Time Watch Investments Limited

時計寶投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2033)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2017

- Revenue for the year ended 30 June 2017 ("**FY2017**") increased by approximately 6.0% to approximately HK$2,762.9 million, as compared with approximately HK$2,606.6 million for the year ended 30 June 2016 ("**FY2016**").

- Sale of watches through e-commerce channels for FY2017 were significantly increased by approximately 51.3% to approximately HK$410.6 million, as compared with approximately HK$271.4 million for FY2016.

- Gross profit for FY2017 increased by approximately 3.6% to approximately HK$1,848.9 million, as compared with approximately HK$1,784.5 million for FY2016.

- Gross profit margin slightly decreased by approximately 1.6 percentage point from approximately 68.5% for FY2016 to approximately 66.9% for FY2017. The gross profit margin of Tian Wang Watch Business remain stable for both years.

- Profit attributable to the owners of the Company for FY2017 amounted to approximately HK$235.7 million, representing a decrease of approximately 20.4% as compared with approximately HK$296.3 million for FY2016.

- Basic earnings per share for FY2017 was HK11.3 cents (FY2016: HK14.2 cents).

- Retail network expanded to 3,093 points of sales ("**POS**") as at 30 June 2017, with a net addition of 135 POS in FY2017.

- Proposed final dividend for FY2017 is HK3 cents per share.

ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2017

The board (the "**Board**") of directors (the "**Directors**") of Time Watch Investments Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for FY2017 together with the consolidated statement of financial position of the Group as at 30 June 2017, and the notes with comparative figures for FY2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	3	**2,762,884**	2,606,570
Cost of sales		**(913,973)**	(822,109)
Gross profit		**1,848,911**	1,784,461
Other income, gains and losses	4	**29,434**	7,822
Selling and distribution costs		**(1,382,121)**	(1,271,093)
Administrative expenses		**(197,624)**	(179,183)
Other expenses	4	**–**	(12,742)
Finance costs	5	**(8,409)**	(4,275)
Profit before taxation		**290,191**	324,990
Income tax	6	**(102,073)**	(77,696)
Profit for the year	7	**188,118**	247,294
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of leasehold land and buildings		**3,565**	349
Exchange differences arising on translation		**(11,157)**	(75,506)
Items that may be reclassified subsequently to profit or loss:			
Fair value change of available-for-sale investments		**(2,001)**	(1,271)
Reclassification adjustment relating to available-for-sale investment disposed of during the year		**883**	–
		(8,710)	(76,428)
Total comprehensive income for the year		**179,408**	170,866

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Profit (loss) for the year attributable to:			
Owners of the Company		**235,744**	296,341
Non-controlling interests		**(47,626)**	(49,047)
		188,118	247,294
Total comprehensive income (expense) attributable to:			
Owners of the Company		**228,236**	223,603
Non-controlling interests		**(48,828)**	(52,737)
		179,408	170,866
Earnings per share	*9*		
– Basic *(HK cents)*		**11.3**	14.2

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**162,475**	172,655
Prepaid lease payments		**37,745**	39,608
Investment property	*10*	**104,946**	–
Intangible assets		**–**	7,086
Deposits paid for acquisition of property, plant and equipment		**4,301**	507
Available-for-sale investments		**19,744**	36,006
Deferred tax assets		**28,238**	22,145
		357,449	278,007
Current assets			
Inventories	*11*	**549,104**	645,041
Prepaid lease payments		**1,320**	1,339
Trade receivables	*12*	**418,265**	409,023
Other receivables, deposits and prepayments		**165,939**	131,613
Tax recoverable		**1,491**	–
Available-for-sale investments		**65,553**	65,018
Structured deposits		**172,650**	–
Pledged bank deposits		**6,192**	2,000
Short-term deposits		**–**	180,000
Bank balances and cash		**658,808**	498,126
		2,039,322	1,932,160
Current liabilities			
Trade payables and bills payable	*13*	**122,101**	117,736
Other payables and accrued charges		**145,255**	132,700
Tax liabilities		**39,963**	35,072
Bank borrowings and overdraft		**65,018**	60,511
		372,337	346,019
Net current assets		**1,666,985**	1,586,141
Total assets less current liabilities		**2,024,434**	1,864,148

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Capital and reserves			
Share capital		**207,995**	207,995
Reserves		**1,670,030**	1,544,058
Equity attributable to owners of the Company		**1,878,025**	1,752,053
Non-controlling interests		**(29,923)**	19,708
Total equity		**1,848,102**	1,771,761
Non-current liabilities			
Deferred tax liabilities		**60,972**	42,706
Other loans		**115,360**	49,681
		176,332	92,387
		2,024,434	1,864,148

NOTES:

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its immediate and ultimate holding company is Red Glory Investments Limited, a company incorporated in the British Virgin Islands. The address of registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is 27th Floor, CEO Tower, 77 Wing Hong Street, Kowloon, Hong Kong.

