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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 APRIL 2017

ANNUAL RESULTS HIGHLIGHTS

Revenue for the year ended 30 April 2017 decreased by approximately 11.9% as compared to the prior financial year.

Gross profit margin for the year ended 30 April 2017 decreased to approximately 31.9% from approximately 35.8% in the prior financial year.

The loss attributable to owners of the Company increased by approximately 119.8% as compared to the prior financial year. Such increase was mainly attributable to the following factors that were recorded to profit or loss for the year ended 30 April 2017:

(1) Provision for slow-moving inventories of approximately HK$6.9 million (2016: approximately HK$2.6 million).

(2) Impairment of property, plant and equipment of approximately HK$4.4 million (2016: approximately HK$1.0 million).

(3) Provision for onerous operating leases of approximately HK$6.2 million (2016: approximately HK$6.2 million)

The Board does not recommend the payment of dividend for the year ended 30 April 2017.

RESULTS

The board (the "Board") of directors (the "Directors") announces the consolidated results of Tic Tac International Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 30 April 2017 together with the comparative figures for the immediately preceding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 April 2017

	Note	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*3*	**283,211**	321,322
Cost of sales	*4*	**(192,893)**	(206,434)
Gross profit		**90,318**	114,888
Other gains/(losses), net		**9**	(489)
Selling and distribution costs	*4*	**(102,817)**	(105,411)
Administrative expenses	*4*	**(15,627)**	(20,479)
Operating loss		**(28,117)**	(11,491)
Finance costs	*5*	**(441)**	(667)
Loss before income tax		**(28,558)**	(12,158)
Income tax credit/(expense)	*6*	**867**	(491)
Loss for the year		**(27,691)**	(12,649)
Other comprehensive income		**—**	—
Total comprehensive loss for the year		**(27,691)**	(12,649)
Basic and diluted loss per share (HK cents per share)	*8*	**(3.46)**	(1.59)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**6,258**	14,239
Deposits and prepayments	*9*	**12,643**	11,619
Deferred income tax assets		**2,989**	2,545
		21,890	28,403
Current assets			
Inventories		**97,893**	118,005
Trade receivables, other receivables and prepayments	*9*	**7,442**	7,939
Tax recoverable		**7,800**	6,904
Cash and cash equivalents		**37,071**	41,774
		150,206	174,622
Total assets		**172,096**	203,025
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*10*	**8,000**	8,000
Reserves		**122,912**	150,603
Total equity		**130,912**	158,603

	Note	2017	2016
		HK$'000	HK$'000
LIABILITIES			
Non-current liabilities			
Provision for other liabilities and charges	11	**1,653**	3,020
Deferred income tax liabilities		**—**	538
Borrowings	12	**202**	438
		1,855	3,996
Current liabilities			
Trade and other payables	11	**23,451**	22,679
Borrowings	12	**15,811**	17,029
Current income tax liabilities		**67**	718
		39,329	40,426
Total liabilities		**41,184**	44,422
Total equity and liabilities		**172,096**	203,025

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2017

	Attributable to owners of the Company				
	Share capital	**Share premium**	**Capital reserve**	**Accumulated profits/ (losses)**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 May 2015	1	—	24,094	20,790	44,885
Total comprehensive loss					
Loss for the year	—	—	—	(12,649)	(12,649)
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
Transaction costs attributable to the Public Offer *(Note 10(a))*	—	(9,633)	—	—	(9,633)
Total transactions with owners	7,999	118,368	—	—	126,367
Balance at 30 April 2016 and 1 May 2016	8,000	118,368	24,094	8,141	158,603
Total comprehensive loss					
Loss for the year	—	—	—	(27,691)	(27,691)
Balance at 30 April 2017	8,000	118,368	24,094	(19,550)	130,912

1. GENERAL INFORMATION

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 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 (the "Listing").

