# Tic Tac International Holdings Company Limited
# 滴達國際控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1470)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2016

## RESULTS

The board (the "Board") of directors (the "Director(s)") of Tic Tac International Holdings Company Limited (the "Company" together with its subsidiaries, the "Group") announces the unaudited condensed consolidated results of the Group for the six months ended 31 October 2016 (the "Review Period") with comparative figures for the corresponding period in 2015 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 31 October 2016*

| | | Six months ended 31 October | |
|---|---|---|---|
| | | **2016** | 2015 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited) |
| Revenue | *3* | **149,716** | 172,385 |
| Cost of sales | *4* | **(99,217)** | (110,292) |
| **Gross profit** | | **50,499** | 62,093 |
| Selling and distribution costs | *4* | **(47,165)** | (47,485) |
| Administrative expenses | *4* | **(7,899)** | (9,017) |
| **Operating (loss)/profit** | | **(4,565)** | 5,591 |
| Finance costs | *5* | **(218)** | (389) |
| **(Loss)/profit before income tax** | | **(4,783)** | 5,202 |
| Income tax expense | *6* | **(758)** | (1,352) |
| **(Loss)/profit for the period** | | **(5,541)** | 3,850 |
| Other comprehensive income | | **—** | — |
| **Total comprehensive (expense)/income for the period** | | **(5,541)** | 3,850 |

| | Notes | Six months ended 31 October **2016** *HK$'000* **(Unaudited)** | 2015 *HK$'000* (Unaudited) |
|---|---|---|---|
| **Total (loss)/profit and comprehensive (expenses)/income attributable to:** | | | |
| Owners of the Company | | **(5,541)** | 3,850 |
| Non-controlling interests | | **—** | — |
| | | **(5,541)** | 3,850 |
| **Basic and diluted (loss)/earnings per share (HK cents per share)** | *8* | **(0.69)** | 0.49 |
| **Dividends** | *7* | **—** | — |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 October 2016*

| | Note | **31 October 2016** *HK$'000* **(Unaudited)** | 30 April 2016 *HK$'000* (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **11,905** | 14,239 |
| Deposits and prepayments | *9* | **11,103** | 11,619 |
| Deferred income tax assets | | **2,294** | 2,545 |
| | | **25,302** | 28,403 |
| **Current assets** | | | |
| Inventories | | **111,306** | 118,005 |
| Trade receivables, other receivables and prepayments | *9* | **7,574** | 7,939 |
| Tax recoverable | | **7,136** | 6,904 |
| Cash and cash equivalents | | **45,545** | 41,774 |
| | | **171,561** | 174,622 |
| **Total assets** | | **196,863** | 203,025 |
| **EQUITY** | | | |
| **Equity attributable to the owners of the Company** | | | |
| Share capital | *10* | **8,000** | 8,000 |
| Reserves | | **145,062** | 150,603 |
| **Total equity** | | **153,062** | 158,603 |

| | Note | 31 October 2016 HK$'000 (Unaudited) | 30 April 2016 HK$'000 (Audited) |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Provision for other liabilities and charges | *11* | **2,900** | 3,020 |
| Deferred income tax liabilities | | **330** | 538 |
| Borrowings | *12* | **321** | 438 |
| | | **3,551** | 3,996 |
| **Current liabilities** | | | |
| Trade and other payables | *11* | **27,040** | 22,679 |
| Borrowings | *12* | **13,210** | 17,029 |
| Current income tax liabilities | | **—** | 718 |
| | | **40,250** | 40,426 |
| **Total liabilities** | | **43,801** | 44,422 |
| **Total equity and liabilities** | | **196,863** | 203,025 |

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

*For the period ended 31 October 2016*

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Combined capital** | **Capital reserve** | **Retained earnings** | **Total** | **Non-controlling interests** | **Total equity** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Balance at 1 May 2015 (Audited) | 1 | — | — | 24,094 | 20,790 | 44,885 | — | 44,885 |
| **Total comprehensive income** | | | | | | | | |
| Profit for the period | — | — | — | — | 3,850 | 3,850 | — | 3,850 |
| **Total contributions by and distributions to owners of the Company, recognised directly in equity** | | | | | | | | |
| Capitalisation issue of shares *(Note 10(b))* | 5,999 | (5,999) | — | — | — | — | — | — |
| Shares issued pursuant to the Public Offer *(Note 10(a))* | 2,000 | 134,000 | — | — | — | 136,000 | — | 136,000 |
| Transaction costs attributable to the Public Offer *(Note 10(a))* | — | (9,633) | — | — | — | (9,633) | — | (9,633) |
| Balance at 31 October 2015 (Unaudited) | 8,000 | 118,368 | — | 24,094 | 24,640 | 175,102 | — | 175,102 |
| Balance at 1 May 2016 (Audited) | 8,000 | 118,368 | — | 24,094 | 8,141 | 158,603 | — | 158,603 |
| **Total comprehensive loss** | | | | | | | | |
| Loss for the period | — | — | — | — | (5,541) | (5,541) | — | (5,541) |
| **Total contributions by and distributions to owners of the Company, recognised directly in equity** | — | — | — | — | — | — | — | — |
| Balance at 31 October 2016 (Unaudited) | 8,000 | 118,368 | — | 24,094 | 2,600 | 153,062 | — | 153,062 |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 31 October 2016*