The Company is an investment holding company.

The functional currency of the Company is Renminbi ("**RMB**"), while the consolidated financial statements is presented in Hong Kong dollar ("**HK$**"), which the management of the Group considered that it is more beneficial for the users of the consolidated financial statements, as the Company's shares are listed on the Stock Exchange.

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

The consolidated financial statements have been prepared on the historical cost basis except for leasehold land and buildings, investment property and certain financial instruments, which are measured at revalued amounts and fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

The Group has applied the amendments to HKAS 1 "Disclosure Initiative" for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. Hence, the grouping and ordering of certain notes have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Specifically, information to capital risk management and financial instruments was reordered in the consolidated financial statements. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in its consolidated financial statements.

New and amendments to HKFRSs and interpretations in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 cycle except for Amendments to HKFRS 12[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

[1] *Effective for annual periods beginning on or after 1 January 2018.*

[2] *Effective for annual periods beginning on or after 1 January 2019.*

[3] *Effective for annual periods beginning on or after a date to be determined.*

[4] *Effective for annual periods beginning on or after 1 January 2017.*

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

- All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("**FVTOCI**"). All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on an analysis of the Group's financial instruments as at 30 June 2017, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold land for owned use and those classified as investment property while other operating lease payments are presented as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold land where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2017, the Group has non-cancellable operating lease commitments of approximately HK$68,467,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Except as disclosed above, the directors of the Company do not anticipate that the application of the other new and amendments to HKFRSs and interpretations will have material impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

For management purpose, the Group is currently organised into five operating divisions:

a. **Tian Wang Watch Business** – Manufacturing, trading and retailing business of owned brand watches – Tian Wang Watch;

b. **Balco Watch Business** – Trading and retailing business of owned brand watches – Balco Watch;

c. **Watch Movements Trading Business** – Trading of watch movements;

d. **Other Brands (PRC) Business** – Retailing business of imported watches mainly of well-known brands; and

e. **Other Brands (Global) Business** – Global distribution of owned and licensed international brands of watches.

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

During FY2016, the Group and an independent third party incorporated a company, namely TWB Investments Limited ("**TWB**"), for the acquisition of the Other Brands (Global) Business. The CODM reviewed the results of TWB and its subsidiary being consolidated by the Group and the Other Brands (Global) Business has been regarded as a reportable segment of the Group.

Segment revenue and results

Year ended 30 June 2017

	Tian Wang Watch Business *HK$'000*	Balco Watch Business *HK$'000*	Watch Movements Trading Business *HK$'000*	Other Brands (PRC) Business *HK$'000*	Other Brands (Global) Business *HK$'000*	Consolidated *HK$'000*
Revenue						
External sales	**1,927,868**	**128,253**	**151,298**	**239,351**	**316,114**	**2,762,884**
Inter-segment sales	**–**	**–**	**70,520**	**–**	**–**	**70,520**
Segment revenue	**1,927,868**	**128,253**	**221,818**	**239,351**	**316,114**	**2,833,404**
Elimination						**(70,520)**
Group revenue						**2,762,884**
Results						
Segment results	**450,668**	**(20,317)**	**1,958**	**(15,396)**	**(87,535)**	**329,378**
Interest income						**10,528**
Unallocated other income, gains and losses						**2,123**
Central administration costs						**(43,429)**
Finance costs						**(8,409)**
Profit before taxation						**290,191**

Year ended 30 June 2016

	Tian Wang Watch Business *HK$'000*	Balco Watch Business *HK$'000*	Watch Movements Trading Business *HK$'000*	Other Brands (PRC) Business *HK$'000*	Other Brands (Global) Business *HK$'000*	Consolidated *HK$'000*
Revenue						
External sales	1,827,809	160,586	155,843	285,137	177,195	2,606,570
Inter-segment sales	–	–	33,469	–	–	33,469
Segment revenue	1,827,809	160,586	189,312	285,137	177,195	2,640,039
Elimination						(33,469)
Group revenue						2,606,570
Results						
Segment results	466,589	(11,899)	7,868	(10,337)	(98,430)	353,791
Interest income						8,739
Unallocated other income, gains and losses						8,734
Central administration costs						(41,999)
Finance costs						(4,275)
Profit before taxation						324,990

Segment results represent the results of each segment without allocation of corporate items, including interest income, certain other income, gains and losses, central administration costs and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

4. OTHER INCOME, GAINS AND LOSSES/OTHER EXPENSES

	2017	2016
	HK$'000	*HK$'000*
Other income:		
Bank interest income	**4,977**	8,029
Interest income on available-for-sale investments	**5,551**	710
Watch repair and maintenance services income	**7,203**	5,765
Government subsidies *(Note)*	**15,174**	6,461
Rental income	**4,128**	2,612
Others	**7,548**	6,493
	44,581	30,070
Other gains and losses:		
Allowance for doubtful debts, net	**(1,630)**	(1,695)
Reversal of allowance for other receivables	**–**	8,734
Loss on disposal and written-off of property, plant and equipment	**(9,408)**	(10,177)
Loss on disposal of available-for-sale investments	**(828)**	–
Gain on disposal of intangible asset	**1,758**	–
Written-off of intangible asset	**(4,190)**	–
Net exchange loss	**(849)**	(19,110)
	(15,147)	(22,248)
	29,434	7,822

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

Other expenses

Other expenses for FY2016 represented the legal and professional fee and consultancy fee incurred for the acquisition of a business.

5. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank borrowings	**4,781**	3,388
Interest on loan from a director	**36**	–
Interest on loan from a related party	**1,024**	–
Imputed interest on loan from a non-controlling interest of a subsidiary	**2,568**	887
	8,409	4,275

6. INCOME TAX

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**–**	1,020
PRC Enterprise Income Tax	**86,215**	75,860
PRC withholding tax	**3,548**	28,786
	89,763	105,666
Underprovision (overprovision) in prior years:		
Hong Kong Profits Tax	**–**	35
PRC Enterprise Income Tax	**137**	(22,930)
	89,900	82,771
Deferred taxation	**12,173**	(5,075)
	102,073	77,696

7. PROFIT FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**2,640**	2,114
Directors' remuneration		
Fees	**1,080**	1,062
Other emoluments	**10,070**	6,958
Retirement benefits scheme contributions	**94**	89
	11,244	8,109
Other staff costs	**416,527**	397,894
Retirement benefits scheme contributions	**48,808**	44,842
Total staff costs	**476,579**	450,845
Depreciation of property, plant and equipment	**82,270**	77,248
Cost of inventories recognised as cost of sales	**851,223**	755,694
Research and development costs recognised as cost of sales	**46,616**	44,411
Allowance for inventories recognised as cost of sales	**16,134**	22,004
Concessionaire fee *(Note)*	**493,740**	512,389
Operating lease payment in respect of shop counters and shops	**25,498**	26,735
Operating lease payment in respect of office premises and factories	**21,992**	16,871

Note: Certain shop counters of the Group paid concessionaire fee to department stores based on monthly sales recognised by these shop counters pursuant to the terms and conditions as set out in the respective agreements signed with individual department stores.

8. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2017 Interim – HK2 cents (2016 Interim – HK2 cents) per share	**41,599**	41,599
2016 Final – HK3 cents (2015 Final – HK3 cents) per share	**62,398**	62,398
	103,997	103,997

Subsequent to the end of the reporting period, a final dividend in respect of FY2017 of HK3 cents per share has been proposed by the directors and is subject to the approval by the shareholders of the Company in the forthcoming annual general meeting of the Company.

9. EARNINGS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purposes of calculating basic earnings per share – profit for the year attributable to the owners of the Company	**235,744**	296,341
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**2,079,946**	2,079,946

No diluted earnings per share is presented as there is no potential ordinary share outstanding for both years.

10. INVESTMENT PROPERTY

During FY2017, the Group purchased an investment property in Hong Kong and measured at fair value of approximately HK$104,946,000 as at 30 June 2017 (30 June 2016: nil).

11. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Raw materials and consumables	**42,958**	63,340
Work in progress	**7,867**	7,459
Finished goods	**498,279**	574,242
	549,104	645,041

12. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables from third parties	**415,384**	407,655
Trade receivables from related companies	**8,233**	5,308
Less: allowance for doubtful debts	**(5,352)**	(3,940)
	418,265	409,023

Trade receivables from third parties mainly represent receivables from department stores in relation to the collection of sales proceeds from concessionaire sales of merchandise to customers. The average credit period granted to the department stores is 60 days. The Group did not have a credit period policy to its related party customers and the related party customers normally settled trade receivables within three months.

The following is an ageing analysis of trade receivables from third parties net of allowance for doubtful debts presented based on the date of delivery of goods, which approximates to the respective date of revenue recognition, at the end of the reporting period:

	2017	2016
	HK$'000	*HK$'000*
0 to 60 days	**346,215**	336,500
61 to 120 days	**41,560**	34,526
121 to 180 days	**10,165**	16,915
Over 180 days	**12,092**	15,774
	410,032	403,715

The following is an ageing analysis of trade receivables from related companies, including companies in which Mr. Tung Koon Ming ("**Mr. Tung**") has control and entities owned by non-controlling shareholders of subsidiaries, presented based on the date of delivery of goods, which approximates to the respective date of revenue recognition, at the end of the reporting period:

	2017	2016
	HK$'000	*HK$'000*
0 to 60 days	**3,922**	4,111
61 to 120 days	**4,311**	460
Over 180 days	**–**	737
	8,233	5,308