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) *Going concern basis*

During the year ended 30 April 2017, the Group incurred a net loss of HK$27,691,000 and had a net operating cash outflow of HK$1,519,000. As at 30 April 2017, the Group had total banking facilities of approximately HK$76,120,000, of which approximately HK$15,575,000 were drawn down as bank borrowings. The Group's banking facilities are subject to annual review for renewal and certain covenant requirements. As at 30 April 2017, the Group failed to comply with one of the covenant requirements related to the Group's banking facilities amounting to HK$55,000,000, of which short term bank loans of HK$5,504,000 was utilised as at 30 April 2017.

In July 2017, the bank granted an one-off waiver from compliance with the relevant breached covenant requirement for the year ended 30 April 2017. The Group is also negotiating with the bank to revise the covenant requirement in order to ensure continuous compliance of the covenant requirements.

Notwithstanding these circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern. The Directors have reviewed the Group's cash flow projections prepared by management covering a period of twelve months from 30 April 2017. The Directors have put in place a number of measures to improve the Group's financial performance.

Based on the cash flow projections and taking into account the anticipated cash flows generated from the Group's operations, the possible changes in its operating performance, and the continuous availability of banking facilities, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 30 April 2017. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

(b) *Changes in accounting policies and disclosures*

The following amendments to standards have been adopted by the Group for the financial year beginning on or after 1 May 2016:

Annual Improvements Project	Annual improvements to HKFRSs 2012–2014 cycle
HKAS 1 (Amendments)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation

The adoption of these amendments did not have any impact on the current period or any prior period.

New accounting standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group.

The following new standards and amendments to standards have been issued but not effective for the financial year end beginning 1 May 2016, and have not been early adopted in preparing these consolidated financial statements:

		Effective for accounting periods beginning on or after
Annual Improvements Project	Annual improvements to HKFRSs 2014–2016 cycle	1 January 2017 or 1 January 2018
HKAS 7 (Amendments)	Disclosure initiative	1 January 2017
HKAS 12 (Amendments)	Recognition of deferred tax assets for unrealised losses	1 January 2017
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 of what the impact of these new and revised standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

HKFRS 16

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group only enters into leases as the lessee. Once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for property, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As at 30 April 2017, the majority of Group's future minimum lease payments under non-cancellable operating leases are payable either within one year or between one and five years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The Group is considering whether to adopt HKFRS 16 before its effective date of 1 January 2019. However, early adoption of HKFRS 16 is only permitted if this is no earlier than the adoption of HKFRS 15. It is therefore unlikely that HKFRS 16 will be adopted before the effective date of HKFRS 15, being 1 January 2018.

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 finance costs, group expenses and listing expenses.

For the year ended 30 April 2017

	Retail	**Wholesale**	**Elimination**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Revenue				
External sales	**279,298**	**1,560**	**—**	**280,858**
External service income	**2,348**	**5**	**—**	**2,353**
Inter-segment sales	**487**	**2,320**	**(2,807)**	**—**
	282,133	**3,885**	**(2,807)**	**283,211**
Segment (loss)/profit	**(25,386)**	**11**	**—**	**(25,375)**
Finance costs				**(441)**
Unallocated group expenses				**(2,742)**
Loss before income tax				**(28,558)**

For the year ended 30 April 2016

	Retail	Wholesale	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
External sales	318,883	1,791	—	320,674
External service income	647	1	—	648
Inter-segment sales	—	3,101	(3,101)	—
	319,530	4,893	(3,101)	321,322
Segment (loss)/profit	(7,925)	82	—	(7,843)
Finance costs				(667)
Unallocated group expenses				(3,050)
Unallocated listing expenses				(598)
Loss before income tax				(12,158)

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 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 year ended 30 April 2017, there are no (2016: Nil) single external customers who contributed more than 10% revenue of the Group.