## 1. GENERAL INFORMATION

Tic Tac International Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 23 June 2014 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries, (together the "Group"), are principally engaged in the retail and wholesale of watches in Hong Kong.

The Company has listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited since 12 May 2015.

These condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK$") unless otherwise stated.

The condensed consolidated interim financial statements were approved for issue on 30 December 2016.

The condensed consolidated interim financial statements have not been audited.

## 2. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of the unaudited condensed consolidated interim financial statements for the six months ended 31 October 2016 (the "Interim Financial Statements") are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These Interim Financial Statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and the Hong Kong Companies Ordinance (Cap. 622).

These Interim Financial Statements should be read in conjunction with the annual financial statements. The accounting policies and methods of computation used in the preparation of these Interim Financial Statements are consistent with those used in the annual financial statements for the year ended 30 April 2016.

In the current interim period, the Group has applied, for the first time, the following new amendments and interpretation to HKASs and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

| | |
|---|---|
| Annual Improvements Project | Annual improvements 2012–2014 cycle |
| HKFRS 14 | Regulatory deferral accounts |
| HKFRS 10, HKFRS 12 and HKAS 28 (Amendment) | Investment entities: Applying the consolidation exception |
| HKFRS 11 (Amendment) | Accounting for acquisitions of interests in joint operations |
| HKAS 1 (Amendment) | Disclosure initiative |
| HKAS 16 and HKAS 38 (Amendment) | Clarification of acceptable methods of depreciation and amortisation |
| HKAS 16 and HKAS 41 (Amendment) | Agriculture: Bearer plants |
| HKAS 27 (Amendment) | Equity method in separate financial statements |

The application of the above new amendments to HKASs and HKFRSs in the current interim period has no material effect on the amounts reported and/or disclosures set out in the Interim Financial Statements.

The following new standards and amendments to standards have been issued but not effective for the financial period beginning 1 May 2016, and have not been early adopted in preparing these Interim Financial Statements:

| | | **Effective for accounting periods beginning on or after** |
|---|---|---|
| HKFRS 10 and HKAS 28 (Amendment) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |
| HKFRS 9 | Financial Instruments | 1 January 2018 |
| HKFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| HKFRS 16 | Leases | 1 January 2019 |

Management is in the process of making an assessment on the impact of these standards, amendments and interpretations to existing standards upon initial application and is not yet in a position to state whether they will have a significant impact on the Group's interim results of operations and financial position.

## 3. SEGMENT INFORMATION

The Executive Directors have been identified as the chief operating decision-makers of the Group who review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the information received by them.

The Group is principally engaged in the wholesale and retail of watches in Hong Kong. The Executive Directors separately consider the performance and resources allocation of each retail outlet and each wholesale company. Each retail outlet and each wholesale company is considered as a separable operating segment.

The results of all the retail outlets have been aggregated in arriving at the retail business reporting segment of the Group. The retail segment derives its revenue primarily from retail of multi brands of watches in Hong Kong. All the retail outlets sell similar class of watches with similar pricing strategy and targeted customers.

The results of the wholesale companies have been aggregated in arriving at the wholesale business reporting segment of the Group. The wholesale segment derives its revenue primarily from wholesale of multi brands of watches in Hong Kong. All the wholesale companies sell similar class of watches with similar pricing strategy and targeted customers.

The Executive Directors assess the performance of the operating segments based on a measure of operating profit excluding fair value measurements of financial assets at fair value through profit or loss, finance cost, group expenses and listing expenses.

