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Time Watch Investments Limited

時計寶投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2033)

CONTINUING CONNECTED TRANSACTIONS

REVISION OF ANNUAL CAPS FOR THE HONG KONG DISTRIBUTION AGREEMENT

REVISION OF ANNUAL CAPS OF THE HONG KONG DISTRIBUTION AGREEMENT

The Group has been selling its Tian Wang and Balco watches to Fortune Silver on consignment basis pursuant to the Hong Kong Distribution Agreement. Based on the statement of accounts of sales between Fortune Silver and the Group, the aggregate purchase price receivable from Fortune Silver for the nine months ended 31 March 2014 amounted to approximately HK\$19.6 million, which is approaching the annual cap for the year ending 30 June 2014 of HK\$21.0 million as stipulated in the announcement of the Company dated 16 May 2013. Based on the continuing demand of the Group's watches in Hong Kong through Fortune Silver, it is expected that the aggregate purchase price receivable from Fortune Silver for the sales of branded watches by the Group under the Hong Kong Distribution Agreement for the year ending 30 June 2014 will exceed such annual cap, and therefore such annual cap and the annual cap for the year ending 30 June 2015 need to be revised accordingly. It is expected that the aggregate purchase price receivable from Fortune Silver for the sales of branded watches by the Group under the Hong Kong Distribution Agreement for each of the two years ending 30 June 2015 will not exceed the revised annual caps of HK\$29 million and HK\$34 million, respectively.

LISTING RULES IMPLICATIONS

As Fortune Silver is owned as to 51% by Fine Jade International Limited, a direct wholly-owned subsidiary of Winning Metal Products Manufacturing Company Limited, which in turn is wholly-owned by Mr. Michael Tung, Fortune Silver is a connected person of the Company. Therefore, the transactions contemplated under the Hong Kong Distribution Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the purchase prices payable to Fortune Silver under the Hong Kong Distribution Agreement (as aggregated by the purchase prices paid and expected to be payable to Time Watch Taiwan for each of the two years ending 30 June 2015 under the Taiwan Distribution Agreement as disclosed in the announcement of the Company dated 13 June 2013) for each of the two years ending 30 June 2015 are expected to represent more than 1% but less than 5% of the applicable percentage ratios under the Listing Rules and are expected to exceed HK\$1 million, the continuing connected transactions of the Company under the Hong Kong Distribution Agreement and the revised annual caps will be subject to reporting, announcement and annual review requirements, but will be exempt from independent Shareholders' approval requirements pursuant to Rule 14A.34 of the Listing Rules.

Reference is made to the section headed "Continuing Connected Transactions" in the prospectus of the Company dated 24 January 2013 in relation to, among others, the Hong Kong Distribution Agreement, and the announcements of the Company dated 16 May 2013 and 13 June 2013 in relation to the Hong Kong Distribution Agreement and the Taiwan Distribution Agreement.

REVISION OF ANNUAL CAPS OF THE HONG KONG DISTRIBUTION AGREEMENT

Background

Pursuant to the Hong Kong Distribution Agreement, the Group has been selling its Tian Wang and Balco watches to Fortune Silver on consignment basis. Under the Hong Kong Distribution Agreement, the purchase price of each watch sold during the relevant calendar month shall be determined by reference to a variable percentage discount to the recommended retail price of such watch in Hong Kong, in a sliding scale based on the quantity of watches sold during the relevant calendar month. No sales commission will be payable by the Group to Fortune Silver and/or its staff under the Hong Kong Distribution Agreement. The parties have further agreed that the terms and conditions of each sale and purchase (including the discount percentage scale/rate from time to time applicable and the payment terms) shall in any event be no more favourable to Fortune Silver than those offered by the Group to independent third-party distributors of its Tian Wang and Balco watches in Hong Kong, and the purchase prices shall be payable by Fortune Silver within 30 days after the date of the relevant invoice issued by the Group to Fortune Silver (that is, approximately 60 days from the delivery of the products), or such longer period as the parties may agree. The Hong Kong Distribution Agreement has a term expiring on 30 June 2015 unless terminated earlier by three months' written notice by either party.

On 16 May 2013, the Board announced to revise the annual caps for the aggregate purchase price receivable from Fortune Silver for the sales of branded watches by the Group under the Hong Kong Distribution Agreement for each of the three years ending 30 June 2015. Based on the statement of accounts of sales between Fortune Silver and the Group, the aggregate purchase price receivable from Fortune Silver for the nine months ended 31 March 2014 amounted to approximately HK\$19.6 million, which is approaching the annual cap for the year ending 30 June 2014 of HK\$21.0 million as stipulated in the announcement of the Company dated 16 May 2013. Based on the continuing demand of the Group's watches in Hong Kong through Fortune Silver, it is expected that the aggregate purchase price receivable from Fortune Silver for the sales of branded watches by the Group under the Hong Kong Distribution Agreement for the year ending 30 June 2014 will exceed such annual cap, and therefore such annual cap and the annual cap for the year ending 30 June 2015 need to be revised accordingly.

The revised annual caps

The Company estimated the aggregate purchase price receivable from Fortune Silver for the sales of branded watches by the Group under the Hong Kong Distribution Agreement for each of the two years ending 30 June 2015 will not exceed the revised annual caps of HK\$29 million and HK\$34 million, respectively.

The revised annual caps are determined based on (i) the quantities of branded watches actually sold by the Group through Fortune Silver for the nine months ended 31 March 2014, and the expected continuing demand of the Group's watches for the remaining three months ending 30 June 2014 after taking account of the higher sales volume of the Group's watches during the statutory holidays in the PRC for such period, such as the Labour Day; and (ii) the assumption that there will be a growth in the sales of the Group's Tian Wang and Balco watches to Fortune Silver in the year ending 30 June 2015 at a expected annual rate of approximately 15%. The above growth rate is determined by the Group based on its understanding of the expected growth of the watch business in the PRC in the coming two years with reference to historical annual growth rate in the sales of branded watches by the Group to Fortune Silver of approximately 66% for the year ended 30 June 2013 and the compound annual growth rate of approximately 97% for the three years ended 30 June 2013.

