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 2014

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 30 June 2014 ("**FY2014**") grew by approximately 25.6% to approximately HK$2,402.4 million, as compared with approximately HK$1,912.2 million for the year ended 30 June 2013 ("**FY2013**").

- Gross profit for FY2014 increased by approximately 34.7% to approximately HK$1,561.3 million, as compared with approximately HK$1,159.4 million for FY2013. The gross profit for Tian Wang watches for FY2014 was approximately HK$1,321.2 million, representing an increase of approximately 37.9% as compared with approximately HK$957.9 million for FY2013.

- Gross profit margin improved from approximately 60.6% for FY2013 to approximately 65.0% for FY2014. The gross profit margin of Tian Wang watches was approximately 79.3% for FY2014, an increase as compared with approximately 77.8% for FY2013.

- Profit attributable to owners of the Company for FY2014 amounted to approximately HK$309.9 million, representing an increase of approximately 45.1% as compared with approximately HK$213.6 million for FY2013.

- Basic earnings per share for FY2014 was HK14.9 cents (FY2013: HK12.4 cents).

- **Other information:**

  Retail network expanded to 2,490 points of sales ("**POS**") as at 30 June 2014, with a net addition of 493 POS in FY2014.

  Proposed final dividend for FY2014 is HK3 cents per share and proposed special dividend is HK2 cents per share.

ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2014

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 FY2014 together with the consolidated statement of financial position of the Group as at 30 June 2014, and the notes with comparative figures for FY2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	3	**2,402,358**	1,912,235
Cost of sales		**(841,045)**	(752,878)
Gross profit		**1,561,313**	1,159,357
Other income, gains and losses	4	**15,634**	12,906
Other expenses	4	**–**	(25,740)
Selling and distribution costs		**(1,040,192)**	(758,943)
Administrative expenses		**(113,663)**	(87,434)
Finance costs	5	**(1,339)**	(8,104)
Profit before taxation		**421,753**	292,042
Income tax	6	**(106,689)**	(76,733)
Profit for the year	7	**315,064**	215,309
Other comprehensive (expense) income which will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(17,398)**	25,749
Total comprehensive income for the year		**297,666**	241,058
Profit for the year attributable to:			
Owners of the Company		**309,890**	213,551
Non-controlling interests		**5,174**	1,758
		315,064	215,309
Total comprehensive income attributable to:			
Owners of the Company		**293,878**	237,914
Non-controlling interests		**3,788**	3,144
		297,666	241,058
Earnings per share	9		
– Basic and diluted *(HK cents)*		**14.9**	12.4

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 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**117,651**	69,868
Deferred tax assets		**27,295**	12,023
		144,946	81,891
Current assets			
Inventories	*10*	**555,961**	442,097
Trade receivables	*11*	**391,521**	340,529
Other receivables, deposits and prepayments		**98,194**	68,518
Short-term deposit		**–**	150,000
Bank balances and cash		**660,065**	537,240
		1,705,741	1,538,384
Current liabilities			
Trade payables and bills payable	*12*	**122,623**	105,372
Other payables and accrued charges		**91,748**	82,048
Tax liabilities		**59,434**	29,343
Bank borrowings	*13*	**35,958**	40,511
		309,763	257,274
Net current assets		**1,395,978**	1,281,110
Total assets less current liabilities		**1,540,924**	1,363,001

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	2014	2013
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**207,995**	207,995
Reserves	**1,226,775**	1,078,493
Equity attributable to owners of the Company	**1,434,770**	1,286,488
Non-controlling interests	**68,121**	45,960
Total equity	**1,502,891**	1,332,448
Non-current liabilities		
Deferred tax liabilities	**38,033**	30,553
	1,540,924	1,363,001

NOTES:

1. GENERAL 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. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its holding company is Red Glory Investments Limited, a company incorporated in the British Virgin Islands ("**BVI**") and 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 of the Company is 27th Floor, CEO Tower, 77 Wing Hong Street, Kowloon, Hong Kong.

The Company is an investment holding company.

