Finance leases	**–**	87
	8,104	6,010

6. INCOME TAX

	2013	2012
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**62,804**	51,886
PRC withholding tax	**4,971**	4,318
	67,775	56,204
(Over) underprovision in prior years:		
PRC Enterprise Income Tax	**(425)**	40
	67,350	56,244
Deferred taxation	**9,383**	(289)
	76,733	55,955

7. PROFIT FOR THE YEAR

	2013	2012
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**2,981**	1,500
Directors' remuneration		
Fees	**515**	–
Other emoluments	**7,648**	22,686
Retirement benefits scheme contributions	**45**	35
	8,208	22,721
Other staff costs	**193,656**	166,251
Retirement benefits scheme contributions	**23,469**	13,081
Total staff costs	**225,333**	202,053
Depreciation of property, plant and equipment		
Owned assets	**27,490**	21,876
Leased assets	**–**	143
Cost of inventories recognised as cost of sales	**709,324**	558,477
Research and development cost recognised as cost of sales	**38,426**	34,907
Allowance for obsolete inventories recognised as cost of sales	**5,128**	12,935
Loss (gain) on disposal and write off of property, plant and equipment	**3,937**	(647)
Concessionaire fee *(Note)*	**374,116**	282,463
Operating lease payment in respect of shop counters and shops	**29,161**	14,686
Operating lease payment for office premises and factories	**6,727**	1,465
Net foreign exchange (gain) loss	**(3,623)**	1,060

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

During FY2013, the Company declared and paid a total dividends of HK$70,541,000 (2012: nil) to its immediate holding company.

The final and special dividends for the year ended 30 June 2013 of HK3 cents (2012: nil) and HK2 cents (2012: nil) per share and amounting to approximately HK$62,398,000 (2012: nil) and HK$41,599,000 (2012: nil) have been proposed by the board of directors and subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

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

	2013	2012
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**213,551**	184,093
	'000	*'000*
Numbers of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**1,725,846**	1,500,000
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	**1,725,846**	N/A

The weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share has been adjusted for the effect of the Reorganisation as set out in note 1 and the capitalisation issue of 1,499,000,000 shares on 5 February 2013.

The over-allotment options of the Company did not have a dilutive effect to the Company's earnings per share during the year ended 30 June 2013 because the exercise price of such option was higher than the average market prices of the Company's share during the period when the option was exercisable. The over-allotment options were expired during the year ended 30 June 2013. No diluted earnings per share has been presented as there was no potential ordinary share outstanding during the year ended 30 June 2012.

10. INVENTORIES

	2013	2012
	HK$'000	*HK$'000*
Raw materials and consumables	**41,309**	60,914
Work in progress	**11,280**	22,936
Finished goods	**389,508**	382,520
	442,097	466,370

During the year ended 30 June 2013, certain inventories previously provided for impairment were sold and hence, allowance for obsolete inventories of HK$1,329,074 (2012: HK$1,835,000) was reversed.

11. TRADE RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables from third parties	**332,557**	227,956
Trade receivables from fellow subsidiaries	**6,563**	3,469
Trade receivable from a related company	**1,842**	2,226
Less: allowance for doubtful debts	**(433)**	(430)
	340,529	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 average credit period granted to the department stores is 60 days. The Group did not have a credit period policy to its related party customers and the related party customers normally settled trade receivables within three months.

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

	2013	2012
	HK$'000	*HK$'000*
0 to 60 days	**276,770**	194,330
61 to 120 days	**38,549**	19,681
121 to 180 days	**6,781**	5,461
Over 180 days	**10,024**	8,054
	332,124	227,526

The following is an aged analysis of trade receivables from fellow subsidiaries presented based on the date of delivery goods, which approximates to the respective date of revenue recognition, at the end of the reporting period:

	2013	2012
	HK$'000	*HK$'000*
0 to 60 days	**4,407**	3,469
61 to 120 days	**2,156**	–
	6,563	3,469

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

	2013	2012
	HK$'000	*HK$'000*
0 to 60 days	**1,100**	1,293
61 to 120 days	**742**	933
	1,842	2,226

12. TRADE AND BILLS PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables and bills payable:		
Trade payables	**95,801**	107,010
Bills payable	**8,455**	6,532
Trade payable to entity owned by a non-controlling shareholder of a subsidiary	**1,116**	6,812
	105,372	120,354

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:

