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 2015 AND CHANGE OF USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 30 June 2015 ("**FY2015**") grew by approximately 10.4% to approximately HK$2,652.6 million, as compared with approximately HK$2,402.4 million for the year ended 30 June 2014 ("**FY2014**").

- Gross profit for FY2015 increased by approximately 15.8% to approximately HK$1,807.4 million, as compared with approximately HK$1,561.3 million for FY2014. The gross profit for Tian Wang watches for FY2015 was approximately HK$1,545.5 million, representing an increase of approximately 17.0% as compared with approximately HK$1,321.2 million for FY2014.

- Gross profit margin improved from approximately 65.0% for FY2014 to approximately 68.1% for FY2015. The gross profit margin of Tian Wang watches was approximately 80.9% for FY2015, an increase as compared with approximately 79.3% for FY2014.

- Profit attributable to owners of the Company for FY2015 amounted to approximately HK$336.8 million, representing an increase of approximately 8.7% as compared with approximately HK$309.9 million for FY2014.

- Basic earnings per share for FY2015 was HK16.2 cents (FY2014: HK14.9 cents).

- **Other information:**

  Retail network expanded to 2,805 points of sales ("**POS**") as at 30 June 2015, with a net addition of 315 POS in FY2015.

  Proposed final dividend for FY2015 is HK3 cents per share.

ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2015

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 FY2015 together with the consolidated statement of financial position of the Group as at 30 June 2015, and the notes with comparative figures for FY2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
Revenue	*3*	**2,652,625**	2,402,358
Cost of sales		**(845,220)**	(841,045)
Gross profit		**1,807,405**	1,561,313
Other income, gains and losses	*4*	**6,218**	15,634
Selling and distribution costs		**(1,207,436)**	(1,040,192)
Administrative expenses		**(125,444)**	(113,663)
Finance costs	*5*	**(632)**	(1,339)
Profit before taxation		**480,111**	421,753
Income tax	*6*	**(147,911)**	(106,689)
Profit for the year	*7*	**332,200**	315,064
Other comprehensive income (expense) which will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**4,654**	(17,398)
Total comprehensive income for the year		**336,854**	297,666
Profit (loss) for the year attributable to:			
Owners of the Company		**336,755**	309,890
Non-controlling interests		**(4,555)**	5,174
		332,200	315,064
Total comprehensive income (expense) attributable to:			
Owners of the Company		**340,973**	293,878
Non-controlling interests		**(4,119)**	3,788
		336,854	297,666
Earnings per share	*9*		
– Basic and diluted *(HK cents)*		**16.2**	14.9

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**166,012**	117,651
Prepaid lease payment		**37,247**	–
Deposits paid for acquisition of property, plant and equipment		**8,806**	–
Deferred tax assets		**25,266**	27,295
		237,331	144,946
Current assets			
Inventories	*10*	**615,452**	555,961
Prepaid lease payment		**1,284**	–
Trade receivables	*11*	**410,851**	391,521
Other receivables, deposits and prepayments		**115,219**	98,194
Structured deposits		**125,100**	–
Bank balances and cash		**550,510**	660,065
		1,818,416	1,705,741
Current liabilities			
Trade payables and bills payable	*12*	**112,243**	122,623
Other payables and accrued charges		**108,996**	91,748
Tax liabilities		**53,702**	59,434
Bank borrowings	*13*	**34,053**	35,958
		308,994	309,763
Net current assets		**1,509,422**	1,395,978
Total assets less current liabilities		**1,746,753**	1,540,924

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	2015	2014
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**207,995**	207,995
Reserves	**1,422,152**	1,226,775
Equity attributable to owners of the Company	**1,630,147**	1,434,770
Non-controlling interests	**65,704**	68,121
Total equity	**1,695,851**	1,502,891
Non-current liabilities		
Deferred tax liabilities	**50,902**	38,033
	1,746,753	1,540,924

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 immediate and ultimate holding company is Red Glory Investments Limited, a company incorporated in the British Virgin Islands 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 except for leasehold land and buildings, which are measured at revalued amounts. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following amendments to HKFRSs and a new interpretation issued by the HKICPA.

Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

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

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 2012 – 2014 cycle[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[1]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[1]
Amendments to HKAS 27	Equity method in separate financial statements[1]
HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers[2]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018

HKFRS 15 "Revenue from contracts with customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company will assess the impact on the application of HKFRS 15. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except as 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.

