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Time Watch Investments Limited

時計寶投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2033)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2018

- Revenue for the year ended 30 June 2018 ("**FY2018**") increased by approximately 7.2% to approximately HK$2,962.3 million, as compared with approximately HK$2,762.9 million for the year ended 30 June 2017 ("**FY2017**").
- Sale of watches through e-commerce channels for FY2018 were significantly increased by approximately 40.0% to approximately HK$575.0 million, as compared with approximately HK$410.6 million for FY2017.
- Gross profit for FY2018 increased by approximately 12.5% to approximately HK$2,079.2 million, as compared with approximately HK$1,848.9 million for FY2017.
- Gross profit margin slightly increased by approximately 3.3 percentage points from approximately 66.9% for FY2017 to approximately 70.2% for FY2018. The gross profit margin of Tian Wang Watch Business remain stable for both years.
- Profit attributable to the owners of the Company for FY2018 amounted to approximately HK$291.4 million, representing an increase of approximately 23.6% as compared with approximately HK$235.7 million for FY2017.
- Basic earnings per share for FY2018 was HK14.0 cents (FY2017: HK11.3 cents).
- Proposed final dividend for FY2018 is HK3.75 cents per share.

ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2018

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 FY2018 together with the consolidated statement of financial position of the Group as at 30 June 2018, and the notes with comparative figures for FY2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*3*	**2,962,262**	2,762,884
Cost of sales		**(883,060)**	(913,973)
Gross profit		**2,079,202**	1,848,911
Other income, gains and losses	*4*	**14,390**	29,434
Selling and distribution costs		**(1,494,333)**	(1,382,121)
Administrative expenses		**(199,334)**	(197,624)
Finance costs	*5*	**(8,970)**	(8,409)
Profit before taxation		**390,955**	290,191
Income tax	*6*	**(114,992)**	(102,073)
Profit for the year	*7*	**275,963**	188,118
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of leasehold land and buildings		**475**	3,565
Exchange differences arising on translation		**35,345**	(11,157)
Items that may be reclassified subsequently to profit or loss:			
Fair value change of available-for-sale investments		**(1,435)**	(2,001)
Reclassification adjustment relating to available-for-sale investment disposed of during the year		**1,498**	883
		35,883	(8,710)
Total comprehensive income for the year		**311,846**	179,408

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Profit (loss) for the year attributable to:			
Owners of the Company		**291,447**	235,744
Non-controlling interests		**(15,484)**	(47,626)
		275,963	188,118
Total comprehensive income (expense) attributable to:			
Owners of the Company		**326,469**	228,236
Non-controlling interests		**(14,623)**	(48,828)
		311,846	179,408
Earnings per share	*9*		
– Basic *(HK cents)*		**14.0**	11.3

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 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**180,143**	162,475
Prepaid lease payments		**37,501**	37,745
Investment property	*10*	**111,000**	104,946
Deposits paid for acquisition of property, plant and equipment		**3,958**	4,301
Available-for-sale investments		**19,165**	19,744
Deferred tax assets		**51,216**	28,238
		402,983	357,449
Current assets			
Inventories	*11*	**583,650**	549,104
Prepaid lease payments		**1,359**	1,320
Trade receivables	*12*	**415,692**	418,265
Other receivables, deposits and prepayments	*12*	**129,608**	165,939
Tax recoverable		**7**	1,491
Available-for-sale investments		**29,617**	65,553
Structured deposits		**337,725**	172,650
Pledged bank deposits		**6,953**	6,192
Bank balances and cash		**762,162**	658,808
		2,266,773	2,039,322
Current liabilities			
Trade payables and bills payable	*13*	**88,083**	122,101
Other payables and accrued charges		**185,004**	145,255
Tax liabilities		**59,433**	39,963
Bank borrowings and overdraft		**67,521**	65,018
Other loans		**135,118**	–
		535,159	372,337
Net current assets		**1,731,614**	1,666,985
Total assets less current liabilities		**2,134,597**	2,024,434

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Capital and reserves			
Share capital		**207,995**	207,995
Reserves		**1,892,700**	1,670,030
Equity attributable to owners of the Company		**2,100,695**	1,878,025
Non-controlling interests		**(47,601)**	(29,923)
Total equity		**2,053,094**	1,848,102
Non-current liabilities			
Deferred tax liabilities		**81,503**	60,972
Other loans		**–**	115,360
		81,503	176,332
		2,134,597	2,024,434

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. GENERAL

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 addresses of the 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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 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 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs and interpretations in issue but not yet effective

The Group has not early applied the following new and revised 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]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]
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 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and it's associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]

[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 2021.