**For the six months ended 31 October 2016**

| | **Retail** | **Wholesale** | **Elimination** | **Total** |
|---|---|---|---|---|
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** |
| Turnover | | | | |
| External sales | **148,287** | **807** | **—** | **149,094** |
| External service income | **622** | **—** | **—** | **622** |
| Inter-segment sales | **487** | **1,171** | **(1,658)** | **—** |
| | **149,396** | **1,978** | **(1,658)** | **149,716** |
| Segment (loss)/profit | **(2,956)** | **107** | **—** | **(2,849)** |
| Finance costs | | | | **(218)** |
| Unallocated group expenses | | | | **(1,716)** |
| Loss before income tax | | | | **(4,783)** |

**For the six months ended 31 October 2015**

| | Retail | Wholesale | Elimination | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Turnover | | | | |
| External sales | 171,016 | 1,114 | — | 172,130 |
| External service income | 254 | 1 | — | 255 |
| Inter-segment sales | — | 1,854 | (1,854) | — |
| | 171,270 | 2,969 | (1,854) | 172,385 |
| Segment profit | 7,131 | 413 | — | 7,544 |
| Finance costs | | | | (389) |
| Unallocated group expenses | | | | (1,660) |
| Unallocated listing expenses | | | | (293) |
| Profit before income tax | | | | 5,202 |

Sales between segments are carried out at terms mutually-agreed between the parties involved in transactions. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the condensed consolidated statement of comprehensive income.

The Group's revenue is mainly derived from customers in Hong Kong. The principal assets of the Group were also located in Hong Kong. Accordingly, no analysis by geographical segment is provided. For the period ended 31 October 2016, there are no (2015: Nil) single external customers who contributed more than 10% revenue of the Group.

**Other profit and loss disclosure**

| | Six months ended 31 October | | | | | |
|---|---|---|---|---|---|---|
| | **2016** | | | 2015 | | |
| | **Retail** | **Wholesale** | **Total** | Retail | Wholesale | Total |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* |
| | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** | (Unaudited) | (Unaudited) | (Unaudited) |
| Depreciation of property, plant and equipment | **2,518** | **—** | **2,518** | 2,161 | 1 | 2,162 |
| Provision for slow-moving inventories | **752** | **317** | **1,069** | 626 | 204 | 830 |
| Impairment of property, plant and equipment | **1,125** | **—** | **1,125** | — | — | — |
| Provision for onerous operating leases | **1,347** | **—** | **1,347** | — | — | — |

## 4. EXPENSES BY NATURE

| | Six months ended 31 October | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Cost of inventories sold | **98,148** | 109,462 |
| Provision for slow-moving inventories | **1,069** | 830 |
| Employee benefit expense | **16,853** | 14,682 |
| Depreciation of property, plant and equipment | **2,518** | 2,162 |
| Impairment of property, plant and equipment | **1,125** | — |
| Operating lease expenses | | |
| — Office premises | **547** | 547 |
| — Repair centres | **33** | 64 |
| — Retail outlets | **23,367** | 27,145 |
| Provision for onerous operating leases | **1,347** | — |
| Advertising and promotion expenses | **1,222** | 1,432 |
| Auditors' remuneration | **502** | 598 |
| Bank and credit card charges | **1,911** | 2,252 |
| Listing expenses | **—** | 293 |
| Other expenses | **5,639** | 7,327 |
| Total cost of sales, selling and distribution costs and administrative expenses | **154,281** | 166,794 |

## 5. FINANCE COSTS

| | Six months ended 31 October | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest expense on bank borrowings | **209** | 389 |
| Interest element of finance leases | **9** | — |
| | **218** | 389 |

For the six months ended 31 October 2016, the interest on bank borrowings which contain a repayment on demand clause amounted to HK$209,000 (For the six months ended 31 October 2015: HK$389,000).

## 6. INCOME TAX EXPENSE

The amount of income tax charged to the condensed consolidated statements of comprehensive income represents:

| | Six months ended 31 October | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Hong Kong profits tax | | |
| Current income tax | **715** | 982 |
| Deferred income tax | **43** | 370 |
| | **758** | 1,352 |

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the period.

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

| | Six months ended 31 October | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| (Loss)/profit before income tax | **(4,783)** | 5,202 |
| Calculated at tax rate of 16.5% | **(789)** | 858 |
| Tax effects of: | | |
| Expenses not deductible for tax purposes | **155** | 494 |
| Tax losses for which no deferred income tax asset was recognised | **1,392** | — |
| Income tax expense | **758** | 1,352 |

## 7. DIVIDENDS

The board of directors of the Company does not recommend the payment of interim dividend for the six months ended 31 October 2016 (2015: Nil).