REASONS FOR AND BENEFITS IN THE CONTINUING CONNECTED TRANSACTIONS

Fortune Silver, a company incorporated in Hong Kong with limited liability, is principally engaged in the retail sales of different brands of watches at, and the operation of, a shop in Tsim Sha Tsui, Hong Kong.

The Group has been principally focusing on the manufacture of its Tian Wang watches and the retail sales of its Tian Wang and Balco watches, with the PRC as its principal market. The Group has relatively limited experiences and exposure in overseas markets, including Hong Kong, and therefore has been selling its watches to these overseas markets through distributors. In particular, the Group has been distributing its Tian Wang and Balco watches to be sold in Hong Kong through Fortune Silver (through a shop operated by it). The Group's sales of Tian Wang and Balco watches to Fortune Silver during each of the three years ended 30 June 2013 amounted to approximately HK\$4.9 million, HK\$11.5 million and HK\$19.1 million, respectively. The Group does not operate its own shops or other points of sales in Hong Kong.

The Directors consider that it is beneficial to the Company and the Shareholders for the Group to continue to focus on retail sales and operations of points of sales in the PRC, and to minimise its exposure to business and investment risks in overseas markets (such as increase in rent and labour costs for operating the Group's own points of sales in these markets) by continuing to sell its watches to Hong Kong market through Fortune Silver.

The Directors (including the independent non-executive Directors) consider that the transactions under the Hong Kong Distribution Agreement have been and will be entered into in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms and conditions of the Hong Kong Distribution Agreement and the revised annual caps as set out above are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As Fortune Silver is owned as to 51% by Fine Jade International Limited, a direct wholly-owned subsidiary of Winning Metal Products Manufacturing Company Limited, which in turn is wholly-owned by Mr. Michael Tung (being an executive Director and a controlling shareholder of the Company), Fortune Silver is a connected person of the Company. Therefore, the transactions contemplated under the Hong Kong Distribution Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Group has also been distributing its Tian Wang and Balco watches in Taiwan through Time Watch Taiwan on wholesale basis under the Taiwan Distribution Agreement, and Time Watch Taiwan is owned as to 51% by Fortune Best International Enterprise Limited, which is owned as to 42% by Prince Success Limited, which in turn is also wholly-owned by Mr. Michael Tung. Since the purchase prices payable to Fortune Silver under the Hong Kong Distribution Agreement (as aggregated by the purchase prices paid and expected to be payable to Time Watch Taiwan for the two years ending 30 June 2015 under the Taiwan Distribution Agreement as disclosed in the announcement of the Company dated 13 June 2013) for each of the two years ending 30 June 2015 are expected to represent more than 1% but less than 5% of the applicable percentage ratios under the Listing Rules and are expected to exceed HK\$1 million, the continuing connected transactions of the Company under the Hong Kong Distribution Agreement and the revised annual caps will be subject to reporting, announcement and annual review requirements, but will be exempt from independent Shareholders' approval requirements pursuant to Rule 14A.34 of the Listing Rules.

As Mr. Michael Tung and Mr. Ricky Tung had material interests in the Hong Kong Distribution Agreement, each of them had abstained from voting on the relevant Board resolutions for approving the revised annual caps for transactions contemplated under the Hong Kong Distribution Agreement.

DEFINITIONS

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

“Board”	board of the Directors of the Company
“Company”	Time Watch Investments Limited (時計寶投資有限公司), a limited liability company incorporated in the Cayman Islands
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Fortune Silver”	Fortune Silver Holdings Limited (瑞士集團有限公司), a company incorporated in Hong Kong with limited liability

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Distribution Agreement”	a distribution agreement dated 19 December 2012 and entered into between Fortune Silver and Win Sun pursuant to which the Group agreed to sell its Tian Wang and Balco watches to Fortune Silver on consignment basis
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Michael Tung”	Mr. Tung Koon Ming (董觀明), the chairman, chief executive officer of the Company, an executive Director, a controlling shareholder of the Company and the father of Mr. Ricky Tung
“Mr. Ricky Tung”	Mr. Tung Wai Kit (董偉傑), an executive Director and the son of Mr. Michael Tung
“PRC”	the People’s Republic of China
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiwan Distribution Agreement”	a distribution agreement dated 13 June 2013 and entered into between Time Watch Taiwan and Win Sun pursuant to which the Group agreed to sell its Tian Wang and Balco watches to Time Watch Taiwan on wholesale basis
“Time Watch Taiwan”	Time Watch Enterprise Company Limited (寶時鐘錶企業有限公司), a company incorporated in Hong Kong with limited liability and (where the context so requires) its Taiwan branch. Time Watch Taiwan is indirectly and beneficially owned as to approximately 21.4% by Mr. Michael Tung through an indirect non-wholly-owned subsidiary (which owned 51% of direct interest in Time Watch Taiwan) of a company (in which Mr. Michael Tung is beneficially interested as to 42%)

“Win Sun”	Win Sun International Limited (捷新國際有限公司), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 17 April 2014

As at the date of this announcement, the executive Directors are Mr. Tung Koon Ming, Mr. Lo Wing Sang, Mr. Hou Qinghai and Mr. Tung Wai Kit; and the independent non-executive Directors are Mr. Ma Ching Nam, Mr. Wong Wing Keung Meyrick and Mr. Choi Ho Yan.