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Time Watch Investments Limited

時計寶投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2033)

CONTINUING CONNECTED TRANSACTIONS

- (1) AGENCY AGREEMENT FOR SALE OF OFF-SEASON WATCHES
IN THE UNITED STATES; AND**
- (2) MASTER PRODUCTION AGREEMENT FOR BALCO WATCHES**

AGENCY AGREEMENT

On 22 November 2016, GWG entered into the Agency Agreement with ILG in relation to the appointment of GWG as agent for the sales of Off-season Products to the US Customers, which are retailers for sale of watches in the United States. The Agency Agreement shall have a term commencing from 1 October 2016 to 30 June 2017 (both dates inclusive) unless terminated earlier by a party serving three months notice in writing on the other party. It is expected that the aggregate transaction amount for the provision of the agency services under the Agency Agreement for the year ending 30 June 2017 will not exceed the annual cap of HK\$15.5 million.

MASTER PRODUCTION AGREEMENT

On 22 November 2016, Balco Switzerland entered into the Master Production Agreement with FM Swiss in relation to outsourcing and licensing the rights of production of Balco Watches to FM Swiss. The Master Production Agreement shall have an initial term of three years commencing from the date thereof. The initial term shall be automatically renewed for another term of three years upon expiry of the initial term unless terminated by either party by giving notice in writing to the other party at least six months prior to the expiry of the then term. It is expected that the purchase amount of Balco Watches under the Master Production Agreement for the three years ending 30 June 2019 will not exceed the annual caps of HK\$40 million, HK\$45 million and HK\$50 million, respectively.

IMPLICATION UNDER THE LISTING RULES

As (i) ILG is owned as to approximately 57.8% by Mr. Chainani and his brother and approximately 22.9% by Mr. Frommherz; (ii) Mr. Chainani is the sole shareholder of IWG which in turn holds 49% of issued share capital of TWB; and (iii) Mr. Frommherz is a director of GWG, ILG is a connected person of the Company at the subsidiary level. As such, the transactions under the Agency Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, as (i) ILG is a connected person of the Company at the subsidiary level; (ii) the terms of the Agency Agreement are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) has approved the transactions and confirmed that the Agency Agreement is on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole, the transactions under the Agency Agreement are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules. None of the Directors has a material interest in the Agency Agreement.

As (i) FM Swiss is owned as to 50% by Mr. Frommherz; and (ii) Mr. Frommherz is a director of GWG, FM Swiss is a connected person of the Company at the subsidiary level. As such, the transactions under the Master Production Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, as (i) FM Swiss is a connected person of the Company at the subsidiary level; (ii) the terms of the Master Production Agreement are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) has approved the respective transactions and confirmed that the Master Production Agreement is on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole, the transactions under the Master Production Agreement are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules. None of the Directors has a material interest in the Master Production Agreement.

AGENCY AGREEMENT

The Board hereby announces that on 22 November 2016, GWG entered into the Agency Agreement with ILG in relation to the appointment of GWG as agent for the sales of Off-season Products to the US Customers, which are retailers for sale of watches in the United States. The principal terms and conditions of the Agency Agreement are set out below:

Date and parties

Date: 22 November 2016

Parties: (1) ILG, as principal; and
(2) GWG, as agent.

Principal terms of the Agency Agreement

During the term of the Agency Agreement, the Group is authorised and shall, at its costs, to use its best endeavours to promote the sale to and solicit order for the Off-season Products from the US Customers. Upon receiving request (the “**US Customer Request**”) for purchase of Off-season Products from the US Customers, the Group shall deliver services notice (the “**Services Notice**”) to the ILG Group which shall specify among others, quantity, aggregate selling price (the “**Selling Price**”) (which should be equal to the aggregate of the Purchase Price (as defined below)) of the Off-season Products, date and location of delivery of the relevant Off-season Products in accordance with the US Customer Request. The ILG Group shall, at its sole discretion, decide whether to accept the US Customer Request. Subject to acceptance as aforesaid, the Group shall (i) enter into purchase contracts (the “**Purchase Contract**”) with such member of the ILG Group for the purchase of such Off-season Products at such purchase price (the “**Purchase Price**”) as specified in the Services Notice; and (ii) enter into sale contracts (the “**Sale Contract**”) with such US Customer for the sale of such Off-season Products to such US Customer at the relevant Selling Price. Pursuant to the Agency Agreement, the Group shall be responsible for, at its costs, packaging and labelling the Off-season Products in such manner in accordance with all applicable laws and regulations relating thereto for the purpose of reselling such Off-season Products in the United States.