	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**52,222**	48,761
31 – 60 days	**23,860**	20,301
61 – 90 days	**12,101**	15,688
Over 90 days	**7,618**	22,260
	95,801	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:

	2013	2012
	HK$'000	*HK$'000*
0 – 60 days	**1,116**	6,812

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

13. BANK BORROWINGS

	2013	2012
	HK$'000	*HK$'000*
Trust receipts loans	**27,511**	36,372
Bank loans	**13,000**	249,148
	40,511	285,520
Analysed as:		
Secured	**–**	146,004
Unsecured	**40,511**	139,516
	40,511	285,520

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

Revenue of the Group has increased by approximately HK$387.5 million or approximately 25.4% from approximately HK$1,524.8 million for FY2012 to approximately HK$1,912.2 million for FY2013.

Tian Wang Watches

Sales of Tian Wang watches continued to be the Group's main source of revenue and accounted for approximately 64.4% of the total revenue of the Group during FY2013 (FY2012: 64.3%). Sales of Tian Wang watches recorded a revenue of approximately HK$1,231.5 million for FY2013, representing an increase of approximately HK$251.1 million or approximately 25.6% as compared to approximately HK$980.4 million for FY2012. The growth during FY2013 was mainly driven by the expansion of the Group's retail network which increased by approximately 28.5% from 1,178 POS as at 30 June 2012 to 1,514 POS as at 30 June 2013. The average monthly revenue per POS of Tian Wang watches remained stable at approximately HK$71,000 for both periods. The same-store sales growth rate of Tian Wang watches was approximately 10.1% for FY2013 (FY2012: 17.3%).

Balco Watches

Sales of Balco watches increased by approximately HK$41.6 million or approximately 38.3% from approximately HK$108.5 million for FY2012 to approximately HK$150.1 million for FY2013, and accounted for approximately 7.8% of the total revenue of the Group for FY2013 (FY2012: 7.1%). The increase was primarily due to (i) the increase in the number of POS which increased by approximately 21.6% from 333 POS as at 30 June 2012 to 405 POS as at 30 June 2013; and (ii) the increase in the average monthly revenue generated from individual POS by approximately 13.0% from approximately HK$23,000 for FY2012 to approximately HK$26,000 for FY2013. In addition, sales to multi-brand watch distributors in Hong Kong, Macau and Taiwan and sales to the Group's corporate customers increased from approximately HK$20.3 million for FY2012 to approximately HK$33.4 million for FY2013, representing an increase of approximately HK$13.1 million or approximately 64.5%.

Other Brands Watches

Sales of well-known branded watches other than Tian Wang and Balco brands (the "**Other Brands**") watches increased by approximately HK$64.4 million or approximately 34.9% from approximately HK$184.2 million for FY2012 to approximately HK$248.6 million for FY2013. Sales of Other Brands watches accounted for approximately 13.0% of the total revenue of the Group for FY2013 (FY2012: 12.1%). The increase in sales of Other Brands watches can be primarily attributed to the contribution of full year's revenue from two joint venture companies of approximately HK$100.7 million for FY2013 (FY2012: approximately HK$29.4 million). The two joint venture companies are Time Watch (Hefei) Timepieces Company Limited ("**Time Watch Hefei**") and Time Watch (Shanghai) Timepieces Company Limited ("**Time Watch Shanghai**") which were established in November 2011 and January 2012, respectively.

Watch Movements Trading Business

Trading of watch movements generated revenue of approximately HK$282.1 million, which accounted for approximately 14.8% of the Group's total revenue for FY2013 (FY2012: 16.5%), representing an increase of approximately HK$30.5 million or approximately 12.1% as compared with approximately HK$251.6 million for FY2012. The increase was primarily due to having more spare watch movements for trading after the Group had met its production volume target of its Tian Wang watches for FY2013.

Gross Profit

The Group's gross profit increased by approximately HK$240.9 million or approximately 26.2% from approximately HK$918.5 million for FY2012 to approximately HK$1,159.4 million for FY2013, while the gross profit margin remained stable at approximately 60.6% for FY2013 as compared to approximately 60.2% for FY2012. The increase in gross profit was primarily due to increase in sales of Tian Wang, Balco and Other Brands watches.