## 8. (LOSS)/EARNINGS PER SHARE

### (a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

| | Six months ended 31 October | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| (Loss)/profit attributable to owners of the Company | **(5,541)** | 3,850 |
| Weighted average number of ordinary shares in issue (thousands) *(Note)* | **800,000** | 787,978 |
| Basic (loss)/earnings per share (HK cents per share) | **(0.69)** | 0.49 |

*Note:* The weighted average number of shares in issue for the six months ended 31 October 2015 and 2016 for the purpose of (loss)/earnings per share computation has retrospectively adjusted for the effect of the 99,999 shares issued on 9 April 2015 under the group reorganisation in preparation for listing and the 599,900,000 shares issued under the capitalisation issue on 12 May 2015 (Note 10).

### (b) Diluted

For the six months ended 31 October 2016 and 2015, diluted (loss)/earnings per share equals basic (loss)/earnings per share as there was no dilutive potential share.

## 9. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

| | **31 October 2016** | 30 April 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Trade receivables *(Note a)* | | |
| — third parties | **1,857** | 1,716 |
| — a related company | **—** | 14 |
| | **1,857** | 1,730 |
| Rental and utilities deposits | **15,855** | 16,679 |
| Prepayments | **965** | 635 |
| Other receivables | **—** | 514 |
| | **18,677** | 19,558 |
| Less: non-current portion | | |
| — rental deposits | **(11,103)** | (11,619) |
| | **(11,103)** | (11,619) |
| Current portion | **7,574** | 7,939 |

*Notes:*

**(a) Trade receivables and an amount due from a related company**

The trade receivables and amount due from a related company mainly comprise receivables from credit card companies for retail sales and wholesale customers. There was no specific credit terms granted to those credit card companies. The receivables due from credit card companies were usually settled within 7 days. The Group's credit terms granted to wholesale customers, including a related party customer, generally ranged from 30 to 90 days from the invoice date. As at 31 October 2016 and 30 April 2016, the ageing analysis of the trade receivables based on the invoice date is as follows:

| | **31 October 2016** | 30 April 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Within 30 days | **1,783** | 1,686 |
| 31 to 60 days | **74** | 44 |
| over 60 days | **—** | — |
| | **1,857** | 1,730 |

As at 31 October 2016, none of the trade receivables was past due but not impaired (30 April 2016: Nil).

## 10. SHARE CAPITAL

| | Number of shares | Nominal value<br>*HK$'000* |
|---|---|---|
| Authorized — ordinary shares of HK$0.01 each | | |
| At 31 October 2015 (Audited), at 30 April 2016 (Audited) and at 31 October 2016 (Unaudited) | 10,000,000,000 | 100,000 |
| Issued and fully paid — ordinary shares of HK$0.01 each | | |
| At 30 April 2015 (Audited) | 100,000 | 1 |
| Shares issued pursuant to the Public Offer *(Note (a))* | 200,000,000 | 2,000 |
| Capitalisation issue of shares *(Note (b))* | 599,900,000 | 5,999 |
| At 31 October 2015 (Unaudited), at 30 April 2016 (Audited) and at 31 October 2016 (Unaudited) | 800,000,000 | 8,000 |

*Notes:*

(a) On 12 May 2015, the Company listed its shares on the Main Board of the Stock Exchange of Hong Kong Limited with public offer shares of 200,000,000 at an issue price of HK$0.68 per share. The transaction costs attributable to issue of shares amounted to HK$9,633,000.

(b) On 12 May 2015, the Company capitalised an amount of HK$5,999,000 from the amount standing to the credit of share capital account of the Company and the said sum was applied in paying up in full the 599,900,000 shares issued to the shareholders immediately prior to the listing according to their respective shareholding.

## 11. PROVISION FOR OTHER LIABILITIES AND CHARGES, TRADE AND OTHER PAYABLES

| | 31 October 2016 HK$'000 (Unaudited) | 30 April 2016 HK$'000 (Audited) |
|---|---|---|
| Trade payables *(Note a)* | | |
| — third parties | **15,627** | 9,490 |
| — related parties | **163** | 12 |
| | **15,790** | 9,502 |
| Rent payable | **2,310** | 2,688 |
| Accrued employee benefit expense | **5,182** | 3,010 |
| Provision for reinstatement costs *(Note b)* | **1,776** | 1,776 |
| Provision for onerous operating leases *(Note c)* | **4,220** | 6,323 |
| Other accruals and payables | **662** | 2,400 |
| | **29,940** | 25,699 |
| Less: non-current portion | **(2,900)** | (3,020) |
| Current portion | **27,040** | 22,679 |

As at 31 October 2016 and 30 April 2016, the carrying amounts of trade payables, provisions and other payables approximate to their fair value and were mainly denominated in Hong Kong Dollars.

