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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2033)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 31 December 2015 ("**1HFY2016**") decreased by approximately 1.2% to approximately HK$1,291.1 million as compared with approximately HK$1,307.0 million for the six months ended 31 December 2014 ("**1HFY2015**").

- Gross profit for 1HFY2016 increased by approximately 0.6% to approximately HK$877.7 million, as compared with approximately HK$872.8 million for 1HFY2015. The gross profit for Tian Wang watches for 1HFY2016 was approximately HK$761.6 million, representing an increase of approximately 2.7% as compared with approximately HK$741.9 million for 1HFY2015.

- Gross profit margin improved from approximately 66.8% for 1HFY2015 to approximately 68.0% for 1HFY2016. The gross profit margin of Tian Wang watches was approximately 81.8% for 1HFY2016, which was a slight increase as compared with approximately 80.7% for 1HFY2015.

- Profit attributable to owners of the Company for 1HFY2016 was approximately HK$169.5 million, representing an increase of approximately 7.9% as compared with approximately HK$157.1 million for 1HFY2015.

- Basic earnings per share for 1HFY2016 was HK8.1 cents (1HFY2015: HK7.6 cents).

- **Other information:**
  Retail network expanded to 2,936 points of sales ("**POS**") as at 31 December 2015, with a net increase of 131 POS in 1HFY2016.

  The Directors have declared for the payment of an interim dividend for 1HFY2016 of HK2 cents per share.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

The board (the "**Board**") of Directors (the "**Directors**") of Time Watch Investments Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 31 December 2015, together with the unaudited comparative figures for the six months ended 31 December 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2015

		Six months ended 31 December	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**1,291,069**	1,306,990
Cost of sales		**(413,398)**	(434,159)
Gross profit		**877,671**	872,831
Other income, gains and losses	*4*	**451**	13,388
Selling and distribution costs		**(610,087)**	(594,789)
Administrative expenses		**(73,548)**	(69,719)
Other expenses	*4*	**(8,491)**	–
Finance costs	*5*	**(849)**	(326)
Profit before taxation		**185,147**	221,385
Income tax	*6*	**(28,215)**	(65,542)
Profit for the period	*7*	**156,932**	155,843
Other comprehensive (loss) income which will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(34,478)**	15,262
Total comprehensive income for the period		**122,454**	171,105
Profit (loss) for the period attributable to:			
Owners of the Company		**169,488**	157,137
Non-controlling interests		**(12,556)**	(1,294)
		156,932	155,843
Total comprehensive income (expense) attributable to:			
Owners of the Company		**136,812**	171,094
Non-controlling interests		**(14,358)**	11
		122,454	171,105
Earnings per share, basic *(HK cents)*	*9*	**8.1**	7.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	As at 31 December 2015 *HK$'000* (Unaudited)	As at 30 June 2015 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment	*10*	**166,936**	166,012
Prepaid lease payment		**41,002**	37,247
Deposits paid for acquisition of property, plant and equipment		**12,520**	8,806
Deferred tax assets		**25,266**	25,266
		245,724	237,331
Current assets			
Inventories	*11*	**714,100**	615,452
Prepaid lease payment		**1,361**	1,284
Trade receivables	*12*	**384,224**	410,851
Other receivables, deposits and prepayments		**133,261**	115,219
Structured deposits		**121,900**	125,100
Bank balances and cash		**600,286**	550,510
		1,955,132	1,818,416
Current liabilities			
Trade payables and bills payable	*13*	**111,975**	112,243
Other payables and accrued charges		**145,631**	108,996
Tax liabilities		**32,642**	53,702
Bank borrowings	*14*	**82,935**	34,053
		373,183	308,994
Net current assets		**1,581,949**	1,509,422
Total assets less current liabilities		**1,827,673**	1,746,753

	As at 31 December 2015 *HK$'000* (Unaudited)	As at 30 June 2015 *HK$'000* (Audited)
Capital and reserves		
Share capital	**207,995**	207,995
Reserves	**1,496,566**	1,422,152
Equity attributable to owners of the Company	**1,704,561**	1,630,147
Non-controlling interests	**69,366**	65,704
Total equity	**1,773,927**	1,695,851
Non-current liabilities		
Deferred tax liabilities	**53,746**	50,902
	1,827,673	1,746,753

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2015.