13. TRADE PAYABLES AND BILLS PAYABLE

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**58,116**	78,229
Bills payable	**3,262**	7,174
Trade payables to related companies	**60,723**	32,333
	122,101	117,736

The average credit period on purchases of goods is 30 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**35,684**	46,273
31 to 60 days	**12,976**	8,767
61 to 90 days	**3,310**	4,764
Over 90 days	**6,146**	18,425
	58,116	78,229

The related companies, including companies in which Mr. Tung has control and entities owned by non-controlling shareholders of subsidiaries, did not have a specified credit period policy granting to the Group and the Group normally settled trade payables within three months. The following is an ageing analysis of trade payables to related companies based on invoice date at the end of the reporting period:

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**12,779**	22,931
31 to 60 days	**7,413**	2,626
61 to 90 days	**645**	–
Over 90 days	**39,886**	6,776
	60,723	32,333

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by approximately HK$156.3 million or approximately 6.0% from approximately HK$2,606.6 million for FY2016 to approximately HK$2,762.9 million for FY2017.

Tian Wang Watch Business

Revenue of Tian Wang Watch Business continued to be the Group's main source of revenue which accounted for approximately 69.8% of the total revenue of the Group for FY2017 (FY2016: approximately 70.1%). Revenue of Tian Wang Watch Business increased by approximately HK$100.1 million or approximately 5.5% from approximately HK$1,827.8 million for FY2016 to approximately HK$1,927.9 million for FY2017. The retail network was expanded from 2,398 POS as at 30 June 2016 to 2,569 POS as at 30 June 2017, with a net increase of 171 POS. Discounting the effect of depreciation of Renminbi, the retail sales recorded a small increase of approximately 2.8% as compared to FY2016. Sales of watches through e-commerce channels increased significantly by approximately HK$139.2 million or approximately 51.3% from approximately HK$271.4 million for FY2016 to approximately HK$410.6 million for FY2017.

Balco Watch Business

Revenue of Balco Watch Business decreased by approximately HK$32.3 million or approximately 20.1% from approximately HK$160.6 million for FY2016 to approximately HK$128.3 million for FY2017, which accounted for approximately 4.6% of the total revenue of the Group for FY2017 (FY2016: approximately 6.2%). Sales of Balco Watch in the PRC decreased by approximately HK$7.8 million or approximately 6.9% from approximately HK$113.0 million for FY2016 to approximately HK$105.2 million for FY2017. Sales of Balco Watch to multi-brand watch distributors in Hong Kong, Macau and Taiwan decreased by approximately HK$24.5 million or approximately 51.5% from approximately HK$47.6 million for FY2016 to approximately HK$23.1 million for FY2017.

Other Brands (PRC) Business

Retail sales of other well-known brand watches other than Tian Wang and Balco Watch decreased by approximately HK$45.8 million or approximately 16.1% from approximately HK$285.1 million for FY2016 to approximately HK$239.4 million for FY2017, which accounted for approximately 8.7% of the total revenue of the Group for FY2017 (FY2016: approximately 10.9%). The decrease in revenue of Other Brands (PRC) Business was mainly due to the general decline in the retail market of the PRC, especially for the imported mid-range and high-end watches and keen competition from other imported watches with similar price range.

Other Brands (Global) Business

Global distribution of certain owned and licensed international brands of watches recorded an increase in revenue of approximately HK$138.9 million or approximately 78.4% from approximately HK$177.2 million for FY2016 to approximately HK$316.1 million for FY2017. The increase was primarily due to the fact that there was a full year contribution to the Group in FY2017 while there was only around seven months contribution to the Group in FY2016 since the establishment of this segment in November 2015.

Watch Movements Trading Business

Revenue of Watch Movements Trading Business accounted for approximately 5.5% of the Group's total revenue for FY2017 (FY2016: approximately 6.0%). For FY2017, revenue from trading of watch movements was approximately HK$151.3 million, representing a decrease of approximately HK$4.5 million or approximately 2.9% from approximately HK$155.8 million for FY2016. The slightly decrease was primarily due to the slowdown of watch movements trading business in Hong Kong and the PRC during FY2017.

Gross Profit

The Group's gross profit increased by approximately HK$64.5 million or approximately 3.6% from approximately HK$1,784.5 million for FY2016 to approximately HK$1,848.9 million for FY2017. The increase was mainly due to (i) increase in Tian Wang Watch Business as in line with the increase in revenue; and (ii) the full year contribution in FY2017 from the Other Brands (Global) Business, which was established in November 2015. The Group's gross profit margin slightly decreased by 1.6 percentage point from approximately 68.5% for FY2016 to approximately 66.9% for FY2017. The decrease was mainly due to the contribution of the lower gross profit margin from Other Brands (PRC) Business and Balco Watch Business. The gross profit margin of Tian Wang Watch Business remained stable for both years.