Except for the new and revised HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

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 financial assets are measured at their fair values at subsequent accounting 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 the Group's financial instruments and risk management policies as at 30 June 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Listed debt instruments classified as available-for-sale investments carried at fair value: these are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the listed debt instruments in the open market, and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the listed debt instruments will continue to be subsequently measured at FVTOCI upon the application of HKFRS 9, and the fair value gains or losses accumulated in the investments revaluation reserve will continue to be subsequently reclassified to profit or loss when the listed debentures are derecognised or reclassified; and

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 July 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables, other receivables and deposits. Such further impairment recognised under expected credit loss model would reduce the opening accumulated profits and increase the deferred tax assets at 1 July 2018.

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. Upon applications of 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 by the Group.

Under HKAS 17, the Group has already recognised an asset 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 2018, the Group has non-cancellable operating lease commitments of approximately HK$60,807,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$12,986,000 and refundable rental deposits received of approximately HK$1,020,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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.

Segment revenue and results

Year ended 30 June 2018

	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	**2,172,949**	**116,137**	**144,482**	**229,454**	**299,240**	**2,962,262**
Inter-segment sales	**–**	**–**	**68,374**	**–**	**–**	**68,374**
Segment revenue	**2,172,949**	**116,137**	**212,856**	**229,454**	**299,240**	**3,030,636**
Elimination						**(68,374)**
Group revenue						**2,962,262**
Results						
Segment results	**483,716**	**(35,007)**	**564**	**3,835**	**(33,207)**	**419,901**
Interest income						**23,009**
Unallocated other income, gains and losses						**9,650**
Central administration costs						**(52,635)**
Finance costs						**(8,970)**
Profit before taxation						**390,955**

Year ended 30 June 2017

	Tian Wang Watch Business	Balco Watch Business	Watch Movements Trading Business	Other Brands (PRC) Business	Other Brands (Global) Business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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

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

	2018 *HK$'000*	2017 *HK$'000*
Other income:		
Bank interest income	**2,847**	2,242
Interest income on structured deposits	**17,326**	2,735
Interest income on available-for-sale investments	**2,836**	5,551
Watch repair and maintenance services income	**7,015**	7,203
Government subsidies *(Note)*	**9,381**	15,174
Rental income	**8,373**	4,128
Others	**7,538**	7,548
	55,316	44,581
Other gains and losses:		
Allowance for doubtful debts, net	**(28,857)**	(1,630)
Loss on disposal and written-off of property, plant and equipment	**(19,095)**	(9,408)
Loss on disposal of available-for-sale investments	**(1,680)**	(828)
Gain on disposal of intangible asset	**–**	1,758
Gain on fair value change of an investment property	**6,054**	–
Written-off of intangible asset	**–**	(4,190)
Net exchange gain (loss)	**2,652**	(849)
	(40,926)	(15,147)
	14,390	29,434

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**").

5. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank borrowings	**2,317**	4,781
Interest on loan from a director	**469**	36
Interest on loan from a related party	**1,815**	1,024
Interest on loan from a non-controlling interest of a subsidiary	**482**	–
Imputed interest on loan from a non-controlling interest of a subsidiary	**3,887**	2,568
	8,970	8,409

6. INCOME TAX

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**116,304**	86,215
PRC withholding tax	**1,065**	3,548
	117,369	89,763
Underprovision in prior years:		
Hong Kong Profits Tax	**22**	–
PRC Enterprise Income Tax	**48**	137
	117,439	89,900
Deferred taxation	**(2,447)**	12,173
	114,992	102,073

7. PROFIT FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**2,615**	2,640
Directors' remuneration		
Fees	**1,080**	1,080
Other emoluments	**20,596**	10,070
Retirement benefit scheme contributions	**63**	94
	21,739	11,244
Other staff costs	**453,897**	416,527
Retirement benefit scheme contributions	**56,647**	48,808
Total staff costs	**532,283**	476,579
Depreciation of property, plant and equipment	**82,759**	82,270
Amortisation of prepaid lease payment	**1,374**	1,308
Cost of inventories recognised as cost of sales	**814,026**	851,223
Research and development costs recognised as cost of sales	**51,025**	46,616
Allowance for inventories recognised as cost of sales	**18,009**	16,134
Concessionaire fee *(Note)*	**511,611**	493,740
Operating lease payment in respect of shop counters and shops	**24,638**	25,498
Operating lease payment in respect of office premises and factories	**21,638**	21,992

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

	2018	2017
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2018 Interim – HK2 cents (2017 Interim – HK2 cents) per share	**41,599**	41,599
2017 Final – HK3 cents (2016 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 the year ended 30 June 2018 of HK3.75 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:

	2018	2017
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purposes of calculating basic earnings per share – profit for the year attributable to owners of the Company	**291,447**	235,744
	'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

The Group purchased an investment property in Hong Kong in FY2017 and measured at fair value of approximately HK$111,000,000 as at 30 June 2018 (30 June 2017: approximately HK$104,946,000).

11. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Raw materials and consumables	**106,724**	42,958
Work in progress	**7,122**	7,867
Finished goods	**469,804**	498,279
	583,650	549,104

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018	2017
	HK$'000	*HK$'000*
Trade receivables from third parties	**434,424**	415,384
Trade receivables from related companies	**6,416**	8,233
Less: allowance for doubtful debts	**(25,148)**	(5,352)
	415,692	418,265
Other receivables, deposits and prepayments	**129,608**	165,939
Total trade and other receivables, deposits and prepayments	**545,300**	584,204

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:

	2018	2017
	HK$'000	*HK$'000*
0 to 60 days	**337,548**	346,215
61 to 120 days	**56,101**	41,560
121 to 180 days	**4,117**	10,165
Over 180 days	**11,510**	12,092
	409,276	410,032

The following is an ageing analysis of trade receivables from related companies, representing entities related to non-controlling interests 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:

	2018	2017
	HK$'000	*HK$'000*
0 to 60 days	**3,055**	3,922
61 to 120 days	**1,251**	4,311
121 to 180 days	**581**	–
Over 180 days	**1,529**	–
	6,416	8,233

13. TRADE PAYABLES AND BILLS PAYABLE

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**71,836**	58,116
Bills payable	**5,359**	3,262
Trade payables to related companies	**10,888**	60,723
	88,083	122,101

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:

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**47,965**	35,684
31 to 60 days	**11,280**	12,976
61 to 90 days	**4,801**	3,310
Over 90 days	**7,790**	6,146
	71,836	58,116

The related companies, including companies in which Mr. Tung has control and entities owned by non–controlling interests 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 the related companies based on invoice date at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**–**	12,779
31 to 60 days	**124**	7,413
61 to 90 days	**2,060**	645
Over 90 days	**8,704**	39,886
	10,888	60,723

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$199.4 million or approximately 7.2% from approximately HK$2,762.9 million for FY2017 to approximately HK$2,962.3 million for FY2018.

Tian Wang Watch Business

Revenue of Tian Wang Watch Business continued to be the Group's main source of revenue which accounted for approximately 73.4% of the total revenue of the Group for FY2018 (FY2017: approximately 69.8%). Revenue of Tian Wang Watch Business increased by approximately HK$245.1 million or approximately 12.7% from approximately HK$1,927.9 million for FY2017 to approximately HK$2,172.9 million for FY2018. The retail sales network was expanded from 2,569 points of sales ("**POS**") as at 30 June 2017 to 2,585 POS as at 30 June 2018, with a net increase of 16 POS. Sales of watches through e-commerce channels such as Tmall and JD.com increased significantly by approximately HK$164.4 million or approximately 40.0% from approximately HK$410.6 million for FY2017 to approximately HK$575.0 million for FY2018.