Other Gains and Income and Other Expenses

The Group's other income increased from approximately HK$9.6 million for FY2012 to approximately HK$16.8 million for FY2013, representing an increase of approximately HK$7.3 million or approximately 76.2%. This was primarily due to the increase in foreign exchange gain and bank interest income. In addition, the Group recognized a financial guarantee income of approximately HK$4.0 million upon the release of financial guarantees provided by the Group to its ultimate holding company in relation to certain banking facilities of the ultimate holding company in November 2012, representing an increase of approximately 100.0% as compared to approximately HK$2.0 million for FY2012. The Group's other expenses included professional fees incurred for the IPO of the ordinary shares (the "**Shares**") of HK$0.10 each in the share capital of the Company.

Selling and Distribution Costs

The Group's selling and distribution costs increased by approximately HK$183.2 million or approximately 31.8% from approximately HK$575.8 million for FY2012 to approximately HK$758.9 million for FY2013, accounting for approximately 39.7% of the Group's total revenue for FY2013 (FY2012: 37.8%). The increase was mainly due to (i) the increase in concessionaire and rental fees of approximately HK$106.1 million as a result of increase in revenue; (ii) the increase in salaries of sales personnel of approximately HK$37.5 million as a result of increase in number of sales staff following an increase in number of POS and increase in amount of sales commissions because of the increase in sales revenue; (iii) an increase in advertising and promotion fees of approximately HK$21.8 million; and (iv) the increase of approximately HK$17.8 million in other sales related costs such as depreciation, entertainment expenses and management fee, which were in connection with the Group's market expansion.

Administrative Expenses

The Group's administrative expenses increased to approximately HK$91.4 million for FY2013 from approximately HK$83.8 million for FY2012, representing an increase of approximately HK$7.6 million or approximately 9.0%. The increase was primarily due to increase in the PRC local regulatory surcharges (such as city construction tax and education levy) of approximately HK$9.0 million, which was in line with the increase in revenue.

Finance Costs and Income Tax Expenses

The Group's finance costs increased by approximately HK$2.1 million or approximately 34.8% from approximately HK$6.0 million for FY2012 to approximately HK$8.1 million for FY2013 as a result of increased bank borrowings in the first half of FY2013. The Group's income tax increased from approximately HK$56.0 million for FY2012 to approximately HK$76.7 million for FY2013, representing an increase of approximately HK$20.8 million or approximately 37.1%. The Group's effective tax rate (exclusive of listing expenses) increased from approximately 21.3% for FY2012 to approximately 24.1% for FY2013 mainly due to higher profit contribution from certain PRC subsidiaries which are taxed at corporate tax rate of 25%, as well as no deferred tax asset recognised in respect of allowance for inventories and unrealised profit for FY2013 (FY2012: HK$8.0 million).

Profit for the Year

For the factors above, the Group's net profit for FY2013 increased by approximately HK$26.8 million or approximately 14.2% from approximately HK$188.5 million for FY2012 to approximately HK$215.3 million for FY2013. The net profit margin declined slightly from approximately 12.4% for FY2012 to approximately 11.3% for FY2013.

Business Review

Overview

During FY2013, the Group's business remained focusing 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.

Notwithstanding the continuing weakness in the global economy throughout FY2013, the Group achieved a sales growth of approximately 25.4% over the last year. FY2013 was a year full of challenges and uncertainties for the PRC watch industry. Since watches are not a necessity to daily lives, its market demand is particularly sensitive to changes in economic conditions and consumer confidence. The overall performance of the Group for the year was, to a certain extent, affected by the declining confidence among domestic consumers in the PRC, resulting in slower growth in sales and downward pressure on profitability. It is the major reason for the decrease of same store sales growth of Tian Wang watches from approximately 17.3% for FY2012 to approximately 10.1% for FY2013. Nevertheless, building on its competitive advantages developed over years, the Group continued to maintain its leading position in PRC national watch market.

Tian Wang watches continues to be the Group's core brand business, which contributed approximately 64.4% of the total revenue of the Group during FY2013. Its over-25-year long brand heritage and reputation of delivering high quality and precise watches are key factors of Tian Wang watches' continued success and widespread brand recognition. Based on the information gathered from customers through the Group's national wide POS network, the Group can strive to cater to Chinese customers' increasing demand for high quality and trendy watches. In FY2013, the Group has invested in a new e-commerce business by forming a non-wholly owned subsidiary which has signed co-operation agreements with several online sales platforms (including but not limited to Paipai (Tencent QQ), Jingdong mall and Tmall) and offered sales of lower-priced watches and new youth series watches products for the younger generation to capture their growing consumption power. The Directors believe that a wide variety of watches can enable the Group to reach out to an extensive range of customers across different age groups. The Group continued to expand its retail network in inland area and lower tier cities of the PRC as planned. As at 30 June 2013, the Group had a total of 1,514 POS for Tian Wang watches (30 June 2012: 1,178 POS), a total of 405 POS for Balco watches (30 June 2012: 333 POS), and a total of 78 POS for a mix brands of watches, including Tian Wang watches, Balco watches and Other Brands watches operated by the Group's joint ventures (30 June 2012: 62 POS). Among all the POS of the Group, 1,965 POS are sales counters located in department stores (30 June 2012: 1,548 POS), 23 POS are shop-in-shops (30 June 2012: 16 POS) and the remaining 9 POS are street stores (30 June 2012: 9 POS).