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 2015

	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	**1,909,829**	**205,981**	**210,165**	**326,650**	**2,652,625**
Inter-segment sales	**–**	**–**	**50,050**	**–**	**50,050**
Segment revenue	**1,909,829**	**205,981**	**260,215**	**326,650**	**2,702,675**
Elimination					**(50,050)**
Group revenue					**2,652,625**
Results					
Segment results	**506,195**	**1,922**	**3,493**	**2,246**	**513,856**
Interest income					**12,566**
Central administration costs					**(45,679)**
Finance costs					**(632)**
Profit before taxation					**480,111**

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

Segment results represent the results of each segment without allocation of corporate items, including interest 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

	2015 *HK$'000*	2014 *HK$'000*
Bank interest income	**12,566**	8,821
Allowance for doubtful debts	**(11,511)**	(1,390)
Loss on disposal and written-off of property, plant and equipment	**(9,823)**	(6,653)
Watch repair and maintenance services income	**5,603**	4,563
Net exchange loss	**(358)**	(1,984)
Government subsidies	**1,140**	6,157
Others	**8,601**	6,120
	6,218	15,634

5. FINANCE COSTS

	2015 *HK$'000*	2014 *HK$'000*
The finance costs represent interests on:		
Borrowings wholly repayable within five years	**632**	1,339

6. INCOME TAX

	2015 *HK$'000*	2014 *HK$'000*
Current tax:		
Hong Kong Profits Tax	**1,635**	2,391
PRC Enterprise Income Tax	**125,905**	102,290
PRC withholding tax	**5,704**	12,019
	133,244	116,700
(Overprovision) underprovision in prior years:		
Hong Kong Profits Tax	**(423)**	(308)
PRC Enterprise Income Tax	**192**	(1,911)
	133,013	114,481
Deferred taxation	**14,898**	(7,792)
	147,911	106,689

7. PROFIT FOR THE YEAR

	2015 *HK$'000*	2014 *HK$'000*
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**1,990**	1,837
Directors' remuneration		
Fees	**1,029**	1,029
Other emoluments	**12,566**	11,928
Retirement benefits scheme contributions	**85**	45
	13,680	13,002
Other staff costs	**330,825**	275,392
Retirement benefits scheme contributions	**41,480**	34,192
Total staff costs	**385,985**	322,586
Depreciation of property, plant and equipment	**64,535**	43,870
Cost of inventories recognised as cost of sales	**785,022**	777,417
Research and development cost recognised as cost of sales	**44,808**	37,906
Allowance for obsolete inventories recognised as cost of sales	**15,390**	25,722
Concessionaire fee *(Note)*	**556,194**	485,553
Operating lease payment in respect of shop counters and shops	**31,969**	34,893
Operating lease payment for office premises and factories	**9,501**	8,255

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

	2015	2014
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2015 Interim – HK2 cents (2014 Interim – HK2 cents) per share	**41,599**	41,599
2014 Final – HK3 cents (2013 Final – HK3 cents) per share	**62,398**	62,398
2014 Special – HK2 cents (2013 Special – HK2 cents) per share	**41,599**	41,599
	145,596	145,596

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 30 June 2015 of HK3 cents per share has been proposed by the directors and is subject to the approval by the shareholders of the Company in the forthcoming annual general meeting of the Company.

9. EARNINGS PER SHARE

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

	2015	2014
	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)	**336,755**	309,890
	'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**	2,079,946

10. INVENTORIES

	2015	2014
	HK$'000	*HK$'000*
Raw materials and consumables	**87,779**	59,242
Work in progress	**12,589**	12,816
Finished goods	**515,084**	483,903
	615,452	555,961

11. TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables from third parties	**402,925**	389,499
Trade receivable from a fellow subsidiary	**–**	2,660
Trade receivable from related companies	**9,272**	704
Less: allowance for doubtful debts	**(1,346)**	(1,342)
	410,851	391,521

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:

	2015	2014
	HK$'000	*HK$'000*
0 to 60 days	**334,903**	340,821
61 to 120 days	**44,592**	29,172
121 to 180 days	**10,677**	13,366
Over 180 days	**11,407**	4,798
	401,579	388,157