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.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**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. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

2. APPLICATION OF NEW AND REVISED HKFRSs

The Group has applied the following new and revised HKFRSs issued by HKICPA for the first time in the current year:

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

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

Impact of the application of HKFRS 10

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 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its investee as at 1 July 2013.

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[4]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[4]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 27	Equity method in separate financial statements[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HKFRS 9	Financial instruments[6]
HKFRS 15	Revenue from contracts with customers[5]
HK(IFRIC) – INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
4 Effective for annual periods beginning on or after 1 January 2016.
5 Effective for annual periods beginning on or after 1 January 2017.
6 Effective for annual periods beginning on or after 1 January 2018.

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

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 2014

	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	**1,665,167**	**168,149**	**262,397**	**306,645**	**2,402,358**
Inter-segment sales	**–**	**–**	**96,200**	**–**	**96,200**
Segment revenue	**1,665,167**	**168,149**	**358,597**	**306,645**	**2,498,558**
Elimination					**(96,200)**
Group revenue					**2,402,358**
Results					
Segment results	**437,739**	**3,700**	**9,131**	**5,287**	**455,857**
Interest income					**8,821**
Central administration costs					**(41,586)**
Finance costs					**(1,339)**
Profit before taxation					**421,753**

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

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 INCOME, GAINS AND LOSSES/OTHER EXPENSES

	2014 ***HK$'000***	2013 *HK$'000*
Other income, gains and losses		
Bank interest income	**8,821**	3,000
Allowance for doubtful debts	**(1,390)**	–
Loss on disposal and written-off of property, plant and equipment	**(6,653)**	(3,937)
Watch repair and maintenance services income	**4,563**	2,508
Net exchange (loss) gain	**(1,984)**	3,623
Financial guarantee income	**–**	4,000
Government subsidies	**6,157**	2,263
Others	**6,120**	1,449
	15,634	12,906
Other expenses		
Listing expenses	**–**	25,740

5. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
The finance costs represent interests on:		
Borrowings wholly repayable within five years	**1,339**	8,104

6. INCOME TAX

	2014	2013
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**2,391**	–
PRC Enterprise Income Tax	**102,290**	62,804
PRC withholding tax	**12,019**	4,971
	116,700	67,775
Over provision in prior years:		
Hong Kong Profits Tax	**(308)**	–
PRC Enterprise Income Tax	**(1,911)**	(425)
	(2,219)	(425)
	114,481	67,350
Deferred taxation	**(7,792)**	9,383
	106,689	76,733

7. PROFIT FOR THE YEAR

	2014	2013
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**1,837**	2,981
Directors' remuneration		
Fees	**1,029**	515
Other emoluments	**11,928**	7,648
Retirement benefits scheme contributions	**45**	45
	13,002	8,208
Other staff costs	**275,392**	193,656
Retirement benefits scheme contributions	**34,192**	23,469
Total staff costs	**322,586**	225,333
Depreciation of property, plant and equipment	**43,870**	27,490
Cost of inventories recognised as cost of sales	**777,417**	709,324
Research and development cost recognised as cost of sales	**37,906**	38,426
Allowance for obsolete inventories recognised as cost of sales	**25,722**	5,128
Concessionaire fee *(Note)*	**485,553**	374,116
Operating lease payment in respect of shop counters and shops	**34,893**	29,161
Operating lease payment for office premises and factories	**8,255**	6,727

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

	2014	2013
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2014 Interim – HK2 cents per share	**41,599**	–
2013 Final – HK3 cents per share	**62,398**	–
2013 Special – HK2 cents per share	**41,599**	–
2012 Final	**–**	70,541
	145,596	70,541

Subsequent to the end of the reporting period, a final and a special dividend in respect of the year ended 30 June 2014 of HK3 cents and HK2 cents per share have been proposed by the directors and are subject to approval by the shareholders of the Company in the forthcoming annual general meeting of the Company.