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

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2010 – 2012 Cycle*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2011 – 2013 Cycle*

In addition, the Group has applied the following accounting policy during the current period:

Incompletion of initial accounting for a business combination

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

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

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

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
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 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 HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[1]

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

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

3. REVENUE AND SEGMENT INFORMATION

For management purpose, the Group is currently organised into five 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**");

d. Retailing business of imported watches mainly of well-known brands in the People's Republic of China ("**PRC**") ("**Other Brands (PRC)**"); and

e. Global distributing of owned and licensed international brands of watches ("**Other Brands (Global)**").

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

During the six month ended 31 December 2015, the Group and an independent third party incorporated a company, namely TWB Investments Limited ("**TWB**"), for the acquisition of the Other Brands (Global) business. The CODM reviewed the results of TWB and its subsidiary being consolidated by the Group and the Other Brands (Global) business has been regarded as a reportable segment of the Group during the period. Details of the acquisition are set out in note 15.

Segment revenue and results

Six months ended 31 December 2015 (Unaudited)

	Tian Wang Watch Business HK$'000	Balco Watch Business HK$'000	Watch Movements Trading Business HK$'000	Other Brands (PRC) HK$'000	Other Brands (Global) HK$'000	Consolidated HK$'000
Revenue						
External sales	**931,423**	**92,681**	**87,874**	**141,122**	**37,969**	**1,291,069**
Inter-segment sales	**–**	**–**	**19,127**	**–**	**–**	**19,127**
Segment revenue	**931,423**	**92,681**	**107,001**	**141,122**	**37,969**	**1,310,196**
Elimination						**(19,127)**
Group revenue						**1,291,069**
Results						
Segment results	**236,963**	**(9,908)**	**971**	**(8,556)**	**(11,289)**	**208,181**
Interest income						**5,211**
Central administration costs						**(18,905)**
Other expenses						**(8,491)**
Finance costs						**(849)**
Profit before taxation						**185,147**

Six months ended 31 December 2014 (Unaudited)

	Tian Wang Watch Business HK$'000	Balco Watch Business HK$'000	Watch Movements Trading Business HK$'000	Other Brands (PRC) HK$'000	Consolidated HK$'000
Revenue					
External sales	919,655	105,024	122,894	159,417	1,306,990
Inter-segment sales	–	–	32,276	–	32,276
Segment revenue	919,655	105,024	155,170	159,417	1,339,266
Elimination					(32,276)
Group revenue					1,306,990
Results					
Segment results	226,609	(279)	5,835	(1,853)	230,312
Interest income					4,904
Central administration costs					(13,505)
Finance costs					(326)
Profit before taxation					221,385

Segment results represent the results of each segment without allocation of corporate items, including interest income, central administration costs, other expenses 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

	Six months ended 31 December 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Bank interest income	**5,211**	4,904
Allowance for doubtful debts	**(257)**	–
Loss on disposal and written off of property, plant and equipment	**(5,255)**	(5,401)
Watch repair and maintenance services income	**3,162**	2,837
Net exchange (loss) gain	**(9,399)**	6,267
Government subsidies *(Note)*	**4,337**	–
Others	**2,652**	4,781
	451	13,388

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

Other expenses

Other expenses during the six month ended 31 December 2015 represented legal and professional fee and consultancy fee incurred for the acquisition of a business (note 15).

5. FINANCE COSTS

	Six months ended 31 December 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
The finance costs represent interests on:		
Bank borrowings wholly repayable within five years	**849**	326

6. INCOME TAX

	Six months ended 31 December 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	**1,212**	1,105
PRC Enterprise Income Tax	**39,625**	56,853
PRC withholding tax	**7,949**	4,455
	48,786	62,413
Overprovision in prior years:		
PRC Enterprise Income Tax	**(23,415)**	–
	25,371	62,413
Deferred taxation	**2,844**	3,129
	28,215	65,542

Note: On 7 December 2015, a subsidiary, Tian Wang Electronics (Shenzhen) Company Limited ("**Tian Wang Shenzhen**"), obtained an approval notice from relevant authority, which approved Tian Wang Shenzhen's application of qualification as a high and new technology enterprise, which is valid for the 3 calendar years ended 31 December 2017. Hence, Tian Wang Shenzhen is subject to the preferential tax treatment and the applicable tax rate for the calendar year ended 31 December 2015 was 15% and the difference between the previous tax provision for the six months ended 30 June 2015 as calculated by the general tax rate of 25% and the above mentioned reduced tax rate was hence considered as overprovision and credited to profit or loss for the six months ended 31 December 2015.