Balco Watch Business

Revenue of Balco Watch Business decreased by approximately HK$12.1 million or approximately 9.4% from approximately HK$128.3 million for FY2017 to approximately HK$116.1 million for FY2018. The decline was mainly due to the drop in sales in the PRC market.

Other Brands (PRC) Business

Retail sales of other well-known brand watches other than Tian Wang and Balco Watch decreased by approximately HK$9.9 million or approximately 4.1% from approximately HK$239.4 million for FY2017 to approximately HK$229.5 million for FY2018, which accounted for approximately 7.7% of the total revenue of the Group for FY2018 (FY2017: approximately 8.7%). The decrease in revenue of Other Brands (PRC) Business was caused by the closure of POS in the PRC.

Other Brands (Global) Business

Global distribution of certain owned and licensed international brands of watches recorded a decrease in revenue of approximately HK$16.9 million or approximately 5.3% from approximately HK$316.1 million for FY2017 to approximately HK$299.2 million for FY2018. The decrease was attributable to the non-renewal of license agreement with several international brands of watches.

Watch Movements Trading Business

Revenue of Watch Movements Trading Business accounted for approximately 4.9% of the Group's total revenue for FY2018 (FY2017: approximately 5.5%). For FY2018, revenue from trading of watch movements was approximately HK$144.5 million, representing a decrease of approximately HK$6.8 million or approximately 4.5% from approximately HK$151.3 million for FY2017. The slight decrease was primarily due to the slowdown of watch movements trading business in Hong Kong and the PRC during FY2018.

Gross Profit

The Group's gross profit increased by approximately HK$230.3 million or approximately 12.5% from approximately HK$1,848.9 million for FY2017 to approximately HK$2,079.2 million for FY2018. The increase was mainly due to increase in Tian Wang Watch Business as in line with the increase in revenue. The Group's gross profit margin increased by 3.3 percentage points from approximately 66.9% for FY2017 to approximately 70.2% for FY2018. The increase was mainly due to the contribution of the higher gross profit margin from Tian Wang Watch Business.

Other Income, Gains and Losses

The Group's other income, gains and losses decreased by approximately HK$15.0 million or approximately 51.1% from approximately HK$29.4 million for FY2017 to approximately HK$14.4 million for FY2018. The decrease was owing to a combined effect of increase in interest income of approximately HK$12.5 million, fair value gain on an investment property of approximately HK$6.1 million, increase in allowance for doubtful debts of approximately HK$27.2 million and increase in written-off of property, plant and equipment of approximately HK$9.7 million.

Selling and Distribution Costs

The Group's selling and distribution costs increased by approximately HK$112.2 million or approximately 8.1% from approximately HK$1,382.1 million for FY2017 to approximately HK$1,494.3 million for FY2018. The increase was mainly due to (i) extra staff cost incurred for the additional number of POS; (ii) the increase in advertising and promotion expenses which was in line with the increase in revenue.

Administrative Expenses

The Group's administrative expenses increased by approximately HK$1.7 million or approximately 0.9% from approximately HK$197.6 million for FY2017 to approximately HK$199.3 million for FY2018. The increase was mainly owing to a combined effect of increase in directors' emoluments of approximately HK$10.5 million and a decrease in legal and professional fees of approximately HK$8.6 million.

Finance Costs and Income Tax

The Group's finance costs increased by approximately HK$0.6 million or approximately 6.7% from approximately HK$8.4 million for FY2017 to approximately HK$9.0 million for FY2018 as a result of the increase in borrowings for the Other Brands (Global) Business.