9. EARNINGS PER SHARE

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

	2014	2013
	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)	**309,890**	213,551
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	**2,079,946**	1,725,846

10. INVENTORIES

	2014	2013
	HK$'000	*HK$'000*
Raw materials and consumables	**59,242**	41,309
Work in progress	**12,816**	11,280
Finished goods	**483,903**	389,508
	555,961	442,097

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

11. TRADE RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables from third parties	**389,499**	332,557
Trade receivable from a fellow subsidiary	**2,660**	6,563
Trade receivable from a related company	**704**	1,842
Less: allowance for doubtful debts	**(1,342)**	(433)
	391,521	340,529

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:

	2014	2013
	HK$'000	*HK$'000*
0 to 60 days	**340,821**	276,770
61 to 120 days	**29,172**	38,549
121 to 180 days	**13,366**	6,781
Over 180 days	**4,798**	10,024
	388,157	332,124

The following is an aged analysis of trade receivable from a fellow subsidiary 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:

	2014	2013
	HK$'000	*HK$'000*
0 to 60 days	**1,913**	4,407
61 to 120 days	**747**	2,156
	2,660	6,563

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

	2014	2013
	HK$'000	*HK$'000*
0 to 60 days	**698**	1,100
61 to 120 days	**6**	742
	704	1,842

12. TRADE PAYABLES AND BILLS PAYABLE

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**109,264**	95,801
Bills payable	**3,067**	8,455
Trade payables to entities owned by non-controlling shareholders of subsidiaries	**10,292**	1,116
	122,623	105,372

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:

	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**63,966**	52,222
31 – 60 days	**20,686**	23,860
61 – 90 days	**9,249**	12,101
Over 90 days	**15,363**	7,618
	109,264	95,801

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

	2014	2013
	HK$'000	*HK$'000*
0 – 60 days	**10,108**	1,116
Over 90 days	**184**	–
	10,292	1,116

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

13. BANK BORROWINGS

	2014	2013
	HK$'000	*HK$'000*
Trust receipts loans	**27,958**	27,511
Bank loans	**8,000**	13,000
	35,958	40,511

The trust receipts loans and bank loans are unsecured and repayable on demand and within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue of the Group has increased by approximately HK$490.2 million or approximately 25.6% from approximately HK$1,912.2 million for FY2013 to approximately HK$2,402.4 million for FY2014.

Tian Wang Watches

Sales of Tian Wang watches continued to be the Group's main source of revenue and accounted for approximately 69.3% of the total revenue of the Group during FY2014 (FY2013: approximately 64.4%). Sales of Tian Wang watches recorded a revenue of approximately HK$1,665.2 million for FY2014, representing an increase of approximately HK$433.7 million or approximately 35.2% as compared with approximately HK$1,231.5 million for FY2013. The growth during FY2014 was mainly driven by (i) the expansion of the retail network which had an increase of approximately 25.5% from 1,514 POS as at 30 June 2013 to 1,900 POS as at 30 June 2014; and (ii) the rapid growth in sales of watches through e-commerce channel from approximately HK$9.2 million for FY2013 to approximately HK$176.8 million for FY2014. The average monthly revenue per POS of Tian Wang watches remained stable at approximately HK$71,000 for both years. The same-store sales growth rate of Tian Wang watches was approximately 6.1% for FY2014 (FY2013: approximately 10.1%).

Balco Watches

Sales of Balco watches increased by approximately HK$18.0 million or approximately 12.0% from approximately HK$150.1 million for FY2013 to approximately HK$168.1 million for FY2014, and accounted for approximately 7.0% of the total revenue of the Group for FY2014 (FY2013: approximately 7.8%). The increase was primarily due to (i) the increase in the number of POS which increased by approximately 21.5% from 405 POS as at 30 June 2013 to 492 POS as at 30 June 2014; and (ii) the increase in sales to multi-brand watch distributors in Hong Kong, Macau and Taiwan from approximately HK$33.4 million for FY2013 to approximately HK$46.7 million for FY2014, representing an increase of approximately HK$13.3 million or approximately 39.8%.