7. PROFIT FOR THE PERIOD

	Six months ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Staff costs (including Directors' remuneration)	**199,655**	172,720
Retirement benefits scheme contributions (including Directors' remuneration)	**23,147**	21,295
Total staff costs	**222,802**	194,015
Depreciation of property, plant and equipment	**37,972**	29,629
Allowance for obsolete inventories recognised as cost of sales	**17,743**	7,386
Concessionaire fee *(Note)*	**257,629**	264,069

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

	Six months ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period:		
2015 Final – HK3 cents per share	**62,398**	–
2014 Final – HK3 cents per share	**–**	62,398
2014 Special – HK2 cents per share	**–**	41,599
	62,398	103,997

9. EARNINGS PER SHARE

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

	Six months ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	**169,488**	157,137
	'000	*'000*
Numbers of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,079,946**	2,079,946

There was no diluted earnings per share for the six months ended 31 December 2015 and 2014 as there were no potential ordinary shares in issue during the six months ended 31 December 2015 and 2014.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2015, the Group purchased property, plant and equipment of approximately HK$47,735,000 (six months ended 31 December 2014: approximately HK$71,424,000) and wrote off property, plant and equipment of approximately HK$5,370,000 (six months ended 31 December 2014: approximately HK$5,401,000).

11. INVENTORIES

	As at 31 December 2015	As at 30 June 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Raw materials and consumables	**112,127**	87,779
Work in progress	**11,904**	12,589
Finished goods	**590,069**	515,084
	714,100	615,452

12. TRADE RECEIVABLES

	As at 31 December 2015 *HK$'000* (Unaudited)	As at 30 June 2015 *HK$'000* (Audited)
Trade receivables from third parties	**373,243**	402,925
Trade receivable from related companies	**12,303**	9,272
Less: allowance for doubtful debts	**(1,322)**	(1,346)
	384,224	410,851

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, as at 31 December 2015 and 30 June 2015:

	As at 31 December 2015 *HK$'000* (Unaudited)	As at 30 June 2015 *HK$'000* (Audited)
0 to 60 days	**312,369**	334,903
61 to 120 days	**35,605**	44,592
121 to 180 days	**9,808**	10,677
Over 180 days	**14,139**	11,407
	371,921	401,579

The following is an aged analysis of trade receivable from related companies (in which a Director of the Company, Mr. Tung Koon Ming ("**Mr. Tung**") has control) presented based on the date of delivery of goods, which approximates to the date of revenue recognition, as at 31 December 2015 and 30 June 2015:

	As at 31 December 2015 *HK$'000* (Unaudited)	As at 30 June 2015 *HK$'000* (Audited)
0 to 60 days	**7,475**	9,272
61 to 120 days	**387**	–
121 to 180 days	**3,132**	–
Over 180 days	**1,309**	–
	12,303	9,272

13. TRADE PAYABLES AND BILLS PAYABLE

	As at 31 December 2015 HK$'000 (Unaudited)	As at 30 June 2015 HK$'000 (Audited)
Trade payables	**104,993**	96,341
Bills payable	**–**	8,557
Trade payables to entities owned by non-controlling shareholders of subsidiaries	**6,982**	7,345
	111,975	112,243

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 as at 31 December 2015 and 30 June 2015:

	As at 31 December 2015 HK$'000 (Unaudited)	As at 30 June 2015 HK$'000 (Audited)
0 to 30 days	**69,554**	50,871
31 to 60 days	**16,955**	16,866
61 to 90 days	**6,506**	6,047
Over 90 days	**11,978**	22,557
	104,993	96,341

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 the invoice date as at 31 December 2015 and 30 June 2015:

	As at 31 December 2015 HK$'000 (Unaudited)	As at 30 June 2015 HK$'000 (Audited)
Over 90 days	**6,982**	7,345

Bills payable as at 31 December 2015 and 30 June 2015 is aged within 30 days based on goods receipt date.