The Group recorded a same store sales growth of approximately 11.6% for FY2013, representing a drop of approximately 4.4% as compared to approximately 16.0% for FY2012, due to the economic slowdown and uncertainty throughout the year and a high base for comparison from last year. In light of the decrease of same store sales growth rate for FY2013 and the slowdown of the PRC economy, to boost the same store sales growth in the coming year, the Group will adopt the following measures: (i) organising more promotion and marketing activities including but not limited to inviting celebrities and/or models to attend promotion functions taken place at the Group's POS or locations in PRC with great pedestrian flow; (ii) setting up some temporary promotion counters in shopping malls or department stores to enhance the atmosphere for the Group's promotion activities; (iii) launching a series of television commercials featuring the new spokesperson of Tian Wang brand after the Group has engaged the new spokesperson; and (iv) introducing more new models of watches to the market such that the Group can cater for the needs of a wider range of consumers.

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 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 customers through its frontline staff. 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 FY2013, 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 Watch Company Limited, Time Watch Hefei and Time Watch Shanghai.

As at 30 June 2013, the Group's retail network of Tian Wang watches had 1,514 POS, representing a net increase of 130 POS and 336 POS as compared with the number of POS for Tian Wang watches as at 31 December 2012 and as at 30 June 2012, respectively. The Group plans to open an estimate of 200 more Tian Wang POS for the year ending 30 June 2014. As at 30 June 2013, the retail network of Balco watches and Other Brands watches had 405 POS and 78 POS, respectively, representing (i) a net increase of 24 POS and 12 POS, respectively as compared with the number of POS for Balco watches and Other Brands watches as at 31 December 2012; and (ii) a net increase of 72 POS and 16 POS, respectively as compared with the number of POS for Balco watches and Other Brands watches as at 30 June 2012.

Proprietary Watches of the Group

Tian Wang Watches

Sales of Tian Wang watches were still the major source of revenue of the Group, which contributed approximately 64.4% of the Group's total revenue in FY2013. During FY2013, the Group has launched not less than 100 new models of Tian Wang watches with price ranging from approximately RMB100 to RMB8,000 for direct retail sales, corporate sales and e-commerce. The wide price range of Tian Wang watches can cater for different needs of 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. Sales of Balco watches had accounted for approximately 7.8% of the Group's total revenue for FY2013 (FY2012: 7.1%). In FY2013, revenue from Balco watches was approximately HK$150.1 million as compared to approximately HK$108.5 million in FY2012, representing an increase by approximately HK$41.6 million or approximately 38.3%. The increase was mainly due to increase in sales of Balco watches in the PRC by approximately HK$28.4 million or approximately 32.2% from approximately HK$88.3 million in FY2012 to approximately HK$116.7 million in FY2013. The Group continued to seek other ways to develop the Balco watch business, including broadening its sales and distribution channels in and outside of the PRC. There is an increase of approximately HK$13.1 million or approximately 64.5% 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$20.3 million in FY2012 to approximately HK$33.4 million in FY2013.

Other Brands Watches

Revenue from sales of Other Brands watches was approximately HK$248.6 million in FY2013 as compared to approximately HK$184.2 million in FY2012, representing an increase of approximately HK$64.4 million or approximately 34.9%. Revenue from sales of Other Brands watches accounted for approximately 13.0% of the Group's total revenue for FY2013 (FY2012: 12.1%). The increase in sales of Other Brands watches was mainly due to contribution of full year's revenue from Time Watch Hefei and Time Watch Shanghai in FY2013 as compared to less than full year's contribution from the date of formation of these joint venture companies in FY2012.