*Notes:*

**(a) Trade payables and amount due to related companies**

As at 31 October 2016 and 30 April 2016, the aging analysis of the trade payables based on due date is as follows:

| | 31 October 2016 HK$'000 (Unaudited) | 30 April 2016 HK$'000 (Audited) |
|---|---|---|
| Within 30 days | **14,594** | 9,053 |
| 31 to 60 days | **826** | 349 |
| Over 61 days | **370** | 100 |
| | **15,790** | 9,502 |

**(b) Provision for reinstatements costs**

Movements in the Group's provision for reinstatement costs are as follows:

| | **31 October 2016** *HK$'000* **(Unaudited)** | 30 April 2016 *HK$'000* (Audited) |
|---|---|---|
| At beginning of the period/year | **1,776** | 1,681 |
| Additional provision during the period/year | **—** | 442 |
| Settlements | **—** | (347) |
| At end of the period/year | **1,776** | 1,776 |

**(c) Provision for onerous operating leases**

Movements in the Group's provision for onerous operating leases are as follows:

| | **31 October 2016** *HK$'000* **(Unaudited)** | 30 April 2016 *HK$'000* (Audited) |
|---|---|---|
| At beginning of the period/year | **6,323** | 1,110 |
| Provision during the period/year | **1,347** | 6,218 |
| Release of provision upon payment of rental charges | **(3,450)** | (1,005) |
| At end of the period/year | **4,220** | 6,323 |

The provision for onerous operating leases represented the anticipated unavoidable costs for fulfilling the onerous non-cancellable lease agreements. The lease agreements will all expire by end of year ending 30 April 2019. The provision amount would be reduced upon the payment of the remaining rental charges.

## 12. BORROWINGS

| | **31 October 2016** *HK$'000* **(Unaudited)** | 30 April 2016 *HK$'000* (Audited) |
|---|---|---|
| **Non-current** | | |
| Finance lease liabilities *(Note b)* | **321** | 438 |
| **Current** | | |
| Short-term bank loans *(Note a)* | **12,977** | 16,800 |
| Finance lease liabilities *(Note b)* | **233** | 229 |
| | **13,210** | 17,029 |
| Total borrowings | **13,531** | 17,467 |

**(a) Bank borrowings**

The bank loans of HK$8.9 million as at 30 April 2016 are drawn from one of the Group's banking facilities for which one of the covenants requirements was in breach. In June 2016, the bank granted an one-off waiver from compliance with the relevant breached covenant requirement for the year ended 30 April 2016.

The weighted average interest rates were 2.6% (30 April 2016: 2.6%) per annum.

The carrying amounts of the Group's bank loans were denominated in HK$ and unsecured and approximated to their fair values.

As at 31 October 2016, the Group had aggregate banking facilities of HK$80.6 million (30 April 2016: HK$85.0 million), for overdrafts and loans. Unused facilities as at the same date were HK$67.7 million (30 April 2016: HK$68.2 million). The banking facilities were granted to the subsidiaries of the Group and were subject to annual review and guaranteed by unlimited guarantees from the Company and certain subsidiaries of the Group.

**(b) Finance lease liabilities**

The rights to the leased assets are reverted to the lessor in the event of default of the lease liabilities by the Group.

| | **31 October 2016** | 30 April 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Gross finance lease liabilities — minimum lease payments | | |
| Within 1 year | **246** | 246 |
| In the second year | **245** | 245 |
| In the third year | **82** | 204 |
| | **573** | 695 |
| Future finance charges on finance lease liabilities | **(19)** | (28) |
| Present value of finance lease liabilities | **554** | 667 |

The present value of finance lease liabilities was as follows:

| | **31 October 2016** | 30 April 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Within 1 year | **233** | 229 |
| In the second year | **240** | 236 |
| In the third year | **81** | 202 |
| | **554** | 667 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

Our Group is principally engaged in the retail of mid-end watches in Hong Kong. We offer a wide range of branded mid-end watches with diverse design, style and functionality for business and casual uses mainly targeting mid-income consumers and tourists. Our Group controls, operates and manages its retail outlet network comprising a total of 21 retail outlets as at 31 October 2016 in top class shopping malls located at prime locations such as Times Square in Causeway Bay, Harbour City and iSquare in Tsim Sha Tsui, Langham Place in Mongkok and New Town Plaza in Shatin which are widely perceived as shopping landmarks in Hong Kong. Our Group's retail network covered 12 multi-brand outlets and 9 single-brand boutique outlets as of 31 October 2016.