14. BANK BORROWINGS

	As at 31 December 2015	As at 30 June 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Unsecured:		
Bank overdraft	**132**	–
Trust receipts loans	**31,142**	34,053
Bank loans	**51,661**	–
	82,935	34,053

15. BUSINESS COMBINATION

During the six months ended 31 December 2015, the Group and an independent third party incorporated TWB for the acquisition of the Other Brands (Global) Business. The Group and an independent third party owns 51% and 49% equity interests of TWB respectively. On 17 November 2015, the acquisition has been completed. Details are set out in the announcements of the Company dated 30 September 2015 and 18 November 2015.

Consideration transferred

	HK$'000
Cash	117,606

Acquisition-related costs amounting to HK$8,491,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the "other expenses" line item in the condensed consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised at the date of acquisition (determined on a provisional basis)

	HK$'000
Current assets	
Inventories	85,743
Trade receivables	54,643
Other receivables, deposits and prepayment	7,498
Current liabilities	
Other payables and accruals	(30,278)
	117,606

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

Revenue of the Group decreased by approximately HK$15.9 million or approximately 1.2% from approximately HK$1,307.0 million for the 1HFY2015 to approximately HK$1,291.1 million for 1HFY2016.

Tian Wang Watches

Sales of Tian Wang watches continued to be the Group's main source of revenue which accounted for approximately 72.1% of the total revenue of the Group for 1HFY2016 (1HFY2015: approximately 70.4%). Sales of Tian Wang watches recorded a revenue of approximately HK$931.4 million for 1HFY2016, representing an increase of approximately HK$11.7 million or approximately 1.3% as compared with approximately HK$919.7 million for 1HFY2015. The growth during 1HFY2016 was mainly driven by (i) the expansion of retail network by approximately 6.2% from 2,235 POS as at 30 June 2015 to 2,373 POS as at 31 December 2015; and (ii) the growth in sales of watches through e-commerce channels by approximately HK$23.6 million or approximately 19.6% from approximately HK$120.3 million for 1HFY2015 to approximately HK$143.9 million for 1HFY2016.

Balco Watches

Sales of Balco watches decreased by approximately HK$12.3 million or approximately 11.8% from approximately HK$105.0 million for 1HFY2015 to approximately HK$92.7 million for 1HFY2016, which accounted for approximately 7.2% of the total revenue of the Group for 1HFY2016 (1HFY2015: approximately 8.0%). The decrease was mainly due to the slow down in the growth of retail sales in the PRC market.

Other Brands (PRC) Watches

Retail sales of other well-known brand watches other than Tian Wang and Balco brands in the PRC ("**Other Brands (PRC)**") decreased by approximately HK$18.3 million or approximately 11.5% from approximately HK$159.4 million for 1HFY2015 to approximately HK$141.1 million for 1HFY2016, which accounted for approximately 10.9% of the total revenue of the Group for 1HFY2016 (1HFY2015: approximately 12.2%).

Other Brands (Global) Watches

Global distribution of certain owned and licensed international brands ("**Other Brands (Global)**") of watches, which is a new business segment of the Group established in 1HFY2016, recorded a sales of approximately HK$38.0 million, which accounted for approximately 3.0% of the total revenue of the Group for 1HFY2016.

Watch Movements Trading Business

Revenue from Watch Movements Trading Business accounted for approximately 6.8% of the Group's total revenue for 1HFY2016 (1HFY2015: approximately 9.4%). For 1HFY2016, revenue from trading of watch movements was approximately HK$87.9 million, representing a decrease of approximately HK$35.0 million or approximately 28.5% from approximately HK$122.9 million for 1HFY2015. 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 and the slow down of watch movements trading business.

Gross Profit

The Group's gross profit increased by approximately HK$4.8 million or approximately 0.6% from approximately HK$872.8 million for 1HFY2015 to approximately HK$877.7 million for 1HFY2016, while the gross profit margin increased to approximately 68.0% for 1HFY2016 from approximately 66.8% for 1HFY2015. 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 70.4% of the Group's total revenue for 1HFY2015 to approximately 72.1% for 1HFY2016, as well as the improvement in gross profit margin of Tian Wang watches from approximately 80.7% for 1HFY2015 to approximately 81.8% for 1HFY2016, which was attributable to the increase in sales of regular-priced watch models and the efficiency in cost control.