Other Brands Watches

Sales of well-known branded watches other than Tian Wang and Balco brands ("**Other Brands**") watches increased by approximately HK$58.0 million or approximately 23.3% from approximately HK$248.6 million for FY2013 to approximately HK$306.6 million for FY2014 and accounted for approximately 12.8% of the total revenue of the Group for FY2014 (FY2013: approximately 13.0%). The increase in sales of Other Brands watches was primarily attributed to (i) the contribution of full year's revenue from a joint venture company, Time Watch (Sichuan) Company Limited ("**Time Watch Sichuan**"), which was established in December 2012 of approximately HK$30.0 million for FY2014 (FY2013: approximately HK$3.6 million) and (ii) a new joint venture company, Time Watch (Chengdu) Company Limited ("**Time Watch Chengdu**") which was established in December 2013 and contributed approximately HK$15.2 million for FY2014.

Watch Movements Trading Business

Trading of watch movements accounted for approximately 10.9% of the Group's total revenue for FY2014 (FY2013: approximately 14.8%). For FY2014, revenue from trading of watch movements was approximately HK$262.4 million, representing a decrease of approximately HK$19.7 million or approximately 7.0% as compared with approximately HK$282.1 million for FY2013. The decrease was primarily due to less watch movements spared for trading after allocation for production of Tian Wang watches.

Gross Profit

The Group's gross profit increased by approximately HK$401.9 million or approximately 34.7% from approximately HK$1,159.4 million for FY2013 to approximately HK$1,561.3 million for FY2014, while the gross profit margin increased to approximately 65.0% for FY2014 from approximately 60.6% for FY2013. The increase in gross profit and improvement in gross profit margin were primarily due to the increase in sales contribution of Tian Wang watches from approximately 64.4% for FY2013 to approximately 69.3% for FY2014 of the Group's total revenue, as well as improvement in gross profit margin of Tian Wang watches from approximately 77.8% for FY2013 to approximately 79.3% for FY2014, as a result of increased sales of regular-priced watch models.

Other Income, Gains and Losses/ Other Expenses

The Group's other income, gains and losses increased from approximately HK$12.9 million for FY2013 to approximately HK$15.6 million for FY2014, representing an increase of approximately HK$2.7 million or approximately 20.9%. This was primarily due to the increase in bank interest income, watch repair and maintenance services income and government subsidies received during FY2014. The Group's other expenses for FY2013 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.

Selling and Distribution Costs

The Group's selling and distribution costs increased by approximately HK$281.3 million or approximately 37.1% from approximately HK$758.9 million for FY2013 to approximately HK$1,040.2 million for FY2014, representing approximately 43.3% of the Group's total revenue for FY2014 (FY2013: approximately 39.7%). The increase was mainly due to (i) the increase in concessionaire and rental fees of approximately HK$117.2 million as a result of increase in revenue; (ii) the increase in salaries of sales personnel of approximately HK$68.6 million as a result of increase in number of sales staff which was in line with the increase of number of POS and the increase of sales commissions together with the increase of revenue; (iii) the increase in advertising and promotion fees of approximately HK$41.4 million; and (iv) the increase of approximately HK$54.1 million in other sales related costs such as depreciation, packing, entertainment expenses, service charges and management fee, which were in connection with the Group's market expansion.

Administrative Expenses

The Group's administrative expenses increased to approximately HK$113.7 million for FY2014 from approximately HK$87.4 million for FY2013, representing an increase of approximately HK$26.3 million or approximately 30.1%. The increase was primarily due to (i) the increase in salaries for administrative staff of approximately HK$10.0 million; and (ii) the increase in the PRC local regulatory surcharges (such as city construction tax and education levy) of approximately HK$4.8 million which was in line with the increase in revenue.

Finance Costs and Income Tax Expenses

The Group's finance costs decreased by approximately HK$6.8 million or approximately 84.0% from approximately HK$8.1 million for FY2013 to approximately HK$1.3 million for FY2014 as a result of decreased bank borrowings during FY2014. The Group's income tax increased from approximately HK$76.7 million for FY2013 to approximately HK$106.7 million for FY2014, representing an increase of approximately HK$30.0 million or approximately 39.1%. The Group's effective tax rate (exclusive of listing expenses) increased from approximately 24.1% for FY2013 to approximately 25.3% for FY2014.