Other profit and loss disclosures

	For the year ended 30 April 2017			For the year ended 30 April 2016		
	Retail	**Wholesale**	**Total**	Retail	Wholesale	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation of property, plant and equipment	**4,908**	**—**	**4,908**	5,242	2	5,244
Provision for slow-moving inventories	**5,938**	**974**	**6,912**	1,496	1,135	2,631
Impairment of property, plant and equipment	**4,362**	**—**	**4,362**	750	—	750
Provision for onerous operating leases	**6,237**	**—**	**6,237**	6,218	—	6,218

4. EXPENSES BY NATURE

	2017	2016
	HK$'000	*HK$'000*
Cost of inventories sold	**185,981**	203,803
Provision for slow-moving inventories	**6,912**	2,631
Employee benefit expenses	**33,441**	34,271
Depreciation of property, plant and equipment	**4,908**	5,244
Impairment of property, plant and equipment	**4,362**	750
Operating lease expenses		
— Office premises	**1,094**	1,094
— Repair centres	**66**	107
— Retail outlets	**49,417**	54,502
Provision for onerous operating leases	**6,237**	6,218
Advertising and promotion expenses	**3,249**	2,844
Auditor's remuneration		
— Audit services	**571**	1,365
Bank and credit card charges	**3,598**	4,188
Listing expenses	**—**	598
Other expenses	**11,501**	14,709
Total cost of sales, selling and distribution costs and administrative expenses	**311,337**	332,324

5. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**424**	664
Interest element of finance leases	**17**	3
	441	667

For the year ended 30 April 2017, the interest on bank borrowings which contain a repayment on demand clause amounted to HK$424,000 (2016: HK$664,000).

6. INCOME TAX CREDIT/(EXPENSE)

The amount of income tax charged to profit or loss represents:

	2017	2016
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current income tax	**115**	1,318
Deferred income tax	**(982)**	(827)
	(867)	491

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year.

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

	2017	2016
	HK$'000	*HK$'000*
Loss before income tax	**(28,558)**	(12,158)
Calculated at tax rate of 16.5%	**(4,712)**	(2,006)
Tax effects of:		
Expenses not deductible for tax purposes	**201**	327
Tax losses for which no deferred income tax asset was recognised	**3,644**	2,170
Income tax (credit)/expense	**(867)**	491

7. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 30 April 2017 and 2016.

8. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2017	2016
Loss attributable to owners of the Company (HK$'000)	**(27,691)**	(12,649)
Weighted average number of ordinary shares in issue (thousands) *(Note)*	**800,000**	793,989
Basic loss per share (HK cents per share)	**(3.46)**	(1.59)

Note:

The weighted average number of shares in issue for the year ended 30 April 2016 for the purpose of loss per share computation has 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 years ended 30 April 2017 and 2016, diluted loss per share equals basic loss per share as there was no dilutive potential share.

9. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	2017	2016
	HK$'000	*HK$'000*
Trade receivables		
— third parties	**2,735**	1,716
— a related company	**4**	14
	2,739	1,730
Rental and utilities deposits	**15,818**	16,679
Prepayments	**1,245**	635
Other receivables	**283**	514
	20,085	19,558
Less: non-current portion		
— rental deposits	**(12,643)**	(11,619)
Current portion	**7,442**	7,939

The maximum exposure to credit risk as at 30 April 2017 and 2016 was the carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security. The carrying amounts of trade receivables, deposits, other receivables and prepayments approximated their fair values and were denominated in HK$.

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 30 April 2017 and 2016, the ageing analysis of the trade receivables based on the invoice date is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**2,635**	1,686
31 to 60 days	**104**	44
	2,739	1,730

As at 30 April 2017, none of the trade receivables was past due but not impaired (2016: Nil).