In consideration of the agency services performed by the Group in respect of each Purchase Contract and Sale Contract, ILG shall pay the Group a sales commission amounting to 5% of the aggregate Purchase Price of the Off-season Products delivered by the ILG Group to the Group for sale to the relevant US Customer pursuant to the Agency Agreement. The percentage of sales commission has been determined among the parties after arm’s length negotiation, taken into account the expected costs and expenses to be incurred by the Group, such as packaging and labelling costs and costs for soliciting orders from the US Customers, in providing such agency services.

The Agency Agreement shall have a term commencing from 1 October 2016 to 30 June 2017 (both dates inclusive) unless terminated earlier by a party serving three months notice in writing on the other party.

Proposed annual cap for the year ending 30 June 2017

Prior to the entering into of the Agency Agreement, the Group had not engaged in any similar agency services for sale of off-season watches and accessories to retailers in the United States. The Directors expect that the aggregate transaction amount for the provision of the agency services under the Agency Agreement for the year ending 30 June 2017 will not exceed the annual cap of HK\$15.5 million. The proposed annual cap is determined by the Directors by reference to the prevailing market price of such services and the expected demand of the Off-season Products in the United States.

Reasons for and benefits in the Agency Agreement

Given that the Group will only enter into Purchase Contracts with the ILG Group for purchase of the Off-season Products when there are back-to-back Sale Contracts with the US Customer(s), and that the Purchase Price shall only be payable by the Group after the Selling Price is paid in full by the relevant US Customer(s), and that the expected costs and expenses to be incurred by the Group in providing such agency services are low, the Directors considered that the entering into of the Agency Agreement can provide an additional source of revenue for the Group with relatively low risks, and it can enable the Group to expand its customer-base and sales network by engaging into sales with different potential distributors and customers in the United States.

The Directors (including the independent non-executive Directors) considered the terms of the Agency Agreement and the related annual cap are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

Implication under the Listing Rules

As (i) ILG is owned as to approximately 57.8% by Mr. Chainani and his brother and approximately 22.9% by Mr. Frommherz; (ii) Mr. Chainani is the sole shareholder of IWG which in turn holds 49% of issued share capital of TWB; and (iii) Mr. Frommherz is a director of GWG, ILG is a connected person of the Company at the subsidiary level. As such, the transactions under the Agency Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, as (i) ILG is a connected person of the Company at the subsidiary level; (ii) the terms of the Agency Agreement are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) has approved the transactions and confirmed that the Agency Agreement is on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole, the transactions under the Agency Agreement are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules. None of the Directors has a material interest in the Agency Agreement.

MASTER PRODUCTION AGREEMENT

The Board further announces that on 22 November 2016, Balco Switzerland entered into the Master Production Agreement with FM Swiss in relation to outsourcing and licensing the rights of production of Balco Watches to FM Swiss. The principal terms and conditions of the Master Production Agreement are set out below:

Date and parties

Date: 22 November 2016

Parties: (1) Balco Switzerland, as purchaser; and
(2) FM Swiss, as manufacturer.

Principal terms of the Master Production Agreement

During the term of the Master Production Agreement, Balco Switzerland may from time to time deliver to FM Swiss a production order (the “**Production Order**”) for the manufacture, assembly and/or supply of the Balco Watches which shall specify, among others, production and packaging procedures, production schedule, specifications, technical information, drawings, designs, confirmed prototype and quality standards, the quantity, the BW Purchase Price, time and address of delivery and such other information as may be appropriate to be given. FM Swiss shall indicate to Balco Switzerland in writing whether it accepts such orders so placed by Balco Switzerland and indicate to Balco Switzerland the aggregate BW Purchase Price for the Balco Watches so ordered. Before any Production Order is placed by Balco Switzerland, Balco Switzerland shall seek quotation from FM Swiss for the BW Purchase Price for the Balco Watches to be produced.

Pursuant to the Master Production Agreement, Balco Switzerland may specify in the Production Order any components required in the manufacture of the Balco Watches to be procured and supplied by the Group to FM Swiss at cost for its production purpose, and Balco Switzerland shall sell and deliver such components to the production facilities designated by FM Swiss. Balco Switzerland may from time to time specify in the Production Order on the terms and conditions without limitation to the price, description, quality and quantity of the watch movements to be procured by FM Swiss for the manufacture of the Balco Watches. The costs of such purchase shall be reimbursed by Balco Switzerland.