Profit for the Year

For the factors above, the Group's net profit for FY2014 increased by approximately HK$99.8 million or approximately 46.4% from approximately HK$215.3 million for FY2013 to approximately HK$315.1 million for FY2014. The net profit margin increased from approximately 11.3% for FY2013 to approximately 13.1% for FY2014.

BUSINESS REVIEW

Overview

During FY2014, 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 FY2014, the Group achieved a sales growth of approximately 25.6% over the last year. FY2014 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 10.1% for FY2013 to approximately 6.1% for FY2014. Nevertheless, building on its competitive advantages developed over years, the Group continued to maintain its leading position in the PRC national watch market.

Tian Wang watches continues to be the Group's core brand business, which contributed approximately 69.3% of the total revenue of the Group during FY2014. 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.

The Group recorded a same store sales growth of approximately 6.1% for FY2014, representing a drop of approximately 4.0% as compared with approximately 10.1% for FY2013, 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 FY2014 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 the 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 85% 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 has formed new joint ventures with other independent local operators which shall inject their existing retail network into the joint venture companies formed. During FY2014, the Group has formed two new joint ventures, namely, Time Watch Chengdu and Zhengzhou Time Watch Company Limited ("**Zhengzhou Time Watch**"), which are in addition to the existing joint ventures of the Group, namely Suzhou Paragon Watch Company Limited, Time Watch (Hefei) Timepieces Company Limited, Time Watch (Shanghai) Timepieces Company Limited and Time Watch Sichuan.

As at 30 June 2014, the Group's retail network of Tian Wang watches had 1,900 POS, representing a net increase of 386 POS as compared with the number of POS for Tian Wang watches as at 30 June 2013. The Group plans to open an estimate of 200 more Tian Wang POS for the year ending 30 June 2015. As at 30 June 2014, the retail network of Balco watches and Other Brands watches had 492 POS and 98 POS, respectively, representing a net increase of 87 POS and 20 POS, respectively as compared with the number of POS for Balco watches and Other Brands watches as at 30 June 2013.

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 69.3% of the Group's total revenue for FY2014 (FY2013: approximately 64.4%). During FY2014, the Group has launched not less than 100 new models of Tian Wang watches with price ranging from approximately RMB100 to RMB8,000 per watch for direct retail sales, corporate sales and e-commerce. The wide price range of Tian Wang watches can cater for the 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 7.0% of the Group's total revenue for FY2014 (FY2013: approximately 7.8%). For FY2014, revenue from Balco watches was approximately HK$168.1 million as compared with approximately HK$150.1 million for FY2013, representing an increase of approximately HK$18.0 million or approximately 12.0%. There is an increase in sales of Balco watches in the PRC by approximately HK$4.8 million or approximately 4.1% from approximately HK$116.7 million for FY2013 to approximately HK$121.5 million for FY2014. 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$13.3 million or approximately 39.8% 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$33.4 million for FY2013 to approximately HK$46.7 million for FY2014.

Other Brands Watches

Revenue from sales of Other Brands watches was approximately HK$306.6 million for FY2014 as compared with approximately HK$248.6 million for FY2013, representing an increase of approximately HK$58.0 million or approximately 23.3%. Revenue from sales of Other Brands watches accounted for approximately 12.8% of the Group's total revenue for FY2014 (FY2013: approximately 13.0%). The increase in sales of Other Brands watches was mainly due to contribution of full year's revenue from Time Watch Sichuan and a new joint venture company, Time Watch Chengdu.

Watch Movements Trading Business

The Directors consider that the in-house watch movements procurement and trading arm of the Group is an integral segment of the Group's overall business operation for providing reliable and stable supply of watch movements for the assembly of its Tian Wang watches and bringing revenue to the Group through the Watch Movements Trading Business with other watch manufacturers and distributors when there is surplus of watch movements. For FY2014, sales of watch movements had accounted for approximately 10.9% of the Group's total revenue (FY2013: approximately 14.8%). There is a decrease in sales of approximately HK$19.7 million or approximately 7.0% from approximately HK$282.1 million for FY2013 to approximately HK$262.4 million for FY2014.