The Group's income tax increased by approximately HK$12.9 million or approximately 12.7% from approximately HK$102.1 million for FY2017 to approximately HK$115.0 million for FY2018, which was in line with the overall increase in revenue. The Group's effective tax rate decreased from approximately 35.2% for FY2017 to approximately 29.4% for FY2018.

Profit attributable to the owners of the Company

As a combined result of the factors presented above, the profit attributable to the owners of the Company for FY2018 increased by approximately HK$55.7 million or approximately 23.6% from approximately HK$235.7 million for FY2017 to approximately HK$291.4 million for FY2018.

BUSINESS REVIEW

Overview

During FY2018, 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 FY2018, the retail market of watches in the PRC and Hong Kong remains challenging and consumer confidence has been affected by uncertainty in the economic growth of the PRC. As a result, the Group experienced slow growth in sales and pressure on profitability. 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 accounting for approximately 73.4% of the total revenue of the Group in FY2018, continues to be the Group's core brand business. Its over-30-years-long brand heritage and reputation of high quality, precise and stylish watches are the key factors to 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 71% 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 this is a competitive advantage over its competitors, which generally do not have fully and directly managed sales network and can only sell most of their products through distributors.

As at 30 June 2018, the number of the Group's POS for Tian Wang Watch Business was 2,585, representing a net increase of 16 POS as compared to the number of POS for Tian Wang Watch Business as at 30 June 2017. As at 30 June 2018, number of the Group's POS for Balco Watch Business was 393, representing a net decrease of 48 POS as compared to the number of POS for Balco Watch Business as at 30 June 2017. As at 30 June 2018, number of the Group's POS for Other Brands (PRC) Business was 78, representing a net decrease of 5 POS as compared to the number of POS for Other Brands (PRC) Business as at 30 June 2017.

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 73.4% of the Group's total revenue for FY2018 (FY2017: approximately 69.8%). During FY2018, the Group has launched not less than 90 new models of Tian Wang watch with price ranging from approximately RMB200 to RMB7,700 per watch for direct retail sales, e-commerce channels and corporate sales. This wide range of unit price of Tian Wang watches allowed the Group to cater for the different needs and more demand from customers of different income levels and age groups.

Balco Watch

Balco watches are assembled in and imported from Switzerland. Revenue of Balco Watch Business accounted for approximately 3.9% of the Group's total revenue for FY2018 (FY2017: approximately 4.6%). For FY2018, revenue from Balco Watch Business was approximately HK$116.1 million as compared with approximately HK$128.3 million for FY2017, representing a decrease of approximately HK$12.1 million or approximately 9.4%. The decrease was mainly owing to the drop in sales in the PRC market. The Group continued to implement constructive strategic plans so as to improve the performance of Balco Watch Business. These strategies include optimising sales and distribution channels within and outside PRC and launching new stylish models of Balco watches to the market.

Other Brands (PRC) Business

As living standard in China of ordinary people have improved in the past few decades, consumers are looking for more choices of quality and stylish watches of both domestic brands and imported international brands. For Other Brands (PRC) Business, the Group continues to provide a wide range of domestic and international products in order to satisfy demand from customers of different income levels and age groups. At the same time, the Group is closing non-performing POS and opening new POS in strategic locations so as to optimise the entire sales network.

Other Brands (Global) Business

Although the revenue of this business segment dropped slightly by approximately 5.3% from HK$316.1 million for FY2017 to HK$299.2 million for FY2018, the loss has been substantially reduced by more than 62% because of stringent control of expenses as well as considerable improvement of gross profit margin. The global market becomes tougher and intense competition coming from e-commerce makes the situation even more difficult. However, with effective sales network expansion and continuous cost control, the Group is confident in achieving significant progress in foreseeable future.

Watch Movements Trading Business

The Directors consider that the in-house watch movements procurement and trading arm of the Group forms an integral part of the Group's overall business operation. It not only provides reliable and stable supply of watch movements for the assembly of its Tian Wang watches but also generates revenue to the Group by supplying watch movements to other watch manufacturers and distributors. For FY2018, revenue of Watch Movements Trading Business accounted for approximately 4.9% of the Group's total revenue (FY2017: approximately 5.5%). There was a slight decrease in revenue of approximately HK$6.8 million or approximately 4.5% from approximately HK$151.3 million for FY2017 to approximately HK$144.5 million for FY2018.