Watch Movements Trading Business

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 for the assembly of its Tian Wang watches and bringing revenue to the Group through the watch movement trading business with other watch manufacturers and distributors when there is surplus of watch movements. In FY2013, sales of watch movements had accounted for approximately 14.8% of the Group's total revenue (FY2012: approximately 16.5%). There is an increase in sales of approximately HK$30.5 million or approximately 12.1% from approximately HK$251.6 million in FY2012 to approximately HK$282.1 million in FY2013.

E-commerce

In March 2013, the Group invested 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 sales 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. Details in relation to the e-commerce business are set out in the announcement of the Company dated 7 June 2013. In FY2013, sales of watches through e-commerce channel was approximately HK$9.2 million.

Inventory Control

The Group's inventory balance was approximately HK$442.1 million as at 30 June 2013, representing a decrease of approximately HK$24.3 million or approximately 5.2% as compared to approximately HK$466.4 million as at 30 June 2012. The decrease was in line with the drop in the Group's inventory balance of Tian Wang finished watches from approximately HK$249.1 million as at 30 June 2012 to approximately HK$217.5 million as at 30 June 2013. The Group's inventory turnover days accordingly decreased from approximately 231 days for FY2012 to approximately 220 days for FY2013. 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 the 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 489 as at 30 June 2013. For Balco watches, the Group plans to achieve an inventory balance of approximately HK$60 million by 30 June 2013. As at 30 June 2013, the inventory balance of Balco watches was approximately HK$53.5 million. For the Other Brands watches, the Group plans to achieve a benchmark of an inventory balance of approximately HK$1.5 million per joint venture POS by 30 June 2013. As at 30 June 2013, the inventory balance of the Other Brands watches was approximately HK$1.5 million per joint venture POS as at 30 June 2013.

The inventory aged over two years were approximately HK$47.6 million and approximately HK$59.1 million as at 30 June 2012 and 30 June 2013 respectively, with corresponding provision for these inventory balances of approximately HK$35.6 million and approximately HK$41.0 million respectively. The management assesses and reviews the inventory ageing analysis at the end of each reporting period and identifies the slow-moving inventory items that are no longer suitable for use in production or sales. At the end of each reporting period, the management will provide necessary provision if the net realisable value of the inventory is estimated to be below the cost.

Liquidity, Financial Resources and Capital Structure

The Group financed its operations primarily through cash flows from operations and short-term bank loans. The cash and cash equivalents were approximately HK$537.2 million and approximately HK$156.5 million as at 30 June 2013 and 30 June 2012 respectively.

The Group's net cash generated from operating activities for FY2013 was approximately HK$178.0 million, representing an increase of approximately HK$173.3 million from approximately HK$4.7 million for FY2012. The amount was primarily attributable to profit before income tax of approximately HK$292.0 million from the Group's operations adjusted for non-cash items of approximately HK$37.7 million, increase of working capital balances of approximately HK$95.2 million, income taxes paid of approximately HK$59.0 million and interest received of approximately HK$2.5 million.

The Group's net cash used in investing activities for FY2013 was approximately HK$201.2 million, which was mainly attributable to short-term deposit placed of approximately HK$150.0 million and purchase of property, plant and equipment of approximately HK$52.2 million, partially offset by repayment from fellow subsidiaries of approximately HK$0.8 million and proceeds from disposal of property, plant and equipment of approximately HK$0.2 million.

The Group's net cash generated from financing activities for FY2013 was approximately HK$397.2 million, which was mainly attributable to net proceeds from the Company's IPO of approximately HK$742.0 million, borrowings raised of approximately HK$335.1 million, advance from a non-controlling shareholder of a subsidiary of approximately HK$5.1 million and capital injection from a non-controlling shareholder of a subsidiary of approximately HK$8.0 million, which are partially offset by dividends paid of approximately HK$70.5 million, interest paid of approximately HK$8.1 million, repayment of bank borrowings of approximately HK$580.5 million and net repayment to a director of approximately HK$33.5 million. The Group's bank borrowings were approximately HK$40.5 million and approximately HK$285.5 million as at 30 June 2013 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 31.1% as at 30 June 2012. The Group has a net cash position as at 30 June 2013. As at 30 June 2013, the Group's total equity was approximately HK$1,332.4 million, representing an increase of approximately HK$917.5 million from approximately HK$414.9 million as at 30 June 2012. The Group's working capital was approximately HK$1,281.1 million as at 30 June 2013, an improvement of approximately HK$904.3 million as compared to approximately HK$376.8 million as at 30 June 2012.

Details of the Group's bank borrowings as at 30 June 2013 are set out in note 13 to this annual results announcement.