E-commerce

In March 2013, the Company had established a 70%-owned subsidiary, Shenzhen Time Watch Trading Company Limited ("**Shenzhen Time Watch**"), which has signed operation agreements with several online sales platform (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. For FY2014, there is a significant increase in sales of watches through e-commerce channel of approximately HK$167.6 million or approximately 1,821.7% from approximately HK$9.2 million for FY2013 to approximately HK$176.8 million for FY2014 as there is full year contribution from Shenzhen Time Watch for FY2014, compared with three months contribution for FY2013.

INVENTORY CONTROL

The Group's inventory balance was approximately HK$556.0 million as at 30 June 2014, representing an increase of approximately HK$113.9 million or approximately 25.8% as compared with approximately HK$442.1 million as at 30 June 2013. The increase was in line with the increase in the Group's inventory balance of Tian Wang finished watches from approximately HK$217.5 million as at 30 June 2013 to approximately HK$291.6 million as at 30 June 2014. The Group's inventory turnover days remained stable at approximately 217 days for FY2014, as compared with 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 liquidity of the Group. The inventory quantities per Tian Wang, Balco and Other Brands POS were approximately 562, 206 and 566 respectively as at 30 June 2014.

The inventory aged over two years were approximately HK$78.6 million and approximately HK$59.1 million as at 30 June 2014 and 30 June 2013 respectively, with corresponding provision for these inventory balances of approximately HK$44.0 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$660.1 million and approximately HK$537.2 million as at 30 June 2014 and 30 June 2013 respectively.

The Group's net cash generated from operating activities for FY2014 was approximately HK$215.9 million, representing an increase of approximately HK$37.9 million from approximately HK$178.0 million for FY2013. The amount was primarily attributable to profit before taxation of approximately HK$421.8 million from the Group's operations adjusted for non-cash items of approximately HK$70.1 million, decrease of working capital balances of approximately HK$201.6 million, income taxes paid of approximately HK$83.2 million and interest received of approximately HK$8.8 million.

The Group's net cash generated from investing activities for FY2014 was approximately HK$50.0 million, which was mainly attributable to withdrawal of short-term deposit of approximately HK$150.0 million, partially offset by purchase of property, plant and equipment of approximately HK$100.0 million.

The Group's net cash used in financing activities for FY2014 was approximately HK$137.5 million, which was mainly attributable to dividends paid of approximately HK$145.6 million and repayment of bank borrowings of approximately HK$263.5 million, partially offset by borrowings raised of approximately HK$258.9 million, capital injected by non-controlling shareholders of subsidiaries of approximately HK$21.5 million. The Group's bank borrowings were approximately HK$36.0 million and approximately HK$40.5 million as at 30 June 2014 and 30 June 2013 respectively.

The Group has a net cash position as at 30 June 2014 and 30 June 2013. As at 30 June 2014, the Group's total equity was approximately HK$1,502.9 million, representing an increase of approximately HK$170.5 million from approximately HK$1,332.4 million as at 30 June 2013. The Group's working capital was approximately HK$1,396.0 million as at 30 June 2014, representing an improvement of approximately HK$114.9 million as compared with approximately HK$1,281.1 million as at 30 June 2013.

Details of the Group's bank borrowings as at 30 June 2014 are set out in note 13 to this annual results announcement.

CHARGE ON GROUP ASSETS

There was no material charge on the Group's assets as at 30 June 2014 and 2013.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2014 and 2013.

CAPITAL COMMITMENTS

The Group did not have any material capital commitments as at 30 June 2014 and 2013.

FOREIGN CURRENCY EXPOSURE

The Group has foreign currency sales, which expose itself to foreign currency risk. In addition, certain trade and other receivables, bank balances, other payables and accrued charges, and bank borrowings of the Group and intra-group balances are denominated in foreign currencies of the relevant group entities.