The Group's net loss for the six months ended 31 October 2016 amounted to approximately HK$5.5 million, representing a decrease of approximately HK$9.4 million as compared to a net profit approximately HK$3.9 million for the six months ended 31 October 2015.

### Interim dividend

The Board does not recommend the payment of any interim dividend for the six months ended 31 October 2016.

## FINANCIAL REVIEW

### Revenue

Our revenue decreased by approximately HK$22.7 million or 13.2% from approximately HK$172.4 million for the six months ended 31 October 2015 to approximately HK$149.7 million for the six months ended 31 October 2016. The decrease in revenue was mainly the impact of the slowdown in economic growth of the People's Republic of China and local consumption sentiment remains weak throughout the Review Period.

### Cost of sales

Our cost of sales primarily consists of cost of inventories sold and provision for slow-moving inventories. Our cost of sales decreased by approximately HK$11.1 million or 10.1% from approximately HK$110.3 million for the six months ended 31 October 2015 to approximately HK$99.2 million for the six months ended 31 October 2016. During the Review Period, the Group recorded a provision for slow-moving inventories of approximately HK$1.1 million (six months ended 31 October 2015: approximately HK$0.8 million) to profit or loss. The provision for slow-moving inventories as at 31 October 2016 amounting to approximately HK$16.9 million (As at 30 April 2016: approximately HK$15.8 million).

Eliminating the effect of provision for slow-moving inventories, cost of sales before provision of slow-moving inventory decreased by approximately HK$11.4 million or 10.4% from approximately HK$109.5 million for the six months ended 31 October 2015 to approximately HK$98.1 million for the Review Period. The decrease primarily reflected the decrease in revenue for the Review Period.

**Gross profit and gross profit margin**

Our gross profit decreased by approximately HK$11.6 million or 18.7% from approximately HK$62.1 million for the six months ended 31 October 2015 to approximately HK$50.5 million for the six months ended 31 October 2016 which was in line with the decrease in its revenue. Our overall gross profit margin decreased from approximately 36.0% for the six months ended 31 October 2015 to approximately 33.7% for the six months ended 31 October 2016. The decrease was mainly attributable to the increase in provision for slow-moving inventories during the Review Period.

Eliminating the effect of provision for slow-moving inventories, the gross profit margin decreased from approximately 36.5% for the six months ended 31 October 2015 to approximately 34.4% for the six months ended 31 October 2016.

**Selling and distribution expenses**

Our selling and distribution expenses decreased by approximately HK$0.3 million or 0.6% from approximately HK$47.5 million for the six months ended 31 October 2015 to approximately HK$47.2 million for the six months ended 31 October 2016. The decrease was primarily attributable to decrease of advertising and promotion expenses and turnover rent expense during the Review Period.

**Administrative expenses**

Our administrative expenses decreased by approximately HK$1.1 million or 12.2% from approximately HK$9.0 million for the six months ended 31 October 2015 to approximately HK$7.9 million for the six months ended 31 October 2016. The decrease was primarily attributable to the decrease in professional expenses during the Review Period.

**Finance costs**

Our finance costs decreased by approximately HK$0.2 million or 50.0% from approximately HK$0.4 million for the six months ended 31 October 2015 to approximately HK$0.2 million for the six months ended 31 October 2016. The decrease was primarily attributable to the decrease in bank borrowings during the Review Period.

**(Loss)/profit before income tax and (loss)/profit attributable to owners of the Company**

As a result of the foregoing, our profit before income tax decreased by approximately HK$10.0 million or 192.3% from the profit before income tax of approximately HK$5.2 million for the six months ended 31 October 2015 to the loss before income tax of approximately HK$4.8 million for the six months ended 31 October 2016.

The profit attributable to owners of the Company decreased by approximately HK$9.4 million or 241.0% from the profit attributable to owners of the Company of approximately HK$3.9 million for the six months ended 31 October 2015 to the loss attributable to owners of the Company of approximately HK$5.5 million for the six months ended 31 October 2016.

## FINANCIAL POSITION

The Group funded its liquidity and capital requirements primarily through cash inflows from operating activities and bank borrowings.

As at 31 October 2016, the Group's total cash and bank balances were approximately HK$45.5 million (30 April 2016: approximately HK$41.8 million), most of which are denominated in HK$. The current ratio (calculated by current assets divided by current liabilities) of the Group maintains at approximately 4.3 times as at 31 October 2016 and as at 30 April 2016. As at 31 October 2016, the gearing ratio (calculated by net debt divided by total equity) of the Group maintains at approximately 0.1 times, which is the same as at 30 April 2016. As at 30 April 2016, the Group failed to comply with one of the covenant requirements related to the Group's banking facilities which amounted to HK$10,000,000. In June 2016, the bank granted an one-off waiver from compliance with the relevant breached covenant requirement for the year ended 30 April 2016.