Other Income, Gains and Losses and Other Expenses

The Group's other income, gains and losses increased by approximately HK$21.6 million or approximately 276.3% from approximately HK$7.8 million for FY2016 to approximately HK$29.4 million for FY2017. The increase was mainly due to a combination effect of increase in the government subsidies of approximately HK$8.7 million, decrease in net exchange loss of approximately HK$18.3 million and the absence of the reversal of allowance for other receivables of approximately HK$8.7 million for FY2016 in FY2017.

Other expenses for FY2016 represented legal and professional fee and consultancy fee incurred for the establishment of the Other Brands (Global) Business.

Selling and Distribution Costs

The Group's selling and distribution costs increased by approximately HK$111.0 million or approximately 8.7% from approximately HK$1,271.1 million for FY2016 to approximately HK$1,382.1 million for FY2017. The increase was mainly due to (i) increase in salaries of sales personnel as a result of an increase in number of sales staff, which was in line with the increase of number of POS; (ii) the increase of advertising and promotion expenses as in line with the increase in revenue; and (iii) the increase of the overall selling and distribution expenses in Other Brands (Global) Business due to full year contribution in FY2017 while there was only around seven months contribution in FY2016 since the establishment of this segment in November 2015.

Administrative Expenses

The Group's administrative expenses increased by approximately HK$18.4 million or approximately 10.3% from approximately HK$179.2 million for FY2016 to approximately HK$197.6 million for FY2017. The increase was mainly due to (i) an increase in donation of approximately HK$5.8 million; (ii) an increase in legal and professional fees of approximately HK$7.9 million; and (iii) an increase in office rental expenses of approximately HK$5.1 million.

Finance Costs and Income Tax

The Group's finance costs increased by approximately HK$4.1 million or approximately 96.7% from approximately HK$4.3 million for FY2016 to approximately HK$8.4 million for FY2017 as a result of the increase in bank borrowings and other loans during FY2017.

The Group's income tax increased by approximately HK$24.4 million or approximately 31.4% from approximately HK$77.7 million for FY2016 to approximately HK$102.1 million for FY2017. The increase was mainly due to the absence of the one-off tax credit in FY2017 arising from the overprovision for the PRC Enterprise Income Tax for FY2016 as a result of preferential tax treatment for the calendar year ended 31 December 2015. As a result, the Group's effective tax rate increased from approximately 23.9% for FY2016 to approximately 35.2% for FY2017.

Profit attributable to the owners of the Company

As a combined result of the factors discussed above, the profit attributable to the owners of the Company for FY2017 decreased by approximately HK$60.6 million or approximately 20.4% from approximately HK$296.3 million for FY2016 to approximately HK$235.7 million for FY2017.

BUSINESS REVIEW

Overview

During FY2017, the Group's principal business remained manufacturing, retail sales and e-commerce business of its two proprietary brands watches (namely, Tian Wang and Balco Watch), retail sales of Other Brands of watches in the PRC, global distribution of Other Brands of watches and its ancillary Watch Movements Trading Business.

In FY2017, the general and watch retail market of the PRC and Hong Kong still remain challenging and consumer confidence has been affected by the continuous downturn in the economic growth of the PRC, resulting in slower growth in sales and downward pressure on profitability of the Group. Nevertheless, building on its competitive advantages developed over years and sustainable growth in sales of e-commerce business, the Group continued to maintain its leading position in the PRC national watch market.

Tian Wang Watch Business continues to be the Group's core brand business, which contributed approximately 69.8% of the total revenue of the Group in FY2017. Its over-26-years-long brand heritage and reputation of delivering high quality, precise and stylish watches are key factors of Tian Wang Watch Business continuing success and widespread brand recognition. Based on the information gathered from customers through the Group's national wide POS network, the Group can strive to cater for increasing demand for high quality and trendy watches from different age group of the customers.

Retail Network

The Group's retail network principally comprises sales counters located in department stores which are directly managed and controlled by the Group. Over 77% of the Group's sales of Tian Wang and Balco Watch were made through the Group's directly managed POS. Since the Group sells most of its watches to its retail customers directly, the Group has been able to obtain first hand market information and direct feedback from customers through its frontline sales staffs. The Group considers that this is a competitive advantage over its competitors, which generally do not have fully directly managed sales network and sell their products through distributors.

As at 30 June 2017, number of the Group's POS for Tian Wang Watch Business was 2,569, representing a net increase of 171 POS as compared to the number of POS for Tian Wang Watch Business as at 30 June 2016. As at 30 June 2017, number of the Group's POS for Balco Watch Business was 441, representing a net decrease of 21 POS as compared to the number of POS for Balco Watch Business as at 30 June 2016. As at 30 June 2017, number of the Group's POS for Other Brands (PRC) Business was 83, representing a net decrease of 15 POS as compared to the number of POS for Other Brands (PRC) Business as at 30 June 2016.