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:

	2015	2014
	HK$'000	*HK$'000*
0 to 60 days	**–**	1,913
61 to 120 days	**–**	747
	–	2,660

The following is an aged analysis of trade receivable from related companies (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:

	2015	2014
	HK$'000	*HK$'000*
0 to 60 days	**9,272**	698
61 to 120 days	**–**	6
	9,272	704

12. TRADE PAYABLES AND BILLS PAYABLE

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**96,341**	109,264
Bills payable	**8,557**	3,067
Trade payables to entities owned by non-controlling shareholders of subsidiaries	**7,345**	10,292
	112,243	122,623

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:

	2015	2014
	HK$'000	*HK$'000*
0 – 30 days	**50,871**	63,966
31 – 60 days	**16,866**	20,686
61 – 90 days	**6,047**	9,249
Over 90 days	**22,557**	15,363
	96,341	109,264

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:

	2015	2014
	HK$'000	*HK$'000*
0 – 60 days	**–**	10,108
Over 90 days	**7,345**	184
	7,345	10,292

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

13. BANK BORROWINGS

	2015	2014
	HK$'000	*HK$'000*
Trust receipts loans	**34,053**	27,958
Bank loans	**–**	8,000
	34,053	35,958

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 increased by approximately HK$250.3 million or approximately 10.4% from approximately HK$2,402.4 million for FY2014 to approximately HK$2,652.6 million for FY2015.

Tian Wang Watches

Sales of Tian Wang watches continued to be the Group's main source of revenue which accounted for approximately 72.0% of the total revenue of the Group for FY2015 (FY2014: approximately 69.3%). Sales of Tian Wang watches recorded a revenue of approximately HK$1,909.8 million for FY2015, representing an increase of approximately HK$244.7 million or approximately 14.7% as compared with approximately HK$1,665.2 million for FY2014. The growth during FY2015 was mainly driven by (i) the expansion of the retail network by approximately 17.6% from 1,900 POS as at 30 June 2014 to 2,235 POS as at 30 June 2015; and (ii) the rapid growth in sales of watches through e-commerce channels by approximately HK$53.3 million or approximately 30.1% from approximately HK$176.8 million for FY2014 to approximately HK$230.1 million for FY2015.

Balco Watches

Sales of Balco watches increased by approximately HK$37.8 million or approximately 22.5% from approximately HK$168.1 million for FY2014 to approximately HK$206.0 million for FY2015, which accounted for approximately 7.8% of the total revenue of the Group for FY2015 (FY2014: approximately 7.0%). The increase was primarily due to the increase in sales to multi-brand watch distributors in Hong Kong, Macau and Taiwan by approximately HK$21.8 million or approximately 46.7% from approximately HK$46.7 million for FY2014 to approximately HK$68.5 million for FY2015.

Other Brands Watches

Sales of other well-known branded watches other than Tian Wang and Balco brands ("**Other Brands**") watches increased by approximately HK$20.0 million or approximately 6.5% from approximately HK$306.6 million for FY2014 to approximately HK$326.7 million for FY2015 which accounted for approximately 12.3% of the total revenue of the Group for FY2015 (FY2014: approximately 12.8%). The increase in sales of Other Brands watches was primarily attributed to (i) the contribution of revenue from a joint venture company, namely, Time Watch (Shanghai) Timepieces Company Limited ("**Time Watch Shanghai**") of approximately HK$57.2 million for FY2015 (FY2014: approximately HK$48.0 million) and (ii) the contribution of revenue of approximately HK$32.3 million for 2015 (FY2014: approximately HK$15.2 million) from another joint venture company established in December 2013, namely, Time Watch (Chengdu) Company Limited ("**Time Watch Chengdu**").

Watch Movements Trading Business

Revenue from Watch Movements Trading Business accounted for approximately 7.9% of the Group's total revenue for FY2015 (FY2014: approximately 10.9%). For FY2015, revenue from trading of watch movements was approximately HK$210.2 million, representing a decrease of approximately HK$52.2 million or approximately 19.9% from approximately HK$262.4 million for FY2014. The decrease was primarily due to the fact that less watch movements were available for selling to external customers after allocation of watch movements to the production of the Group's Tian Wang watches.