## USE OF NET PROCEEDS FROM IPO

The net proceeds from the Company's IPO (after deducting the underwriting fees and related expenses) amounted to approximately HK$107.5 million, which are intended to be applied in the manner as disclosed in the prospectus of the Company dated 28 April 2015.

During the period from 12 May 2015, being the date of listing of the Company, to 31 October 2016, the Group has applied the net proceeds as follows:

| | **Amount utilised** *HK$'000* | **Amount unutilised** *HK$'000* |
|---|---|---|
| Expand our retail and sales network | 19,312 | 18,301 |
| Improve our same-store sales growth and profit margin | 10,708 | 2,187 |
| Improve our supplier network and enhance the knowledge of our sales staff | — | 4,298 |
| Increase our marketing effort | 4,748 | 2,775 |
| Repay a short-term bank loan with interest | 37,613 | — |
| Working capital and other general corporate purposes | 3,100 | 4,423 |
| Total | 75,481 | 31,984 |

The unutilised net proceeds are placed in the bank accounts of the Group.

## DEBTS AND CHARGE ON ASSETS

The Group had total borrowings of approximately HK13.5 million as at 31 October 2016, while that as at 30 April 2016 was approximately HK17.5 million.

The carrying amounts of the Group's borrowings are denominated in HK$ and unsecured and approximate to their fair value.

The bank loans of approximately HK$8.9 million as at 30 April 2016 were drawn from one of the Group's banking facilities for which one of the covenants requirements was in breach. In June 2016, the bank granted an one-off waiver from compliance with the relevant breached covenant requirement for the year ended 30 April 2016.

As at 31 October 2016, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives.

As at 31 October 2016, the Group had aggregate banking facility of approximately HK$80.6 million (As at 30 April 2016: approximately HK$85.0 million) for overdrafts and loans. Unused facilities as at the same date amounted to approximately HK$67.7 million (As at 30 April 2016: HK$68.2 million). The banking facilities were granted to the subsidiaries of the Company and were subject to annual review and guaranteed by unlimited guarantees from the Company and certain subsidiaries of the Group.

## MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Review Period, there was no acquisition or disposal of subsidiaries and associated companies by the Group.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments and capital assets.

## SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, the Group did not hold any significant investment in equity interest in any other company as at 31 October 2016.

## FOREIGN EXCHANGE EXPOSURES

As the Group's cash and cash equivalents, trade and other receivables, trade and other payables and borrowings, were mainly denominated in Hong Kong dollars, the Group had not experienced significant exposure to foreign currency fluctuation.

## CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 October 2016.

## CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 October 2016 (As at 30 April 2016: Nil).

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 October 2016, the Group had a total of 106 (2015: 112) employees. The total remuneration costs incurred by the Group for the six months ended 31 October 2016 were approximately HK$16.9 million (2015: approximately HK$14.7 million). We review the performance of our employees annually and use the results of such review in our annual salary review and promotion appraisal, in order to attract and retain valuable employees.

## INTERIM DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 31 October 2016 (2015: Nil).

## PROSPECTS

Looking ahead, business conditions are expected to remain challenging in Hong Kong. Under the impact of the slowdown in economic growth in Mainland China, the changes of tourist destinations as a result of currency devaluation, Mainland tourists tended to stay shorter period of time in addition to the decrease in consuming power. Local consumption sentiment remained weak throughout the Review Period, and we are expecting a continuation of the tougher, highly promotional retailing environment.

Local retailers had taken the inevitable measures in terms of widespread discounting and promotion activities to maintain market shares, which resulted in deteriorating gross margin. To gather the support of local customers and brand owners, our Group have been proactively participated in various promotional and brand building events that were being held by brand owners. With those events, we hope that sales of those watch brands could be revined at fast pace.

High rental and operation costs are still our concerns. During the past 12 months, the rental costs in most of the key shopping locations were still high. Nevertheless, the basic operation costs for maintaining an effective and efficient business teams have been strictly controlled but were still unavoidably expensive due to high standard of livings in Hong Kong.