Other Income, Gains and Losses and Other Expenses

The Group's other income, gains and losses decreased from approximately HK$13.4 million for 1HFY2015 to approximately HK$0.5 million for 1HFY2016, representing a decrease of approximately HK$12.9 million or approximately 96.6%. This was primarily due to the increase in net exchange loss for 1HFY2016. Other expenses for 1HFY2016 represented legal and professional fee and consultancy fee incurred for the acquisition of a business.

Selling and Distribution Costs

The Group's selling and distribution costs increased by approximately HK$15.3 million or approximately 2.6% from approximately HK$594.8 million for 1HFY2015 to approximately HK$610.1 million for 1HFY2016, which accounted for approximately 47.3% of the Group's total revenue for 1HFY2016 (1HFY2015: approximately 45.5%). The increase was mainly due to the increase in salaries of sales personnel as a result of increase in number of sales staff, which was in line with the increase of number of POS and the increase in sales commission together with the increase in revenue.

Administrative Expenses

The Group's administrative expenses increased to approximately HK$73.5 million for 1HFY2016 from approximately HK$69.7 million for 1HFY2015, representing an increase of approximately HK$3.8 million or approximately 5.5%. The increase was primarily due to the increase in staff costs and general office expenses.

Finance Costs and Income Tax Expenses

The Group's finance costs increased by approximately HK$0.5 million or approximately 160.4% from approximately HK$0.3 million for 1HFY2015 to approximately HK$0.8 million for 1HFY2016 as a result of an increase in bank borrowings during 1HFY2016. The Group's income tax expenses decreased from approximately HK$65.5 million for 1HFY2015 to approximately HK$28.2 million for 1HFY2016, representing a decrease of approximately HK$37.3 million or approximately 57.0%. The Group's effective tax rate decreased from approximately 29.6% for 1HFY2015 to approximately 15.2% for 1HFY2016.

Profit for the Period

As a combined result of the factors discussed above, the Group's net profit for 1HFY2016 increased by approximately HK$1.1 million or approximately 0.7% from approximately HK$155.8 million for 1HFY2015 to approximately HK$156.9 million for 1HFY2016. The net profit margin increased from approximately 11.9% for 1HFY2015 to approximately 12.2% for 1HFY2016.

Business Review

Overview

During 1HFY2016, the Group's principal business was manufacture and retail sales of its two proprietary brands watches (namely, Tian Wang and Balco), retail sales of Other Brands watches in the PRC, global distribution of Other Brands of watches and Watch Movements Trading Business.

The Group's sales dropped slightly by approximately 1.2% as compared to that of the corresponding period in previous financial year. Tian Wang watches continued to be the Group's core business, which contributed approximately 72.1% of the total revenue of the Group during 1HFY2016.

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 81% of the Group's sales of Tian Wang and Balco watches was 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 comparative advantage over its competitors, which generally do not have fully direct managed sales network and sell their products through distributors.

As at 31 December 2015, number of the Group's POS for Tian Wang watches was 2,373 POS, representing a net increase of 138 POS and 224 POS as compared to the number of POS for Tian Wang watches as at 30 June 2015 and 31 December 2014, respectively. As at 31 December 2015, number of the Group's POS for Balco watches was 463 POS, representing a net decrease of 10 POS and 42 POS as compared to the number of POS for Balco watches as at 30 June 2015 and 31 December 2014, respectively. As at 31 December 2015, number of the Group's POS for Other Brands (PRC) watches was 100 POS, representing a net increase of 3 POS and 1 POS as compared to the number of POS for Other Brands (PRC) watches as at 30 June 2015 and 31 December 2014, respectively.

Proprietary Watches of the Group

Tian Wang Watches

Sales of Tian Wang watches remained the Group's major source of revenue, which contributed approximately 72.1% of the Group's total revenue for 1HFY2016 (1HFY2015: approximately 70.4%). For 1HFY2016, revenue from Tian Wang watches was approximately HK$931.4 million as compared with approximately HK$919.7 million for 1HFY2015, representing an increase of approximately HK$11.7 million or approximately 1.3%. During 1HFY2016, the Group launched approximately 32 new models of Tian Wang watches with price ranging from approximately RMB500 to RMB3,600 per watch which were sold through 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 7.2% of the Group's total revenue for 1HFY2016 (1HFY2015: approximately 8.0%). For 1HFY2016, revenue from Balco watches was approximately HK$92.7 million as compared with approximately HK$105.0 million for 1HFY2015, representing a decrease of approximately HK$12.3 million or approximately 11.8%. The Group continued to seek other ways to develop its Balco watch business, including broadening its sales and distribution channels in and outside of the PRC.