Proprietary Watches of the Group

Tian Wang Watch

Revenue of Tian Wang Watch Business remained the Group's major source of revenue, which contributed approximately 69.8% of the Group's total revenue for FY2017 (FY2016: approximately 70.1%). Discounting the effect of depreciation of Renminbi, the retail sales of Tian Wang Watch Business for FY2017 slightly increased by approximately 2.8% as compared to FY2016. During FY2017, the Group has launched not less than 70 new models of Tian Wang watches with price ranging from approximately RMB100 to RMB4,600 per watch for direct retail sales, e-commerce channels and corporate sales. The wide price range of Tian Wang watches allowed the Group to cater for the different needs and more demand from customers of different income level and age groups.

Balco Watch

Balco watches are assembled in and imported from Switzerland. Revenue of Balco Watch Business accounted for approximately 4.6% of the Group's total revenue for FY2017 (FY2016: approximately 6.2%). For FY2017, revenue from Balco Watch Business was approximately HK$128.3 million as compared with approximately HK$160.6 million for FY2016, representing a decrease of approximately HK$32.3 million or approximately 20.1%. The decrease was mainly resulting from the (i) general decline in the retail market in Hong Kong, Macau and Taiwan; (ii) the keen competition from other imported watches of similar price range, including but not limited to Citizen, Casio, Titoni and Enicar; and (iii) depreciation of Renminbi. The Group continued to implement constructive strategic plans to improve the performance of Balco Watch Business, which including but not limited to optimising its sales and distribution channels within and outside of the PRC and launching new stylish models of Balco watches to the market.

Other Brands (PRC) Business

Revenue of Other Brands (PRC) Business was approximately HK$239.4 million for FY2017 as compared with approximately HK$285.1 million for FY2016, representing a decrease of approximately HK$45.8 million or approximately 16.1%. Revenue of Other Brands (PRC) Business accounted for approximately 8.7% of the Group's total revenue for FY2017 (FY2016: approximately 10.9%). The decrease in revenue of Other Brands (PRC) Business was mainly due to the general decline in the retail market in the PRC, especially for the imported mid-range and high-end watches and keen competition from other imported watches with similar price range.

Other Brands (Global) Business

Revenue from global distribution of Other Brands (Global) Business was approximately HK$316.1 million for FY2017 as compared with approximately HK$177.2 million for FY2016, representing a significant increase of approximately HK$138.9 million or approximately 78.4%. The increase was primarily due to the fact that there was a full year contribution in FY2017 while there was only around seven months contribution in FY2016 since the establishment of this segment in November 2015. Revenue of Other Brands (Global) Business accounted for approximately 11.4% of the Group's total revenue for FY2017 (FY2016: approximately 6.8%).

Watch Movements Trading Business

The Directors consider that the in-house watch movements procurement and trading arm of the Group is an integral segment of the Group's overall business operation for providing reliable and stable supply of watch movements for the assembly of its Tian Wang watches and generating revenue to the Group through its Watch Movements Trading Business with other watch manufacturers and distributors when there is a surplus of watch movements which are not used for the Group's manufacture of watches for Tian Wang Watch Business. For FY2017, revenue of Watch Movements Trading Business accounted for approximately 5.5% of the Group's total revenue (FY2016: approximately 6.0%). There was a small decrease in revenue of approximately HK$4.5 million or approximately 2.9% from approximately HK$155.8 million for FY2016 to approximately HK$151.3 million for FY2017.

E-commerce Business

Starting from 2013, the Group commenced e-commerce business and started strategic operations with several major online sales platforms (including but not limited to Jingdong mall and Tmall) and offered sales of lower-priced watches and new youth series watches products for younger generation in order to capture their rising consumption power. The Directors believe that a wide variety of watches enable the Group to reach out to an extensive range of customers across different age groups. For FY2017, there was a significant increase in sales of watches through e-commerce channels by approximately HK$139.2 million or approximately 51.3% from approximately HK$271.4 million for FY2016 to approximately HK$410.6 million for FY2017. The e-commerce business achieved double digits percentage growth in sale of watches for four consecutive financial years since its establishment in 2013.

INVENTORY CONTROL

The Group's inventory balance was approximately HK$549.1 million as at 30 June 2017, representing a decrease of approximately HK$95.9 million or approximately 14.9% as compared with approximately HK$645.0 million as at 30 June 2016. The Group's inventory turnover days decreased to approximately 238 days for FY2017, as compared with 281 days for FY2016. The Group will continue to monitor and control its inventory level vigilantly while implementing its sales network expansion plan in order to ensure that the expansion plan and inventory level will not adversely affect the cash flow and liquidity of the Group.