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

EMPLOYEES AND EMOLUMENTS POLICIES

As at 30 June 2014, the Group employed a total of approximately 5,130 full time employees (30 June 2013: approximately 2,800) engaging in design, purchasing, production, sales and marketing and administration. The staff costs incurred during FY2014 was approximately HK$322.6 million (FY2013: approximately HK$225.3 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 FY2014 amounted to approximately HK$64,200 (FY2013: approximately HK$1.6 million), which is used to help the poor in the PRC. No donations were made to political parties.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the initial public offering ("**IPO**") of the Company in February 2013 amounted to approximately HK$742.0 million, of which approximately HK$223.1 million had been utilized for FY2013. For FY2014, the Company had further utilized approximately HK$139.0 million of the proceeds in the manner set out in the following table.

	Amount of net proceeds allocated and unutilised as at 1 July 2013 *(HK$'m)*	**Amount of net proceeds utilised for FY2014** *(HK$'m)*	**Balance as at 30 June 2014** *(HK$'m)*	**Actual business progress up to 30 June 2014**
Opening of approximately 200 POS in each of the years ending 30 June 2014, 2015, 2016, 2017 and 2018	196.2	71.5	124.7	Approximately HK$71.5 million of IPO proceeds was used for opening 250 new POS during FY2014.
Establishing joint ventures with experienced operators of watch sales network and acquiring their inventories	158.6	32.5	126.1	Approximately HK$32.5 million of IPO proceeds was used for injection of share capital for Time Watch Sichuan and two new joint venture companies namely, Time Watch Chengdu and Zhengzhou Time Watch.
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	35.0	104.0	As at 30 June 2014, approximately HK$35.0 million of IPO proceeds was used for rolling-out advertisement on television and various other media. 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.

	Amount of net proceeds allocated and unutilised as at 1 July 2013 *(HK$'m)*	Amount of net proceeds utilised for FY2014 *(HK$'m)*	Balance as at 30 June 2014 *(HK$'m)*	Actual business progress up to 30 June 2014
Enhancing product design and development capabilities	25.1	–	25.1	The Group has been looking for international designer to enhance product design and has not identified suitable candidate.
TOTAL	518.9	139.0	379.9	

Actual application of the net proceeds, except for opening of POS 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 the PRC.

PROSPECTS AND STRATEGIES

Despite the weak economic conditions in the PRC and the PRC government's measures against consumption of luxury goods during FY2014, the revenue and profit of the Group continues to achieve steady growth in FY2014 as the Group concentrates to develop the market of low-end and medium-end watches as well as youth series watches. During FY2014, the Group has adopted the strategy of steady expansion of its retail network by opening new POS in second, third and lower tier cities across the country and has increased its efforts in selling new youth series watches products through e-commerce channels.

The economic environment is likely to be uncertain in the year ending 30 June 2015. The management believes that the strategy of opening new POS and increase in investment in e-commerce channels continues to be the major revenue drivers for the Group in the coming year. The sales for Tian Wang watches increased by approximately HK$91.4 million (representing an increase of approximately 26.6%) during the fourth quarter of FY2014 as compared with the sales during the fourth quarter of last year, and based on the Board's preliminary review of the unaudited consolidated management accounts of the Group for the two months ended 31 August 2014 which have not been audited by the auditors of the Company nor reviewed by the audit committee of the Board, the growth was maintained in July and August 2014. In view of the above, the Directors are confident that the Group can forge through the economic headwinds and will achieve steady growth in its business.

PROPOSED FINAL DIVIDEND AND SPECIAL DIVIDEND AND ANNUAL GENERAL MEETING

For FY2014, the Directors have recommended the payment of a final dividend of HK3 cents per Share, amounting to approximately HK$62.4 million, representing a payout of approximately 20.1% of profit attributable to owners of the Company and the payment of a special dividend of HK2 cents per Share, 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 25 November 2014, 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 2 December 2014. It is expected that the proposed final dividend and proposed special dividend will be paid on or about 10 December 2014.

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 21 November 2014 to 25 November 2014, (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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on 20 November 2014.

For the purpose of determining members who are qualified for each of the proposed final dividend for FY2014 and the proposed special dividend for FY2014 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 2 December 2014, 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 1 December 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2014.

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, during the year ended 30 June 2014, 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 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 up to the date of this announcement.

REVIEW OF ANNUAL RESULTS

The audit committee of the Board 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 2014.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 30 June 2014 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 FY2014 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, 29 September 2014

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.