Pursuant to the Master Production Agreement, FM Swiss undertakes that the production and assembly of Balco Watches shall only take place in Switzerland.

In consideration of Balco Watches to be supplied by FM Swiss under the Master Production Agreement, Balco Switzerland shall pay FM Swiss the BW Purchase Price which shall be on a cost plus basis and shall be, depending on the complexity of the design, components, materials used and other requirements of production, at the range of 5 to 20% (the “**Markup Percentage**”) of the cost of materials and components as quoted to Balco Switzerland in respect of the production of such Balco Watches as set out in the quotation prior to the placing of the Production Order, provided that, in any event, the BW Purchase Price of each Balco Watches and other terms and conditions of purchase offered by FM Swiss to Balco Switzerland shall be no less favourable than that then offered by the Group’s suppliers who are Independent Third Parties for the manufacture of Balco Watches of similar purchase volume.

In order to assess whether the terms (including the Markup Percentage) is fair and reasonable and no less favourable than that offered by the Group’s suppliers who are Independent Third Parties, the Group would obtain quotation from at least two suppliers who are Independent Third Parties for production of Balco Watches with similar quantities, requirements and specifications to determine if the terms (including the Markup Percentage) offered by FM Swiss are fair and reasonable and comparable to those offered by such Independent Third Parties.

Pursuant to the Master Production Agreement, where the Group can obtain offer for comparable services from an Independent Third Party supplier on terms which are more favourable than those offered by FM Swiss, the Group may, by giving a written request to FM Swiss, offer to FM Swiss to adjust the terms as set out in the quotation sought from FM Swiss so that the services will be provided by FM Swiss to the Group on the same terms as that offered by such Independent Third Party supplier as aforesaid. If, within seven business days after the date of such written request, FM Swiss fails to accept the adjustment as aforesaid, the Group may engage such Independent Third Party supplier as aforesaid to manufacture and supply the Balco Watches.

Under the Master Production Agreement, there is no minimum amount nor exclusivity commitment for the Group to engage FM Swiss to the production, assembly and supply of the Balco Watches. The Group is not restricted from engaging Independent Third Parties manufacturer for the production, assembly and supply of the Balco Watches.

The Directors considered that the above methods and procedures can ensure that the transactions contemplated under the Master Production Agreement will be conducted on normal commercial terms and in the interests of the Company and its shareholders as a whole.

The Master Production Agreement shall have an initial term of three years commencing from the date thereof. The initial term shall be automatically renewed for another term of three years upon expiry of the initial term unless terminated by either party by giving notice in writing to the other party at least six months prior to the expiry of the then term.

Proposed annual caps for the three years ending 30 June 2019

The aggregate purchase price paid by the Group to FM Swiss for the production, assembly and supply of the Balco Watches for the three years ended 30 June 2016 was approximately HK\$57.1 million, HK\$74.5 million and HK\$65.9 million, respectively. The Directors expect that the purchase amount of Balco Watches under the Master Production Agreement for the three years ending 30 June 2019 will not exceed the annual caps of HK\$40 million, HK\$45 million and HK\$50 million, respectively. The proposed annual caps are determined by the Directors by reference to the aggregate purchase price paid by the Group to FM Swiss for the production, assembly and supply of the Balco Watches for the three years ended 30 June 2016, the actual production orders placed by the Group with an aggregate purchase price of approximately HK\$7.4 million for the three months ended 30 September 2016, the expected market demands of Balco Watches during the term of the Master Production Agreement and the prevailing market price of the production, assembly and supply of the Balco Watches.

Reasons for and benefits in the Master Production Agreement

As disclosed in the prospectus of the Company dated 24 January 2013, the Group has been engaging FM Swiss, which is an experienced Swiss watchmaker, for outsourcing and licensing the production of Balco Watches to FM Swiss pursuant to a master production agreement dated 1 September 2011 entered into between the Group and FM Swiss for a term of three years, which shall be automatically renewed for successive terms of three years unless termination notice is given six months prior to the expiry date of the relevant term.

In anticipation that the ongoing transaction amount between FM Swiss and the Group for the production, assembly and supply of the Balco Watches will exceed the threshold for de minimis transactions under Rule 14A.76 of the Listing Rules and for the purpose of further consolidating the Group's business relationship with FM Swiss and enhancing the stable supply of Balco Watches, the Master Production Agreement was entered into between Balco Switzerland and FM Swiss.