Charge on Group Assets

On 25 May 2012, a subsidiary of the Company provided a floating charge on its bank accounts 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 and floating charge were released on 5 February 2013. As at 30 June 2013, there were no secured trust loans and bank loans related to the facility stated above (30 June 2012: approximately HK$134.2 million).

Contingent Liabilities

(i) On 29 July 2011, Win Sun, Gold Joy Investments Limited ("**Gold Joy**"), Sky Sun, Ye Guang Li Electronics (Meizhou) Company Limited ("**Ye Guang Li**") and Tian Wang Shenzhen, all being subsidiaries of the Company, provided financial guarantees to a bank for a bank loan of HK$265,000,000 with maturity of three years granted to Red Rewarding, one of the controlling shareholders of the Company. 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, an independent qualified professional valuer which is 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 FY2012, financial guarantee income of HK$2,000,000 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 or loss during FY2013.

(ii) During FY2012, several group companies provided corporate guarantees to the joint banking facilities granted by the banks to Winning Metal, one of the controlling shareholders of the Company, and Win Source. Management of the Group considered that the fair value of the financial guarantees to Winning Metal was insignificant. In November 2012, the banking facilities were replaced by new banking facilities which was solely granted to Win Source with financial guarantees provided by Mr. Tung, Winning Metal and other group entities. The financial guarantees from Mr. Tung, Winning Metal and the group entities were released on 5 February 2013.

(iii) On 23 May 2012, Win Source, Fortune Silver Holdings Limited ("**Fortune Silver**"), which is indirectly owned as to 51 % by a direct wholly-owned subsidiary of Winning Metal, 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 and Winning Metal. Management of the Group considered that the fair value of the financial guarantees provided by Win Source was insignificant. On 30 November 2012, the banking facilities were replaced by new banking facilities which was solely granted to Win Source with financial guarantees provided by Mr. Tung, Fortune Silver and Winning Metal. The financial guarantees from Mr. Tung, Winning Metal and Fortune Silver were released on 5 February 2013.

(iv) On 4 June 2012, Win Source, Winning Asia Holdings Group Limited ("**Winning Asia**"), a direct wholly-owned subsidiary of Winning Metal, and Winning Metal provided cross corporate guarantees to each other for the banking facilities of HK$71,000,000 in addition to 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 guarantees provided by Win Source was insignificant. On 23 November 2012, the banking facilities were replaced by new banking facilities which was solely granted to Win Source with financial guarantees provided by Winning Asia, Winning Metal and Mr. Tung. The financial guarantees from Winning Asia, Winning Metal and Mr. Tung were released on 5 February 2013.

Capital Commitments

The Group did not have any material capital commitments as at 30 June 2013 and 30 June 2012.

Foreign Currency Exposure

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.

Employees and Emoluments Policies

As at 30 June 2013, the Group employed a total of approximately 2,800 full time employees (30 June 2012: approximately 2,500) engaging in design, purchasing, production, sales and marketing and administration. The staff costs incurred during FY2013 was approximately HK$225.3 million (FY2012: approximately HK$202.1 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 FY2013 amounted to approximately HK$1.6 million (FY2012: 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.

Use of Proceeds from the Company's Initial Public Offering

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

	Amount of net proceeds allocated as set out in the Prospectus *(HK$'m)*	Amount of net proceeds utilised in FY2013 *(HK$'m)*	Balance as at 30 June 2013 *(HK$'m)*	Actual business progress up to 30 June 2013
Opening of approximately 60 POS for FY2013, and approximately 200 POS in each of the years ending 30 June 2014 and 2015	**154.0**	**33.8**	**120.2**	Among the 336 new POS opened during FY2013, 130 new POS opened in the second half of FY2013 were financed by IPO proceeds of approximately HK$33.8 million.
Opening of approximately 38 concept stores for Tian Wang in major cities in the PRC	**101.0**	**–**	**101.0**	Due to significant increase in rent of the desired locations for concept stores and the slowdown of growth of retail sales in the PRC during FY2013 compared to previous years, as at 30 June 2013, the Group has not opened any concept stores yet. Please refer to the announcement of the Company dated 7 June 2013 for further details.
Establishing joint ventures with experienced operators of watch sales network and acquiring their inventories	**165.0**	**6.4**	**158.6**	Approximately HK$6.4 million of IPO proceeds was used for injection of share capital for new joint venture company, namely Time Watch (Sichuan) Company Limited.