10. SHARE CAPITAL

	Number of shares	**Nominal value**
		HK$'000
Authorised — ordinary shares of HK$0.01 each		
At 1 May 2015, 30 April 2016, 1 May 2016 and 30 April 2017	10,000,000,000	100,000
Issued and fully paid — ordinary shares of HK$0.01 each		
At 1 May 2015	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 30 April 2016, 1 May 2016 and 30 April 2017	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

	2017	2016
	HK$'000	*HK$'000*
Trade payables		
— third parties	**9,575**	9,490
— a related company	**17**	12
	9,592	9,502
Rent payable	**1,574**	2,688
Accrued employee benefit expenses	**2,888**	3,010
Provision for reinstatement costs	**1,776**	1,776
Provision for onerous operating leases	**8,598**	6,323
Other accruals and payables	**676**	2,400
	25,104	25,699
Less: non-current portion	**(1,653)**	(3,020)
Current portion	**23,451**	22,679

As at 30 April 2017 and 2016, the carrying amounts of trade payables, provisions and other payables approximated their fair values and were mainly denominated in HK$.

As at 30 April 2017 and 2016, the aging analysis of the trade payables based on due date is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**9,124**	9,053
31 to 60 days	**435**	349
Over 61 days	**33**	100
	9,592	9,502

12. BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Non-current		
Finance lease liabilities *(Note b)*	**202**	438
Current		
Short-term bank loans *(Note a)*	**15,575**	16,800
Finance lease liabilities *(Note b)*	**236**	229
	15,811	17,029
Total borrowings	**16,013**	17,467

Notes:

(a) Bank borrowings

As stated in Note 2.1(a), bank loans of HK$5,504,000 as at 30 April 2017 are drawn from one of the Group's banking facilities for which one of the covenants requirements was in breach. In July 2017, the bank granted an one-off waiver from compliance with the relevant breached covenant requirement for the year ended 30 April 2017.

The weighted average interest rates were 2.7% (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 30 April 2017, the Group had aggregate banking facilities of HK$76,120,000 (2016: HK$84,997,000), for overdrafts and loans. Unused facilities as at the same date were HK$60,545,000 (2016: HK$68,197,000). 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.

	2017	2016
	HK$'000	*HK$'000*
Gross finance lease liabilities — minimum lease payments		
Within one year	**245**	246
In the second year	**204**	245
In the third year	**—**	204
	449	695
Future finance charges on finance lease liabilities	**(11)**	(28)
Present value of finance lease liabilities	**438**	667

The present value of finance lease liabilities was as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**236**	229
In the second year	**202**	236
In the third year	**—**	202
	438	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 30 April 2017 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 9 multi-brand outlets and 12 single-brand boutique outlets as of 30 April 2017.

The Group's net loss for the year ended 30 April 2017 amounted to approximately HK$27.7 million, representing an increase of approximately HK$15.1 million as compared to a net loss of approximately HK$12.6 million for the year ended 30 April 2016. The increase was mainly attributable to the continual weakened local consumption sentiment and decreased in consumption on watches by tourists visiting Hong Kong.

Final dividend

The Board does not recommend the payment of any final dividend for the year ended 30 April 2017.

FINANCIAL REVIEW

Revenue

Our revenue decreased by approximately HK$38.1 million or 11.9% from approximately HK$321.3 million for the year ended 30 April 2016 to approximately HK$283.2 million for the year ended 30 April 2017. The decrease in revenue was mainly attributable to the continual weakened local consumption sentiment and decreased in consumption on watches by tourists visiting Hong Kong.

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$13.5 million or 6.5% from approximately HK$206.4 million for the year ended 30 April 2016 to approximately HK$192.9 million for the year ended 30 April 2017. During the year, the Group recorded a provision for slow-moving inventories of approximately HK$6.9 million (2016: approximately HK$2.6 million) to profit or loss. The provision for slow-moving inventories as at 30 April 2017 amounting to approximately HK$22.7 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$17.8 million or 8.7% from approximately HK$203.8 million for the year ended 30 April 2016 to approximately HK$186.0 million for the year ended 30 April 2017. The decrease was in line with the decrease in revenue of approximately 11.9% during the year.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK$24.6 million or 21.4% from approximately HK$114.9 million for the year ended 30 April 2016 to approximately HK$90.3 million for the year ended 30 April 2017 which was in line with the decrease in its revenue. Our overall gross profit margin decreased from approximately 35.8% for the year ended 30 April 2016 to approximately 31.9% for the year ended 30 April 2017. The decrease was mainly attributable to the increase in provision for slow-moving inventories during the year.