The Group's strategy remains unchanged and we are still cost conscious in maintaining our day-to-day operation and managed to reduce our inventory. We will further drive the integration of traditional watch brands with fashionable brands within our online shops and point-of-sales located in prime shopping locations. Meanwhile, we have successfully gathered the attention of certain amount of web-surfers by launching various marketing activities to capture massive potentials of internet and mobile product users through social media platform, and we believe our Group is on the right track in keeping our competitiveness in the watch retailing business.

Notwithstanding the challenges, we are still looking for business opportunities. No matter how tough the market situation would be, we are actively exploring business chances in the ever keen competitive market. Our business model would be gradually adapted into more interactive modes in order to best match with the changing shopping behaviors of the clienteles. The online shopping platform as well as the Customers Relationship Management "CRM" System that we are exploring would definitely be helping us on the matter. Finally, we are strengthening our team members in terms of providing a series of training programs in order to out-perform other players in the market. All these measures would help us to create the next break-through in the coming future.

## CORPORATE GOVERNANCE

The Company is committed to ensuring a high standard of corporate governance in the interests of the shareholders and will devote considerable effort to maintain high level of business ethics and corporate governance practices.

The Company has adopted the code provisions in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited as its own code of corporate governance on 1 November 2014. The Board considers that the Company was in compliance with all applicable code provisions set out in the CG Code during the Review Period and up to the date of this announcement, except for the deviation as specified with the reasons for such deviation as explained below. The Board will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

Under Code Provision of A.2.1 of the CG Code, the role of the chairman and chief executive officer should be separated and should not be performed by the same individual. The post of chairman and chief executive officer are separated to ensure a clear division between the chairman's responsibility to manage the Board and the chief executive officer's responsibility to manage the Company's business. The separation ensures a balance of power and authority so that power is not concentrated.

During the Review Period, the Company has not separated the roles of chairman and chief executive officer of the Company. Mr. Lam Man Wah is the chairman of the Board and the chief executive officer of the Company. In view of that Mr. Lam Man Wah was the leading founder of the Group and has been operating and managing the Group since 1997, the Board believes that it is in the best interest of the Group to have Mr. Lam Man Wah taking up both roles for effective management and business development. Nevertheless, the Company will continue to look for suitable candidates and will make necessary arrangement pursuant to the requirements under A.2.1 of CG Code as and when necessary.

Further information on the Company's corporate governance practices were set out in the Corporate Governance Report contained in the Company's interim report for the six months ended 31 October 2016, which will be sent to the shareholders in due course.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for carrying out securities transactions by the Directors. After specific enquiry with all members of the Board, the Company confirmed that all Directors have fully complied with the relevant standards stipulated in the Model Code during the six months ended 31 October 2016.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the six months ended 31 October 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## AUDIT COMMITTEE REVIEW

The Company has established an audit committee (the "Audit Committee") which comprises three independent non-executive Directors with written terms of reference in compliance with the Listing Rules. Mr. Fung Tat Man is the chairman of the Audit Committee.

The interim results for the six months ended 31 October 2016 have been reviewed by the Audit Committee.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

For the Review Period and up to the date of this announcement, the Directors are not aware of any business or interest of the Directors, the management of the Company and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

Since the Company was listed on 12 May 2015 and up to the date of this announcement, the independent non-executive Directors have carried out a review on the implementation and compliance with the non-competition deed entered into between the Company and the controlling shareholders, namely Mr. Lam Man Wah, Ms. Chan Ka Yee, Elsa and Tic Tac Investment Holdings Limited (collectively, the "Covenantors") and their associates (as defined under the Listing Rules). The independent non-executive Directors confirmed that the terms of the non-competition deed had been complied.

## APPRECIATION

I would like to take this opportunity to express my gratitude to the Board for its brilliant leadership, to the shareholders for their strong support, and to the community for their enthusiastic help, and last but not least, to our staff for their dedicated efforts.

## PUBLICATION OF FINANCIAL INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Company's interim report for the six months ended 31 October 2016 containing all applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the Stock Exchange's website (*http://www.hkexnews.hk*) and on the Company's website (*www.tictactime.com.hk*) in due course.

By order of the Board of
**Tic Tac International Holdings Company Limited**
**Lam Man Wah**
*Chairman and Executive Director*

Hong Kong, 30 December 2016

As at the date of this announcement, the Board comprises:

| | |
|---|---|
| *Executive Directors:* | Mr. Lam Man Wah *(Chairman)*<br>Ms. Chan Ka Yee Elsa<br>Mr. Tsang Hok Man |
| *Independent Non-executive Directors:* | Mr. Chong Man Leung<br>Mr. Fung Tat Man<br>Mr. Lo Wai Kei, Wilkie |