By entering into the Master Production Agreement, the Group can outsource the the production, assembly and supply of Balco Watches to FM Swiss such that it can focus its resources on maintaining and expanding its existing business (including but not limited to the product design and development of different models of Balco Watches).

The Directors (including the independent non-executive Directors) considered the terms of the Master Production Agreement and the related annual caps are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

Implication under the Listing Rules

As (i) FM Swiss is owned as to 50% by Mr. Frommherz; and (ii) Mr. Frommherz is a director of GWG, FM Swiss is a connected person of the Company at the subsidiary level. As such, the transactions under the Master Production Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, as (i) FM Swiss is a connected person of the Company at the subsidiary level; (ii) the terms of the Master Production Agreement are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) has approved the respective transactions and confirmed that the Master Production Agreement is on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole, the transactions under the Master Production Agreement are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules. None of the Directors has a material interest in the Master Production Agreement.

INFORMATION OF THE GROUP

The Group is principally engaged in the manufacture of its Tian Wang watches, the retail sales of its Tian Wang and Balco Watches, retail sales of other brands watches in the People's Republic of China, design, manufacture and global distribution of certain owned and licensed international brands of watches, and the ancillary trading of watch movements business.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

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| “Agency Agreement” | an agency agreement dated 22 November 2016 and entered into between GWG and ILG in connection with the appointment of GWG as agent for the sales of Off-season Products to the US Customers pursuant to the terms and conditions thereof |
| “Balco Switzerland” | Balco Switzerland SAGL, a limited liability company incorporated in Switzerland and an indirect wholly-owned subsidiary of the Company |
| “Balco Watches” | watches (including but not limited to their parts and accessories) bearing the mark “Balco” or “拜戈”, which has been registered by Balco Switzerland |
| “BW Purchase Price” | the purchase price per unit of the Balco Watches to be supplied by FM Swiss to Balco Switzerland pursuant to the Master Production Agreement |
| “Company” | Time Watch Investments Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |

“Director(s)”	director(s) of the Company
“FM Swiss”	FM Swiss Logistic SA, a limited liability company incorporated in Switzerland which is owned as to 50% by Mr. Frommherz and 50% by Independent Third Parties
“Group”	the Company and its subsidiaries
“GWG”	Geneva Watch Group, Inc., a limited liability company incorporated in United States and an indirect non-wholly-owned subsidiary of the Company
“ILG”	ILG of Switzerland Ltd, a limited liability company incorporated in Switzerland which is owned as to approximately 57.8% by Mr. Chainani and his brother, approximately 22.9% by Mr. Frommherz and approximately 19.3% by Independent Third Parties
“ILG Group”	collectively, ILG and its subsidiaries from time to time
“Independent Third Party(ies)”	party or parties which, as far as the Directors are aware of after having made all reasonable enquiries, is/are not connected persons (as defined under the Listing Rules) of the Company
“IWG”	International Watch Group Limited, a limited liability company incorporated in Hong Kong and a minority shareholder of TWB which is wholly owned by Mr. Chainani
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Master Production Agreement”	a master production agreement dated 22 November 2016 and entered into between Balco Switzerland and FM Swiss pursuant to which Balco Switzerland outsources and licenses the rights of production of Balco Watches to FM Swiss
“Mr. Chainani”	Mr. Pishu Vashdev Chainani, a United Arab Emirates individual and the sole shareholder of IWG
“Mr. Frommherz”	Mr. Christian Marcal Frommherz, a Swiss individual and a director of GWG
“Off-season Products”	off-season multi-brand watches and accessories of the ILG Group or those of which the ILG Group is licensed to distribute
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“ TWB ”	TWB Investments Limited, a limited liability company incorporated in Hong Kong and an indirect non-wholly owned subsidiary of the Company which is owned as to 51% by the Group and as to 49% by IWG
“ US Customers ”	retailers for sale of watches in the United States to whom the Group shall re-sell the Off-season Products purchased from the ILG Group pursuant to the Agency Agreement
“ HK\$ ”	Hong Kong dollars, the lawful currency of Hong Kong
“ % ”	per cent.

By the order of the Board
Time Watch Investments Limited
Tung Koon Ming
Chairman and Executive Director

Hong Kong, 22 November 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.