E-commerce Business

Since 2013, the Group has commenced e-commerce business and started strategic co-operations with several major online sales platforms such as Tmall and JD.com. In order to capture the growing consumption power of younger generation, the Tian Wang and Balco watches available online are positioned at a lower price and fast fashion. The Directors also believe that a wide variety of watches enables the Group to reach out to an extensive range of customers across different age groups. For FY2018, there was a significant increase in sales of watches through e-commerce channels by approximately HK$164.4 million or approximately 40.0% from approximately HK$410.6 million for FY2017 to approximately HK$575.0 million for FY2018. The e-commerce business has achieved double digit growth in the sale of watches for five consecutive financial years since its establishment in 2013.

INVENTORY CONTROL

The Group's inventory balance was approximately HK$583.7 million as at 30 June 2018, representing an increase of approximately HK$34.5 million or approximately 6.3% as compared with approximately HK$549.1 million as at 30 June 2017. The Group's inventory turnover days decreased to approximately 234 days for FY2018, as compared with 238 days for FY2017. Such decrease was primarily attributable to the improved internal management on inventory control during FY2018. The Group will continue to monitor and control its inventory level vigilantly while expanding the sales network so 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$154.1 million and approximately HK$134.5 million as at 30 June 2018 and 30 June 2017 respectively, with corresponding provision for these inventory balances of approximately HK$98.3 million and approximately HK$82.3 million respectively. The management of the Group assesses and reviews the inventory ageing analysis at the end of each reporting period and identifies the slow-moving items that are no longer suitable for use in production or sales. At the end of each reporting period, our 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 the 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$754.1 million and approximately HK$651.0 million as at 30 June 2018 and 30 June 2017 respectively.

The Group's net cash generated from operating activities for FY2018 was approximately HK$429.3 million, representing an increase of approximately HK$57.5 million from approximately HK$371.8 million for FY2017. The amount was primarily attributable to profit before taxation of approximately HK$391.0 million from the Group's operations adjusted for non-cash items of approximately HK$131.7 million, decrease of working capital balances of approximately HK$18.2 million, income taxes paid of approximately HK$98.2 million and interest received of approximately HK$23.0 million.

The Group's net cash used in investing activities for FY2018 was approximately HK$242.5 million, which was mainly attributable to purchase of property, plant and equipment of approximately HK$111.4 million, structured deposits placed in commercial banks of approximately HK$161.7 million which was partially offset by proceeds from disposal of available-for-sale investments of approximately HK$34.9 million.

The Group's net cash used in financing activities for FY2018 was approximately HK$92.6 million, which was mainly attributable to dividends payment of approximately HK$104.0 million and repayment of bank borrowings of approximately HK$256.6 million, which was partially offset by borrowings raised of approximately HK$258.7 million, other loans raised of approximately HK$15.7 million. The Group's bank borrowings and overdraft were approximately HK$67.5 million and approximately HK$65.0 million as at 30 June 2018 and 30 June 2017 respectively.

The Group was in net cash position as at 30 June 2018 and 30 June 2017. As at 30 June 2018, the Group's total equity was approximately HK$2,053.1 million, representing an increase of approximately HK$205.0 million from approximately HK$1,848.1 million as at 30 June 2017. The Group's working capital was approximately HK$1,731.6 million as at 30 June 2018, representing an increase of approximately HK$64.6 million as compared with approximately HK$1,667.0 million as at 30 June 2017.

As at 30 June 2018, the Group's bank balances and cash were mainly denominated in Renminbi and Hong Kong dollar. As at 30 June 2018, all the Group's bank borrowings were short term bank borrowings subject to variable interest rates and principally denominated in Hong Kong dollar and United States dollar.

The gearing ratio being calculated as total debt over total equity remained relatively stable at approximately 9.9% and approximately 9.8% as at 30 June 2018 and 30 June 2017, respectively.