Eliminating the effect of provision for slow-moving inventories, the gross profit margin decreased from approximately 36.6% for the year ended 30 April 2016 to approximately 34.3% for the year ended 30 April 2017. The decrease was primarily attributable to the widespread discounting and promotion activities to maintain market shares, which resulted in deteriorating gross margin.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately HK$2.6 million or 2.5% from approximately HK$105.4 million for the year ended 30 April 2016 to approximately HK$102.8 million for the year ended 30 April 2017. The decrease was primarily attributable to decrease of turnover rent expense during the year.

Administrative expenses

Our administrative expenses decreased by approximately HK$4.9 million or 23.9% from approximately HK$20.5 million for the year ended 30 April 2016 to approximately HK$15.6 million for the year ended 30 April 2017. The decrease was primarily attributable to the decrease in the professional expenses during the year.

Finance costs

Our finance costs decreased by approximately HK$0.3 million or 42.9% from approximately HK$0.7 million for the year ended 30 April 2016 to approximately HK$0.4 million for the year ended 30 April 2017. The decrease was primarily attributable to the decrease in bank borrowings during the year.

Loss before income tax and loss attributable to owners of the Company

As a result of the foregoing, our loss before income tax increased by approximately HK$16.4 million or 134.4% from approximately HK$12.2 million for the year ended 30 April 2016 to approximately HK$28.6 million for the year ended 30 April 2017.

The loss attributable to owners of the Company increased by approximately HK$15.1 million or 119.8% from approximately HK$12.6 million for the year ended 30 April 2016 to approximately HK$27.7 million for the year ended 30 April 2017. Such increase was mainly attributable to the following factors that were recorded to profit or loss for the year ended 30 April 2017:

(1) Provision for slow-moving inventories of approximately HK$6.9 million (2016: approximately HK$2.6 million).

(2) Impairment of property, plant and equipment of approximately HK$4.4 million (2016: approximately HK$1.0 million).

(3) Provision for onerous operating leases of approximately HK$6.2 million (2016: approximately HK$6.2 million).

FINANCIAL POSITION

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

As at 30 April 2017, the Group's total cash and bank balances were approximately HK$37.1 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 decreased from approximately 4.3 times as at 30 April 2016 to approximately 3.8 times as at 30 April 2017. The gearing ratio (calculated by net debt divided by total capital) of the Group maintains at net cash position as at 30 April 2017 and 30 April 2016. As at 30 April 2017, the Group failed to comply with one of the covenant requirements related to the Group's bank loans amounting to approximately HK$5.5 million. In July 2017, the bank granted an one-off waiver from compliance with the relevant breached covenant requirement for the year ended 30 April 2017. The Group is also negotiating with the bank to revise the covenant requirement in order to ensure continuous compliance of the covenant requirements.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the Listing of the Company (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 the Listing of the Company, to 30 April 2017, the Group has applied the net proceeds as follows:

	Amount utilised as at 30 April 2017	Amount unutilised as at 30 April 2017
	HK$'000	*HK$'000*
Expand our retail and sales network	19,312	18,301
Improve our same-store sales growth and profit margin	12,303	593
Improve our supplier network and enhance the knowledge of our sales staff	333	3,965
Increase our marketing effort	5,189	2,334
Repay a short-term bank loan with interest	37,613	—
Working capital and other general corporate purposes	5,100	2,423
Total	79,850	27,616

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

DEBTS AND CHARGE ON ASSETS

The Group had total borrowings of approximately HK16.0 million as at 30 April 2017, 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.

As at 30 April 2017, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives.

As stated in Note 2.1(a), bank loans of approximately HK$5.5 million as at 30 April 2017 are drawn from one of the Group's banking facilities for which one of the covenants requirements was in breach. In July 2017, the bank granted an one-off waiver from compliance with the relevant breached covenant requirement for the year ended 30 April 2017. The Group is also negotiating with the bank to revise the covenant requirement in order to ensure continuous compliance of the covenant requirements.