Gross Profit

The Group's gross profit increased by approximately HK$246.1 million or approximately 15.8% from approximately HK$1,561.3 million for FY2014 to approximately HK$1,807.4 million for FY2015, while the gross profit margin increased to approximately 68.1% for FY2015 from approximately 65.0% for FY2014. The increase in gross profit and the improvement in gross profit margin were primarily due to the increase in sales contribution of Tian Wang watches from approximately 69.3% for FY2014 to approximately 72.0% for FY2015 of the Group's total revenue, as well as the improvement in gross profit margin of Tian Wang watches from approximately 79.3% for FY2014 to approximately 80.9% for FY2015, which was a result of an increase in sales of regular-priced watch models.

Other Income, Gains and Losses

The Group's other income, gains and losses decreased from approximately HK$15.6 million for FY2014 to approximately HK$6.2 million for FY2015, representing a decrease of approximately HK$9.4 million or approximately 60.2%. This was primarily due to (i) the increase in allowance for doubtful debts of approximately HK$10.1 million and (ii) the increase in loss on disposal and written-off of property, plant and equipment of approximately HK$3.2 million.

Selling and Distribution Costs

The Group's selling and distribution costs increased by approximately HK$167.2 million or approximately 16.1% from approximately HK$1,040.2 million for FY2014 to approximately HK$1,207.4 million for FY2015, which accounted for approximately 45.5% of the Group's total revenue for FY2015 (FY2014: approximately 43.3%). The increase was mainly due to (i) the increase in concessionaire and rental fees by approximately HK$67.7 million as a result of an increase in revenue and number of POS; (ii) the increase in salaries of sales personnel by approximately HK$55.7 million as a result of an 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 by approximately HK$25.1 million; and (iv) the increase in other sales related costs such as depreciation, packing, entertainment expenses, service charges and management fee by approximately HK$18.7 million, which were in line with the Group's market expansion strategy.

Administrative Expenses

The Group's administrative expenses increased to approximately HK$125.4 million for FY2015 from approximately HK$113.7 million for FY2014, representing an increase of approximately HK$11.8 million or approximately 10.4%. The increase was primarily due to the increase in salaries for administrative staff of approximately HK$4.1 million.

Finance Costs and Income Tax Expenses

The Group's finance costs decreased by approximately HK$0.7 million or approximately 52.8% from approximately HK$1.3 million for FY2014 to approximately HK$0.6 million for FY2015 as a result of a decrease in bank borrowings during FY2015. The Group's income tax expenses increased from approximately HK$106.7 million for FY2014 to approximately HK$147.9 million for FY2015, representing an increase of approximately HK$41.2 million or approximately 38.6%. The Group's effective tax rate increased from approximately 25.3% for FY2014 to approximately 30.8% for FY2015.

Profit for the Year

As a result of the factors discussed above, the Group's net profit for FY2015 increased by approximately HK$17.1 million or approximately 5.4% from approximately HK$315.1 million for FY2014 to approximately HK$332.2 million for FY2015. The net profit margin decreased from approximately 13.1% for FY2014 to approximately 12.5% for FY2015.

BUSINESS REVIEW

Overview

During FY2015, the Group's principal business remained manufacture and retail sales of its two proprietary brands watches (namely, Tian Wang and Balco watches), retail sales of Other Brands watches in the PRC and its ancillary Watch Movements Trading Business.

Notwithstanding the continuing weakness in the global economy throughout FY2015, the Group achieved a sales growth of approximately 10.4% over the last year. FY2015 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. 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 72.0% of the total revenue of the Group during FY2015. 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.

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 84% of the Group's sales of Tian Wang and Balco watches were made through the Group's directly managed POS. Since the Group sells most of its watches to its retail customers directly, the Group has been able to obtain first hand market information and direct feedback from customers through its frontline staff. The Group considers that this is a competitive advantage over its competitors, which generally do not have fully directly managed sales network and sell their products through distributors.

As at 30 June 2015, number of the Group's POS for Tian Wang watches was 2,235 POS, representing a net increase of 335 POS as compared to the number of POS for Tian Wang watches as at 30 June 2014. As at 30 June 2015, number of the Group's POS for Balco watches was 473 POS, representing a net decrease of 19 POS as compared to the number of POS for Balco watches as at 30 June 2014. As at 30 June 2015, number of the Group's POS for Other Brands watches was 97 POS, representing a net decrease of 1 POS as compared to the number of POS for Other Brands watches as at 30 June 2014.