Other Brands (PRC) Watches

Revenue from sales of Other Brands (PRC) watches was approximately HK$141.1 million for 1HFY2016 as compared with approximately HK$159.4 million for 1HFY2015, representing a decrease of approximately HK$18.3 million or approximately 11.5%. Revenue from sales of Other Brands (PRC) watches accounted for approximately 10.9% of the Group's total revenue for 1HFY2016 (1HFY2015: approximately 12.2%).

Other Brands (Global) Watches

Revenue from global distribution of Other Brands (Global) watches was approximately HK$38.0 million for 1HFY2016, which accounted for approximately 3.0% of the Group's total revenue.

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 by providing a 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. For 1HFY2016, sales of watch movements accounted for approximately 6.8% of the Group's total revenue (1HFY2015: approximately 9.4%). There was a decrease in sales of approximately HK$35.0 million or approximately 28.5% from approximately HK$122.9 million for 1HFY2015 to approximately HK$87.9 million for 1HFY2016.

E-commerce Business

In March 2013, the Company established a 70%-owned subsidiary, Shenzhen Time Watch Trading Company Limited, 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 watch series products to 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 1HFY2016, there was an increase in sales of watches through e-commerce channels by approximately HK$23.6 million or approximately 19.6% from approximately HK$120.3 million for 1HFY2015 to approximately HK$143.9 million for 1HFY2016.

Acquisition of the Business of Design and Distribution of Certain Owned and Licensed International Brands of Watches

Reference is made to the announcements of the Company dated 30 September 2015 and 18 November 2015, the Group has completed an acquisition of the business of design and distribution of certain owned and licensed international brands of watches.

The portfolio of brands of the business consists of ten licensed brands and two owned brands. The licensed portfolio of brands includes recognised brand names such as Kenneth Cole, Tommy Bahama, Ted Baker, Sean John and Sperry. The owned brands include Game Time and Freestyle brands. The Game Time brand includes licenses with five major professional sports leagues and collegiate sports teams in the United States.

Inventory Control

The Group's inventory balance was approximately HK$714.1 million as at 31 December 2015, representing an increase of approximately HK$98.6 million or approximately 16.0% as compared with approximately HK$615.5 million as at 30 June 2015. The increase was in line with the increase in the Group's inventory balance of Tian Wang finished watches from approximately HK$287.7 million as at 30 June 2015 to approximately HK$309.1 million as at 31 December 2015. The Group's inventory turnover days increased to approximately 296 days for 1HFY2016, as compared with approximately 253 days for the year ended 30 June 2015. 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 (PRC) POS were approximately 503, 353 and 542 respectively as at 31 December 2015 (30 June 2015: approximately 474 (Tian Wang), 298 (Balco) and 621 (Other Brands (PRC))).

The inventory aged over two years were approximately HK$103.3 million and approximately HK$94.5 million as at 31 December 2015 and 30 June 2015, respectively, with corresponding provision for these inventory balances of approximately HK$71.9 million and approximately HK$59.6 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$722.2 million and approximately HK$675.6 million as at 31 December 2015 and 30 June 2015, respectively.

The Group's net cash generated from operating activities for 1HFY2016 was approximately HK$127.2 million. The amount was primarily attributable to profit before taxation of approximately HK$185.1 million from the Group's operations adjusted for non-cash items of approximately HK$57.3 million, increase in working capital balances of approximately HK$75.9 million, income taxes paid of approximately HK$44.5 million and interest received of approximately HK$5.2 million.

The Group's net cash generated from investing activities for 1HFY2016 was approximately HK$53.1 million, which was mainly attributable to purchase of property, plant and equipment of approximately HK$47.7 million.