The inventory aged over two years were approximately HK$134.5 million and approximately HK$112.7 million as at 30 June 2017 and 30 June 2016 respectively, with corresponding provision for these inventory balances of approximately HK$82.3 million and approximately HK$71.6 million respectively. Management of the Group assesses and reviews the inventory ageing analysis at the end of each reporting period and identifies the slow-moving inventory items that are no longer suitable for use in production or sales. At the end of each reporting period, management will provide necessary provision if the net realisable value of the inventory is estimated to be below the cost.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group adopts a conservative treasury policy. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The Group financed its operations primarily through cash flows from operations and short-term bank loans. The cash and cash equivalents, net with bank overdraft, were approximately HK$651.0 million and approximately HK$493.2 million as at 30 June 2017 and 30 June 2016 respectively.

The Group's net cash generated from operating activities for FY2017 was approximately HK$371.8 million, representing an increase of approximately HK$23.8 million from approximately HK$348.0 million for FY2016. The amount was primarily attributable to profit before taxation of approximately HK$290.2 million from the Group's operations adjusted for non-cash items of approximately HK$111.9 million, increase of working capital balances of approximately HK$44.9 million, income taxes paid of approximately HK$85.8 million and interest received of approximately HK$10.5 million.

The Group's net cash used in investing activities for FY2017 was approximately HK$166.0 million, which was mainly attributable to purchase of property, plant and equipment of approximately HK$80.5 million, purchase of available-for-sale investments of approximately HK$50.5 million and purchase of investment property of approximately HK$104.9 million which was partially offset by proceeds from disposal of available-for-sale investments of approximately HK$64.9 million.

The Group's net cash used in financing activities for FY2017 was approximately HK$46.0 million, which was mainly attributable to dividends paid of approximately HK$104.0 million and repayment of bank borrowings of approximately HK$529.6 million, which was partially offset by borrowings raised of approximately HK$531.1 million, other loans raised of approximately HK$69.7 million. The Group's bank borrowings and overdraft were approximately HK$65.0 million and approximately HK$60.5 million as at 30 June 2017 and 30 June 2016 respectively.

The Group had a net cash position as at 30 June 2017 and 30 June 2016. As at 30 June 2017, the Group's total equity was approximately HK$1,848.1 million, representing an increase of approximately HK$76.3 million from approximately HK$1,771.8 million as at 30 June 2016. The Group's working capital was approximately HK$1,667.0 million as at 30 June 2017, representing an increase of approximately HK$80.8 million as compared with approximately HK$1,586.1 million as at 30 June 2016.

As at 30 June 2017, the Group's bank balances and cash were mainly denominated in Renminbi and Hong Kong dollar. As at 30 June 2017, all the Group's bank borrowings were short term bank borrowings that were principally denominated in Hong Kong dollar and United States dollar, were subject to variable interest rates and were repayable within one year.

The gearing ratio being calculated as total debt over total equity was approximately 9.8% and approximately 6.2% as at 30 June 2017 and 30 June 2016 respectively.

CHARGE ON GROUP ASSETS

There was no material charge on the Group's assets as at 30 June 2017 and 2016.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2017 and 2016.

CAPITAL COMMITMENTS

The Group did not have any material capital commitments as at 30 June 2017 and 2016.

FOREIGN CURRENCY EXPOSURE

The Group has foreign currency sales, which expose itself to foreign currency risk. In addition, available-for-sale investments, certain trade and other receivables, pledged bank deposits, short-term deposits, bank balances, other payables and accrued charges, and bank borrowings and overdraft of the Group and intra-group balances are denominated in foreign currencies of the relevant group entities.

The Group currently does not have a foreign currency hedging policy. However, management of the Group will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND EMOLUMENTS POLICIES

As at 30 June 2017, the Group employed a total of approximately 5,200 full time employees (30 June 2016: approximately 5,000). The staff costs incurred during FY2017 was approximately HK$476.6 million (FY2016: approximately HK$450.8 million). The Group's emolument policies are formulated on the performance of individual employees and on the basis of the trends of salaries in various regions, which will be reviewed regularly every year. Apart from provident fund scheme and medical insurance, discretionary bonuses are also awarded to employees according to the assessment of individual performance. The emolument payable to the Directors is determined by the Board based on the recommendations made by the remuneration committee of the Company.

SOCIAL RESPONSIBILITY

The Group's charitable and other donations for FY2017 amounted to approximately HK$5.9 million (FY2016: approximately HK$0.1 million). No donations were made to political parties.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the initial public offering ("IPO") of the Company in February 2013 amounted to approximately HK$742.0 million, of which approximately HK$583.7 million had been utilised for FY2013, FY2014, FY2015 and FY2016. For FY2017, the Company had further utilised approximately HK$117.5 million of the proceeds in the manner set out in the following table.