Proprietary Watches of the Group

Tian Wang Watches

Sales of Tian Wang watches remained the Group's major source of revenue, which contributed approximately 72.0% of the Group's total revenue for FY2015 (FY2014: approximately 69.3%). For FY2015, revenue from Tian Wang watches was approximately HK$1,909.8 million as compared with approximately HK$1,665.2 million for FY2014, representing an increase of approximately HK$244.7 million or approximately 14.7%. During FY2015, the Group has launched not less than 100 new models of Tian Wang watches with price ranging from approximately RMB100 to RMB20,000 per watch for direct retail sales, corporate sales and e-commerce channels. The wide price range of Tian Wang watches allowed the Group to cater for the different needs of customers, and allowed the Group to capture more demand from customers of 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 accounted for approximately 7.8% of the Group's total revenue for FY2015 (FY2014: approximately 7.0%). For FY2015, revenue from Balco watches was approximately HK$206.0 million as compared with approximately HK$168.1 million for FY2014, representing an increase of approximately HK$37.8 million or approximately 22.5%. There was an increase in sales of Balco watches in the PRC by approximately HK$16.0 million or approximately 13.2% from approximately HK$121.5 million for FY2014 to approximately HK$137.5 million for FY2015. There was an increase of approximately HK$21.8 million or approximately 46.7% 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$46.7 million for FY2014 to approximately HK$68.5 million for FY2015.

Other Brands Watches

Revenue from sales of Other Brands watches was approximately HK$326.7 million for FY2015 as compared with approximately HK$306.6 million for FY2014, representing an increase of approximately HK$20.0 million or approximately 6.5%. Revenue from sales of Other Brands watches accounted for approximately 12.3% of the Group's total revenue for FY2015 (FY2014: approximately 12.8%). The increase in sales of Other Brands watches was mainly contributed by the increase in revenue from Time Watch Shanghai and 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 its Watch Movements Trading Business with other watch manufacturers and distributors when there is a surplus of watch movements which are not used for the Group's manufacture of watches for its Tian Wang Watch Business. For FY2015, sales of watch movements accounted for approximately 7.9% of the Group's total revenue (FY2014: approximately 10.9%). There was a decrease in sales of approximately HK$52.2 million or approximately 19.9% from approximately HK$262.4 million for FY2014 to approximately HK$210.2 million for FY2015.

E-commerce Business

In March 2013, the Company established a 70%-owned subsidiary, Shenzhen Time Watch Trading Company Limited ("**Shenzhen Time Watch**"), which entered into 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 younger generation in order to capture their rising consumption power. The Directors believe that a wide variety of watches will enable the Group to reach out to an extensive range of customers across different age groups. For FY2015, there was a significant increase in sales of watches through e-commerce channels by approximately HK$53.3 million or approximately 30.1% from approximately HK$176.8 million for FY2014 to approximately HK$230.1 million for FY2015.

INVENTORY CONTROL

The Group's inventory balance was approximately HK$615.5 million as at 30 June 2015, representing an increase of approximately HK$59.5 million or approximately 10.7% as compared with approximately HK$556.0 million as at 30 June 2014. The increase was mainly due to the increase in the Group's inventory balance of Balco finished watches from approximately HK$64.4 million as at 30 June 2014 to approximately HK$90.6 million as at 30 June 2015. The Group's inventory turnover days increased to approximately 253 days for FY2015, as compared with 217 days for FY2014. 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 474, 298 and 621 respectively as at 30 June 2015 (30 June 2014: approximately 562 (Tian Wang), 206 (Balco) and 566 (Other Brands)).

The inventory aged over two years were approximately HK$94.5 million and approximately HK$78.6 million as at 30 June 2015 and 30 June 2014 respectively, with corresponding provision for these inventory balances of approximately HK$59.6 million and approximately HK$44.0 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 adopts a conservative treasury policy. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The Group financed its operations primarily through cash flows from operations and short-term bank loans. The cash and cash equivalents were approximately HK$550.5 million and approximately HK$660.1 million as at 30 June 2015 and 30 June 2014 respectively.