CHARGE ON GROUP ASSETS

There was no material charge on the Group's assets as at 30 June 2018 and 2017.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2018 and 2017.

CAPITAL COMMITMENTS

The Group did not have any material capital commitments as at 30 June 2018 and 2017.

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, bank balances, other payables and accrued charges, bank borrowings and overdraft as well as some 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, the 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 2018, the Group employed a total of approximately 5,300 full time employees in the PRC and Hong Kong (30 June 2017: approximately 5,200). The staff costs incurred during FY2018 was approximately HK$532.3 million (FY2017: approximately HK$476.6 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 result of performance assessment of individual. 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 FY2018 amounted to approximately HK$2.7 million (FY2017: approximately HK$5.9 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$702.0 million had been utilised for FY2013, FY2014, FY2015, FY2016 and FY2017. For FY2018, the Company had not further utilised of the proceeds in the manner set out in the following table.

	Amount of net proceeds allocated and unutilised as at 1 July 2017 *(HK$'m)*	**Amount of net proceeds utilised for FY2018** *(HK$'m)*	**Balance as at 30 June 2018** *(HK$'m)*	**Actual business progress up to 30 June 2018**
Opening of POS in the coming years	–	–	–	
Establishing joint ventures worldwide with experienced operators of watch sales network and acquiring their inventories	0.8	0.8	–	Approximately HK$0.8 million of IPO proceeds was used for the business of design and distribution of certain owned and licensed international brands of watches during FY2018.
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.
	40.8	0.8	40.0	

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

PROSPECTS AND STRATEGIES

FY2018 was an eventful year for international politics and economics. US President Donald Trump has been imposing tariffs on certain amount of goods coming from China and other countries; PRK leader Kim Jong Un and US President Donald Trump met unprecedentedly in Singapore; US Federal Reserve started to unwind QE (Quantitative Easing). These uncertainties brought impact to the international financial market and global trade, resulting in decelerated growth in the world economy. The traditional watch industry in the PRC could not be an exception.

Under such challenging circumstances, the Chinese government has been actively driving structural reforms on the supply-side to facilitate economic development in an orderly manner. The GDP of China grew 6.8% in the first half of 2018, which demonstrated obvious signs of steady expansion.

For retail business, the Group will continue to roll out and execute its POS expansion plan by 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 by maintaining a moderate increase in number of 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. Moreover, the Group will continuously expand the variety of products lines, especially for the target customers from the younger generation. Furthermore, we will strive for excellence on showcase and accessories to upscale our brand images and enhance customers’ shopping experience.

With technological advancements and the emergence of the new normal in consumption, retailers should take the initiatives to upgrade and transform the industry, developing an operational framework which integrates online-to-offline, social media, ambience crafting and multiple business model, so as to capitalise on the new growth points from China consumption upgrade. Apart from traditional watch industry, the Group will seek to explore business opportunity in the smart watch sector in the near future.

E-commerce business continues to be another key revenue driver for the Group and focuses on targeting customers from the younger generation. The watches for e-commerce platform are exclusively available through the online sales platform 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. However, the performance of Other Brands (Global) Business has been improved substantially because of stringent control of expenses as well as considerable improvement of gross profit margin. 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.

Looking forward, given the overall market condition and general economic development, the Directors still expects another challenging year but filled with numerous opportunities as the Group has laid a solid business foundation in the recent past. 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 plan.

PROPOSED FINAL DIVIDEND AND ANNUAL GENERAL MEETING

For FY2018, the Directors have recommended the payment of a final dividend of HK3.75 cents per share, amounting to approximately HK$78.0 million, representing a payout of approximately 53.7% 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 2018, 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 2018. It is expected that the proposed final dividend will be paid on or about 7 December 2018.

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 19 November 2018 to 22 November 2018 (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 2018.

For the purpose of determining members who are qualified for the proposed final dividend for FY2018 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 2018, 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 2018.

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 FY2018.

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 FY2018, 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 FY2018.

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 FY2018 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 FY2018 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 2018

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.