	Amount of net proceeds allocated as set out in the Prospectus *(HK$'m)*	Amount of net proceeds utilised in FY2013 *(HK$'m)*	Balance as at 30 June 2013 *(HK$'m)*	Actual business progress up to 30 June 2013
Marketing and promotional activities for Tian Wang in FY2013 including (i) engaging an active and well-known Chinese television and movie actor celebrity as the new spokesperson for Tian Wang brand; (ii) production of television commercials focusing on the new Tian Wang spokesperson; and (iii) rolling-out advertisement on television and various other media	**114.0**	**–**	**114.0**	As at 30 June 2013, the Group is still looking for suitable candidate whose image is in line with the brand image and recognition of Tian Wang brand and the proposed large-scale nationwide marketing campaign for Tian Wang brand.
Enhancing product design and development capabilities	**27.0**	**1.9**	**25.1**	Approximately HK$1.9 million of IPO proceeds was used for purchase of new software for product design.
Repayment of bank loans	**175.0**	**175.0**	**–**	Among the approximately HK$175 million of net proceeds used for repayment of bank loans, approximately HK$102 million was from the net proceeds brought by the partial exercise of over-allotment option.
Working capital and other general corporate purposes	**6.0**	**6.0**	**–**	–
TOTAL	**742.0**	**223.1**	**518.9**	

Actual application of the net proceeds, except for repayment of bank loans and working capital and other general corporate purpose, was lower as compared to the planned application due to the reasons as explained above and/or the weak economic condition and declining confidence among domestic consumers in PRC.

Change of Use of Proceeds

The Group has been monitoring the progress of opening concept stores for Tian Wang. As the rent of the desired locations for concept stores has increased significantly and growth of retail sales in the PRC during FY2013 slowed down compared to previous years, as mentioned above, approximately HK$101.0 million of IPO net proceeds allocated for opening concept stores for Tian Wang remained unused as at 30 June 2013. In light of the persistently high rent and that the objective to open concept stores is to strengthen Tian Wang's market presence in major cities in the PRC, the Board considers that opening concept stores at desired locations with high rent is not an effective business strategy to achieve the Group's objective at present. In order to better utilise the cashflow and to minimise unnecessary expense of the Group, the Board resolved to reallocate approximately HK$101.0 million of net proceeds from the IPO originally designated for opening concept stores for Tian Wang to (i) opening of POS for the five years ending 30 June 2018 and (ii) investment in advertising and promotion across the PRC to further promote the brand awareness and brand image of Tian Wang for the three years ending 30 June 2016. Among the approximately HK$101.0 million of net proceeds to be reallocated, approximately HK$76.0 million would be used for opening of POS of Tian Wang and approximately HK$25.0 million would be used for marketing and promotional activities for Tian Wang. Following the reallocation, the unutilised IPO proceeds will be used in the following manner:

Originally intended use of net proceeds as set out in the Prospectus	**Balance as at 30 June 2013** *(HK$'m)*	**Revised intended use after the reallocation of use of proceeds**	**Revised amount of net proceeds allocated** *(HK$'m)*
Opening of approximately 200 POS in each of the years ending 30 June 2014 and 2015	**120.2**	Opening of approximately 200 POS in each of the years ending 30 June 2014 and 2015 and an addition of approximately 200 POS in total for the five years ending 30 June 2018	**196.2**
Opening of approximately 38 concept stores for Tian Wang in major cities in the PRC	**101.0**	Nil	**Nil**
Establishing joint ventures with experienced operators of watch sales network and acquiring their inventories	**158.6**	Establishing joint ventures with experienced operators of watch sales network and acquiring their inventories	**158.6**

Originally intended use of net proceeds as set out in the Prospectus	Balance as at 30 June 2013 *(HK$'m)*	Revised intended use after the reallocation of use of proceeds	Revised amount of net proceeds allocated *(HK$'m)*
Marketing and promotional activities for Tian Wang in FY2013 including (i) engaging an active and well-known Chinese television and movie actor celebrity as the new spokesperson for Tian Wang brand; (ii) production of television commercials focusing on the new Tian Wang spokesperson; and (iii) rolling-out advertisement on television and various other media	**114.0**	Marketing and promotional activities for Tian Wang for the years ending 30 June 2014, 2015 and 2016 including (i) engaging an active and well-known Chinese television and movie actor celebrity as the new spokesperson for Tian Wang brand; (ii) production of television commercials focusing on the new Tian Wang spokesperson; and (iii) rolling-out advertisement on television and various other media	**139.0**
Enhancing product design and development capabilities	**25.1**	Enhancing product design and development capabilities	**25.1**
TOTAL	**518.9**		**518.9**

The Board considers that the aforementioned partial reallocation of the unutilised IPO proceeds will meet the financial needs of the Group more efficiently and will increase the Company's flexibility in its financial management. The Directors will constantly evaluate the Group's business objectives stated in the Prospectus and above for the use of proceeds and will change or modify plans against the changing market condition to ascertain the business growth of the Group where appropriate.