The Group's net cash used in financing activities for 1HFY2016 was approximately HK$14.4 million, which was mainly attributable to dividends paid of approximately HK$62.4 million and repayment of bank borrowings of approximately HK$140.0 million, which was partially offset by borrowings raised of approximately HK$188.9 million and incorporation of a non-wholly owned subsidiary of HK$19.0 million. The Group's bank borrowings were approximately HK$82.9 million and approximately HK$34.1 million as at 31 December 2015 and 30 June 2015, respectively.

The Group had a net cash position as at 31 December 2015 and 30 June 2015. As at 31 December 2015, the Group's total equity was approximately HK$1,773.9 million, representing an increase of approximately HK$78.1 million from approximately HK$1,695.9 million as at 30 June 2015. The Group's working capital was approximately HK$1,581.9 million as at 31 December 2015, representing an increase of approximately HK$72.5 million as compared with approximately HK$1,509.4 million as at 30 June 2015.

As at 31 December 2015, the Group's bank balances and cash were mainly denominated in Renminbi. As at 31 December 2015, all the Group's bank borrowings were short term bank borrowings that were (i) principally denominated in Hong Kong dollar and United States dollar, (ii) subject to variable interest rates and (iii) repayable within one year, details of which are set out in note 14 to this interim results announcement.

The gearing ratio being calculated as total debt over total equity was approximately 4.7% and approximately 2.0% as at 31 December 2015 and 30 June 2015, respectively.

Charge on Group Assets

There was no material charge on the Group's assets as at 31 December 2015 and 30 June 2015.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2015 and 30 June 2015.

Capital Commitments

The Group did not have any material capital commitments as at 31 December 2015 and 30 June 2015.

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 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 31 December 2015, the Group employed a total of approximately 4,900 full time employees (30 June 2015: approximately 4,600) engaging in design, purchasing, production, sales and marketing and administration. The staff costs incurred during 1HFY2016 was approximately HK$222.8 million (1HFY2015: approximately HK$194.0 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.

Outlook

It is expected that the growth of consumer market in the PRC will continue to slow down for the six months ending 30 June 2016. For retail sales, the Group will continue to execute its plan of opening not less than 200 POS for Tian Wang per year. These new POS will be located mainly in 2nd, 3rd or 4th tier cities in the PRC, where the purchasing power is improving in recent years along with the development of the PRC. These new POS will become the revenue drivers for the Group's Tian Wang retail sales in the coming years. Besides, the Group will continue to allocate more resources on the development of its e-commerce business. Target customers of the Group's e-commerce business are mainly the younger generation, and the products sold through the e-commerce channels are exclusive and are different from those sold in the Tian Wang POS. Hence, the competition between Tian Wang retail business and Tian Wang e-commerce business is minimised. We have confidence that the e-commerce business is complementary to Tian Wang retail business and the higher growth in revenue generated from the e-commerce business will compensate for some slow down in the growth of retail sales in the future. On the above basis, the Directors are confident that the Group will maintain steady growth in its business in the near future.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2015.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During 1HFY2016, there was no material acquisition or disposal of subsidiaries or associated companies by the Company.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its code of corporate governance practices. Save as disclosed below, during the six months ended 31 December 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 Koon Ming's strong expertise and insight of the watch industry, the Board considered that the roles of chairman and chief executive officer being performed by Mr. Tung Koon Ming enables more effective and efficient overall business planning, decision making and implementation thereof by the Group. In order to maintain good corporate governance and fully comply with code provisions of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Having made specific enquiry of all the Directors, the Company is satisfied that and the Directors confirmed that they have fully complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transaction during the six months ended 31 December 2015.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Company for the six months ended 31 December 2015 and discussed the financial related matters with the management of the Group.

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK2 cents per share (six months ended 31 December 2014: HK2 cents per share), amounting to approximately HK$41.6 million for the six months ended 31 December 2015 (six months ended 31 December 2014: approximately HK$41.6 million) to the shareholders of the Company. The interim dividend will be paid to shareholders whose name appears on the register of members of the Company at the close of business on 14 March 2016. It is expected that the interim dividend will be paid on or about 23 March 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on 14 March 2016 and no transfer of shares will be effected on that date. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre,183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 11 March 2016.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.timewatch.com.hk. The interim report for the six months ended 31 December 2015 will be despatched to the shareholders of the Company and will be published on the aforesaid websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

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

Hong Kong, 25 February 2016

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.