The Group's net cash generated from operating activities for FY2015 was approximately HK$331.0 million, representing an increase of approximately HK$115.0 million from approximately HK$215.9 million for FY2014. The amount was primarily attributable to profit before taxation of approximately HK$480.1 million from the Group's operations adjusted for non-cash items of approximately HK$89.3 million, increase of working capital balances of approximately HK$111.9 million, income taxes paid of approximately HK$139.1 million and interest received of approximately HK$12.6 million.

The Group's net cash used in investing activities for FY2015 was approximately HK$294.7 million, which was mainly attributable to purchase of property, plant and equipment of approximately HK$122.3 million and structured deposits placed of approximately HK$125.1 million.

The Group's net cash used in financing activities for FY2015 was approximately HK$146.4 million, which was mainly attributable to dividends paid of approximately HK$145.6 million and repayment of bank borrowings of approximately HK$220.9 million, which was partially offset by borrowings raised of approximately HK$219.0 million, contribution from non-controlling shareholders of subsidiaries of approximately HK$6.0 million. The Group's bank borrowings were approximately HK$34.1 million and approximately HK$36.0 million as at 30 June 2015 and 30 June 2014 respectively.

The Group has a net cash position as at 30 June 2015 and 30 June 2014. As at 30 June 2015, the Group's total equity was approximately HK$1,695.9 million, representing an increase of approximately HK$193.0 million from approximately HK$1,502.9 million as at 30 June 2014. The Group's working capital was approximately HK$1,509.4 million as at 30 June 2015, representing an increase of approximately HK$113.4 million as compared with approximately HK$1,396.0 million as at 30 June 2014.

As at 30 June 2015, the Group's bank balances and cash were mainly denominated in Renminbi. As at 30 June 2015, all the Group's bank borrowings were short term bank borrowings that were principally denominated in Hong Kong dollar and Swiss Franc, were subject to variable interest rates and were repayable within one year.

The gearing ratio being calculated as total debt over total equity was approximately 2.0% and approximately 2.4% as at 30 June 2015 and 30 June 2014 respectively.

Details of the Group's bank borrowings as at 30 June 2015 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 2015 and 2014.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2015 and 2014.

CAPITAL COMMITMENTS

The Group did not have any material capital commitments as at 30 June 2015 and 2014.

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 of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND EMOLUMENTS POLICIES

As at 30 June 2015, the Group employed a total of approximately 4,600 full time employees (30 June 2014: approximately 4,300) engaging in design, purchasing, production, sales and marketing and administration. The staff costs incurred during FY2015 was approximately HK$386.0 million (FY2014: approximately HK$322.6 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 FY2015 amounted to approximately HK$1.6 million (FY2014: approximately HK$64,200), 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$362.1 million had been utilized for FY2013 and FY2014. For FY2015, the Company had further utilized approximately HK$93.2 million of the proceeds in the manner set out in the following table.

	Amount of net proceeds allocated and unutilised as at 1 July 2014 *(HK$'m)*	**Amount of net proceeds utilised for FY2015** *(HK$'m)*	**Balance as at 30 June 2015** *(HK$'m)*	**Actual business progress up to 30 June 2015**
Opening of approximately 200 POS in each of the years ending 30 June 2014, 2015, 2016, 2017 and 2018	124.7	57.2	67.5	Approximately HK$57.2 million of IPO proceeds was used for opening 200 new POS during FY2015.
Establishing joint ventures with experienced operators of watch sales network and acquiring their inventories	126.1	–	126.1	The Group had been looking for experienced operators for co-operation.
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	104.0	36.0	68.0	As at 30 June 2015, approximately HK$36.0 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 2014 *(HK$'m)*	Amount of net proceeds utilised for FY2015 *(HK$'m)*	Balance as at 30 June 2015 *(HK$'m)*	Actual business progress up to 30 June 2015
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	379.9	93.2	286.7	

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.