As at 30 April 2017, the Group had aggregate banking facility of approximately HK$76.1 million (As at 30 April 2016: approximately HK$85.0 million), for overdrafts and loans. Unused facilities as at the same date were HK$60.5 million (As at 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.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 30 April 2017, there was no acquisition or disposal of subsidiaries and associated companies by the Company.

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 30 April 2017.

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 30 April 2017.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 April 2017, the Group had a total of 98 (2016: 110) employees. The total remuneration costs incurred by the Group for the year ended 30 April 2017 were approximately HK$33.4 million (2016: approximately HK$34.3 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.

FINAL DIVIDENDS

The Board do not recommend the payment of any final dividend for the year ended 30 April 2017.

EVENT AFTER THE REPORTING PERIOD

The Group have no material event after the end of the reporting period that either require adjustment to the financial statements or are important to the understanding of the Group's current position.

PROSPECT

Over the course of last year, we have worked hard to regain our competitiveness under the yet challenging market conditions. The economic slowdown in Mainland China, the appreciation of the Hong Kong dollar, political instability in several countries and within Hong Kong, have resulted in a lackluster economy that further weakening the local and foreign consumers' sentiment and hence created an even tougher business environment for many retail players comparing to last year.

Operating costs have remained high as our stores primarily located in those prime malls where the cost of rent has not elastically decreased despite the poor economic conditions. Nevertheless, as the tenancy agreements of certain shops will be expiring in 2018, we are confident that we will be able to reduce rental costs so as to reflect the current market situation and hence enhancing shop performance. Before that, we have taken decisive, immediate action on the challenges we faced. In a very deliberate way we have made the changes needed to re-energise our operation by ways of shop re-imaging, the introduction of new brands with unique design or concept from different countries and the launching of various marketing programs such as crossover events with local artists and animator, and promotional events by theme.

As well as investing in new branding promotion programs, we managed to bring in the concept of environmental friendly into our products and we are also looking for new business model and increasing product portfolio in order to have our business turnaround. On shelf availability in shops means customers are now having wider choice in terms of watches branding, designs, materials, functionality and pricing which fit their personalities and preferences.

The Group are still cost conscious in maintaining our day-to-day operation and managed to reduce our inventory. However, as the basic operating costs are still high within Hong Kong, we will remain highly vigilant and implement relevant measures during essence of market situations.

The Group will continue its effort in seeking breakthrough on its online shopping platform and capture massive potentials of the internet through the social media platform as we believe those new media platform will be the major source of income in the very near future.

CORPORATE GOVERNANCE

The Company is committed to ensuring a high standard of corporate governance in the interests of the shareholders and devotes 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 (the "Stock Exchange") 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 year under review, except for certain deviations as specified with considered reasons for such deviations 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 year under review, 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 may 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 will be set out in the Corporate Governance Report contained in the Company's annual report for the year ended 30 April 2017, which will be sent to the shareholders of the Company 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 year ended 30 April 2017.

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

For the year ended 30 April 2017, 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 special written terms of reference in compliance with the Listing Rules. Mr. Fung Tat Man is the chairman of the Audit Committee.

The annual results for the year ended 30 April 2017 have been reviewed by the Audit Committee.

DIRECTORS' INTEREST IN COMPETING BUSINESS

For the year ended 30 April 2017 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 his/her associates (as defined under the Listing Rules). The independent non-executive Directors confirmed that the terms of the non-competition deed had been complied.

SCOPE OF WORK OF BAKER TILLY HONG KONG LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 30 April 2017 have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited ("Baker Tilly"), to the amounts nearest to thousands as set out in the Group's consolidated financial statements for the year. The work performed by Baker Tilly in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly on this preliminary announcement.

APPRECIATION

I would like to take this opportunity to express my gratitude to the Board for its brilliant leadership, to the shareholders of the Company for their strong support, 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 annual report for the year ended 30 April 2017 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, 27 July 2017

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

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