	Amount of net proceeds allocated and unutilised as at 1 July 2016 *(HK$'m)*	**Amount of net proceeds utilised for FY2017** *(HK$'m)*	**Balance as at 30 June 2017** *(HK$'m)*	**Actual business progress up to 30 June 2017**
Opening of POS in the coming years	109.5	109.5	–	Approximately HK$109.5 million of IPO proceeds was used for opening 383 new POS during FY2017.
Establishing joint ventures worldwide with experienced operators of watch sales network and acquiring their inventories	8.8	8.0	0.8	Approximately HK$8.0 million of IPO proceeds was used for the business of design and distribution of certain owned and licensed international brands of watches during FY2017.
Engaging an active and well-known Chinese television and movie actor celebrity as the new spokesperson for Tian Wang watches and for producing television commercials focusing on the spokesperson	40.0	–	40.0	The Group is still looking for suitable candidate whose image is in line with the brand image and recognition of Tian Wang brand and the proposed large-scale nationwide marketing campaign for Tian Wang brand.
	158.3	117.5	40.8	

The Group will keep monitoring the use of the net proceeds from the IPO.

PROSPECTS AND STRATEGIES

FY2017 was a year full of challenges and uncertainties for the PRC watch industry. The consumer market in the PRC continued to experience slow growth and consumer confidence has been impacted. Looking forward, given the overall market condition, the Group still expects another challenging year but filled with numerous opportunities as the Group has laid a solid business foundation in the recent past.

For retail business, the Group will continue to roll out and execute its POS expansion plan of opening new POS for Tian Wang in a steady and conservative pace. It is the Group's strategy to increase its market share and presence through opening new POS with not less than 100 POS for Tian Wang per year in the 2nd, 3rd and 4th tier cities in the PRC, where the purchasing power is improving in recent years along with the development of the PRC. At the same time, the Group will also closely monitor and assess the performance of all existing POS on a regular basis and implement strategic business plan to the POS distribution network in order to optimise the market coverage and increase the revenue stream.

E-commerce business continues to be another revenue driver for the Group and focuses on targeting customers from the younger generation. The watches for e-commerce business are exclusive and different from those selling in the Tian Wang POS. Hence, the competition between Tian Wang retail business and Tian Wang e-commerce business is minimised. The Group will continue to allocate more resources and put more efforts to the e-commerce business in order to maintain the sustainable growth on the sales and profitability level.

For other business segments including Balco Watch Business, Other Brands (PRC) Business and Other Brands (Global) Business, they are still experiencing difficulties and affected by uncontrollable market factors in the last year given the market downward trend in their respective markets. The Group will closely monitor and formulate constructive business plans to improve its business performance and also open to different options so as to improve the overall profitability of the Group.

The Directors are confident that the sustainable high growth in e-commerce business will compensate for some slowdown in the growth of retail sales. The Directors are also confident that the Group will maintain steady growth in its business in the near future through the implementation of the above strategic business plans.

PROPOSED FINAL DIVIDEND AND ANNUAL GENERAL MEETING

For FY2017, the Directors have recommended the payment of a final dividend of HK3 cents per share, amounting to approximately HK$62.4 million, representing a payout of approximately 26.5% of profit attributable to the owners of the Company. Subject to the approval of the shareholders at the forthcoming annual general meeting (the "Annual General Meeting") of the Company to be held on 22 November 2017, the proposed final dividend will be paid to shareholders of the Company whose name appears on the register of members of the Company at the close of business on 28 November 2017. It is expected that the proposed final dividend will be paid on or about 7 December 2017.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining members who are qualified for attending the Annual General Meeting, the register of members of the Company will be closed from 17 November 2017 to 22 November 2017 (both days inclusive), during which period no transfer of share of the Company will be effected. In order to qualify for attending the Annual General Meeting, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on 16 November 2017.

For the purpose of determining members who are qualified for the proposed final dividend for FY2017 which is subject to approval by the shareholders at the Annual General Meeting, the register of members of the Company will be closed on 28 November 2017, on which no transfer of share of the Company will be effected. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at the above address for registration no later than 4:30 p.m. on 27 November 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during FY2017.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Save as disclosed below, during FY2017, the Company had complied with the code provisions of the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Taking into account of Mr. Tung's strong expertise and insight of the watch industry, the Board considered that the roles of chairman and chief executive officer being performed by Mr. Tung enables more effective and efficient overall business planning, decision making and implementation thereof by the Group. In order to maintain good corporate governance and to ensure Company's compliance with code provisions of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW OF ANNUAL RESULTS

The audit committee of the Board and the management of the Company have reviewed the accounting principles and practices adopted by the Group and the financial statements for FY2017.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for FY2017 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.timewatch.com.hk. The Company's annual report for FY2017 will be despatched to the shareholders of the Company and will also be published on the aforesaid websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

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

Hong Kong, 27 September 2017

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.