CHANGE OF USE OF PROCEEDS

The Group has been monitoring the use of net proceeds from the IPO. As at 30 June 2015, the Group has an unutilised balance of the net proceeds of approximately HK$67.5 million for the opening of new POS, which was just sufficient for the Group to open POS in the coming two years ending 30 June 2016 and 2017. In view of the need to expand the Group's sales network to capture the market growth in the future, the Board has decided to reallocate approximately HK$99.2 million of the net proceeds to the opening of new POS. Among the approximately HK$99.2 million to be reallocated, (i) approximately HK$46.1 million is reallocated from the establishment of joint venture as the Board believes that the remaining sum of approximately HK$80.0 million is sufficient for the Group to establish joint ventures worldwide in future; (ii) approximately HK$28.0 million is reallocated from the marketing and promotional activities for Tian Wang because the remaining sum of approximately HK$40.0 million is sufficient for the Group to carry out such marketing and promotional activities; and (iii) approximately HK$25.1 million is reallocated from the enhancement of product design and development capacities of joint venture as the Group currently has a design and development team which the Group believes that the team is fully capable of handling the most complex design and development challenges.

In order to increase the flexibility of implementing its plan of opening POS, establishing joint-ventures and carrying on marketing and promotional activities, the Board has decided, respectively, to (i) delete the timing requirements for the opening of POS in the years ending 30 June 2016, 2017 and 2018; (ii) allow the use of net proceeds on establishing joint ventures worldwide; and (iii) delete the specific requirements for the use of certain amounts in engaging spokesperson, production of television commercial for the spokesperson and rolling-out of advertisement on television and various other media.

Following the reallocation, the unutilised net proceeds from the IPO will be used in the following manner:

Intended use of the net proceeds as set out in the 2014 annual report	**Balance as at 30 June 2015 (HK$'m)**	**Revised intended use of the net proceeds**	**Revised amount of the net proceeds allocated (HK$'m)**
Opening of approximately 200 POS in each of the years ending 30 June 2016, 2017 and 2018	67.5	Opening of POS in the coming years	166.7
Establishing joint ventures with experienced operators of watch sales network and acquiring their inventories	126.1	Establishing joint ventures worldwide with experienced operators of watch sales network and acquiring their inventories	80.0
Marketing and promotional activities for Tian Wang for the year ending 30 June 2014, 2015 and 2016 including (i) engaging an active and well-known Chinese television and movie actor celebrity as the new brand spokesperson for Tian Wang watches, (ii) production of the television commercials focusing on the new Tian Wang spokesperson; and (iii) rolling-out advertisement on television and various other media	68.0	Engaging an active and well-known television and movie actor celebrity as the new brand spokesperson for Tian Wang watches and for producing television commercials focusing on the spokesperson.	40.0
Enhancing product design and development capabilities	25.1	Nil	Nil
TOTAL	286.7		286.7

The Board is of the view that the partial change in the use of the net proceeds from the IPO is fair and reasonable and is in the interest of the Company and its shareholders as a whole, allowing the Group to increase its flexibility in its financial management and reduce other finance costs to support the Group's operation and on-going expansion.

PROSPECTS AND STRATEGIES

Despite the weak economic conditions in the PRC and the PRC government's measures against consumption of luxury goods during FY2015, the revenue and profit of the Group continues to achieve steady growth in FY2015 as the Group concentrates to develop the market of low-end and medium-end watches as well as youth series watches. During FY2015, 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 2016. 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.

PROPOSED FINAL DIVIDEND AND ANNUAL GENERAL MEETING

For FY2015, 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 18.5% of profit attributable to owners of the Company. Subject to the approval of the shareholders at the forthcoming annual general meeting (the "**Annual General Meeting**") of the Company to be held on 24 November 2015, the proposed final 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 30 November 2015. It is expected that the proposed final dividend will be paid on or about 9 December 2015.

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 20 November 2015 to 24 November 2015, (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 19 November 2015.

For the purpose of determining members who are qualified for the proposed final dividend for FY2015 which is subject to approval by the shareholders at the Annual General Meeting, the register of members of the Company will be closed on 30 November 2015, on which no transfer of share of the Company will be effected. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at the above address for registration no later than 4:30 p.m. on 27 November 2015.

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 2015.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Save as disclosed below, during the year ended 30 June 2015, 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 2015.

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 2015 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 HKICPA 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 FY2015 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, 22 September 2015

As at the date of this announcement, the executive Directors are Mr. Tung Koon Ming, Mr. Hou Qinghai, Mr. Tung Wai Kit and Mr. Deng Guanglei; and the independent non-executive Directors are Mr. Ma Ching Nam, Mr. Wong Wing Keung Meyrick and Mr. Choi Ho Yan.