PROSPECTS AND STRATEGIES

Despite the weak economic conditions during FY2013, the Directors expect that PRC will see a continuation in economic growth attributable to the PRC government's ongoing favourable monetary and credit policies, accelerating urbanisation, rising disposable incomes and increasing watch consumption in the country. The above factors lead to a fast-growing middle-to-low class and high net worth population in the world's largest retail market, which is an indicator of rising demand for watches. As the new PRC government continues to take measures against consumption of public funds on three major private purposes, namely cars, banquets and overseas visits, there is some change on the consumption practice of the consumers, including the change from purchasing luxury international brand watch to mid-to-low price national brand watch. Therefore, the Directors believe that Tian Wang watches, which is one of the top national watch brands in the PRC, will be benefited from the PRC government's measures.

The short-term macro-economic environment is likely to remain uncertain in the year ending 30 June 2014. Yet the management sees there will be gradual signs of recovery in the fourth quarter of 2013. The sales for Tian Wang watch increased by approximately HK$62.0 million (representing an increase of approximately 22.0%) during the fourth quarter of FY2013 as compared with the sales during the fourth quarter of last year, and based on the management accounts for the two months ended 31 August 2013, the growth was sustainable in July and August 2013. On the above basis, the Directors are confident that the Group can forge through the economic headwinds and maintain a positive view on the Group's business development.

PROPOSED FINAL DIVIDEND AND SPECIAL DIVIDEND AND ANNUAL GENERAL MEETING

For FY2013, the Directors have recommended the payment of a final dividend of HK3.0 cents per Share, amounting to approximately HK$62.4 million, representing a payout of approximately 30% of profit attributable to owners of the Company and the payment of a special dividend of HK2.0 cents per Share to commemorate the 25th anniversary of Tian Wang watches, amounting to approximately HK$41.6 million. Subject to the approval of the shareholders at the forthcoming annual general meeting (the "**Annual General Meeting**") of the Company to be held on 18 November 2013, each as a separate resolution, the proposed final dividend and proposed special dividend will be paid to shareholders of the Company whose name appears on the register of members of the Company at the close of business on 22 November 2013. It is expected that the proposed final dividend and proposed special dividend will be paid on or about 29 November 2013.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining members who are qualified for attending the Annual General Meeting, the register of members of the Company will be closed from 14 November 2013 to 18 November 2013, (both days inclusive), during which period no transfer of Share of the Company will be effected. In order to qualify for attending the Annual General Meeting, all transfers of Shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited of at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on 13 November 2013.

For the purpose of determining members who are qualified for each of the proposed final dividend for FY2013 and the proposed special dividend for FY2013 which is subject to approval by the shareholders, each as a separate resolution, at the Annual General Meeting, the register of members of the Company will be closed on 22 November 2013, during which no transfer of share of the Company will be effected. In order to qualify for the entitlement to the proposed final dividend and the proposed special dividend, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at the above address for registration no later than 4:30 p.m. on 21 November 2013.

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 (the "**Listing Date**"). Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities from the Listing Date up to 30 June 2013.

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 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's strong expertise and insight of the watch industry, the Board considered that the roles of chairman and chief executive officer being performed by Mr. Tung enables more effective and efficient overall business planning, decision making and implementation thereof by the Group. In order to maintain good corporate governance and 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 to directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all the Directors, the Company is satisfied that and the Directors confirmed that they have fully complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transaction since the Listing Date and up to the date of this announcement.

REVIEW OF ANNUAL RESULTS

The Audit Committee and the management of the Company have reviewed with the accounting principles and practices adopted by the Group and the financial statements for the year ended 30 June 2013.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2013 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual 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 Company's annual report for FY2013 will be despatched to the shareholders of the Company and will also 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 and Executive Director

Hong Kong, 27 September 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, Mr. Wong Wing Keung Meyrick, and Mr. Choi Ho Yan.