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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 2020

- Revenue from continuing operations for the year ended 30 June 2020 ("**FY2020**") decreased by approximately 27.4% to approximately HK$1,726.4 million, as compared with approximately HK$2,377.9 million for the year ended 30 June 2019 ("**FY2019**").
- Gross profit from continuing operations for FY2020 decreased by approximately 27.4% to approximately HK$1,273.2 million, as compared with approximately HK$1,754.6 million for FY2019.
- Gross profit margin from continuing operations remain stable for both of FY2019 and FY2020.
- The board did not recommend a payment of final dividend for FY2020 (FY2019: HK4.3 cents per share).
- Profit attributable to owners of the Company from continuing operations and discontinued operation for FY2020 was approximately HK$91.4 million, representing a decrease of approximately 70.1% as compared with approximately HK$305.4 million for FY2019.
- Basic earnings per share from continuing operations for FY2020 was HK6.8 cents (FY2019: HK15.3 cents).

ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2020

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 FY2020 together with the consolidated statement of financial position of the Group as at 30 June 2020, and the notes with comparative figures for FY2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	NOTES	**2020** *HK$'000*	2019 *HK$'000* (restated)
Continuing operations			
Revenue	*3*	**1,726,432**	2,377,914
Cost of sales		**(453,226)**	(623,323)
Gross profit		**1,273,206**	1,754,591
Other income, gains and losses	*4*	**41,141**	64,804
Net impairment losses on trade receivables		**(5,255)**	(4,840)
Selling and distribution costs		**(988,342)**	(1,273,884)
Administrative expenses		**(124,748)**	(146,020)
Finance costs	*5*	**(1,218)**	(1,755)
Share of results of a joint venture		**1,314**	648
Profit before taxation		**196,098**	393,544
Income tax	*6*	**(53,600)**	(74,598)
Profit for the year from continuing operations	*7*	**142,498**	318,946
Discontinued operation			
Loss for the period/year from discontinued operation	*8*	**(83,093)**	(25,879)
Profit for the year		**59,405**	293,067
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of leasehold land and buildings		**508**	491
Exchange differences arising on translation		**(56,218)**	(66,972)
Items that may be reclassified subsequently to profit or loss:			
Fair value change of debt instruments at fair value through other comprehensive income		**(2,754)**	5,294
Reclassification adjustment relating to debt instruments at fair value through other comprehensive income disposed of during the year		**531**	1,392
		(57,933)	(59,795)
Total comprehensive income for the year		**1,472**	233,272

	NOTES	2020 HK$'000	2019 HK$'000 (restated)
Profit (loss) for the year attributable to owners of the Company:			
From continuing operations		**140,720**	318,043
From discontinued operation		**(49,318)**	(12,683)
		91,402	305,360
Profit (loss) for the year attributable to non-controlling interests:			
From continuing operations		**1,778**	903
From discontinued operation		**(33,775)**	(13,196)
		(31,997)	(12,293)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**34,072**	247,138
Non-controlling interests		**(32,600)**	(13,866)
		1,472	233,272
Earnings per share	*10*		
From continuing and discontinued operations			
– Basic *(HK cents)*		**4.4**	14.7
From continuing operations			
– Basic *(HK cents)*		**6.8**	15.3

Details of final dividend proposed for the year are disclosed in note 9 to this annual results announcement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	11	**249,315**	231,713
Prepaid lease payments		**–**	34,708
Right-of-use assets	12	**54,708**	–
Investment property	13	**92,000**	113,900
Deposits paid for acquisition of property, plant and equipment		**3,706**	1,919
Interest in a joint venture		**10,755**	9,481
Financial assets at fair value through profit or loss	14	**350,767**	383,918
Debt instruments at fair value through other comprehensive income	15	**195,850**	200,298
Financial assets at amortised cost	16	**54,850**	–
Deferred tax assets		**48,646**	48,863
		1,060,597	1,024,800
Current assets			
Inventories	17	**374,315**	480,665
Prepaid lease payments		**–**	1,306
Trade receivables	18	**254,447**	370,046
Other receivables, deposits and prepayments	18	**93,959**	113,384
Tax recoverable		**1,789**	20
Financial assets at fair value through profit or loss	14	**17,361**	274,656
Debt instruments at fair value through other comprehensive income	15	**–**	19,441
Pledged bank deposits		**–**	7,793
Bank balances and cash		**693,638**	421,748
		1,435,509	1,689,059
Current liabilities			
Trade payables and bills payable	19	**34,029**	79,228
Other payables and accrued charges		**132,543**	163,831
Contract liabilities		**–**	182
Tax liabilities		**30,771**	37,754
Bank borrowings and overdraft		**–**	62,542
Lease liabilities		**11,519**	–
Other loans		**7,750**	143,333
		216,612	486,870
Net current assets		**1,218,897**	1,202,189
Total assets less current liabilities		**2,279,494**	2,226,989

	NOTES	2020 HK$'000	2019 HK$'000
Capital and reserves			
Share capital		**207,995**	207,995
Reserves		**1,961,465**	2,015,553
Equity attributable to owners of the Company		**2,169,460**	2,223,548
Non-controlling interests		**23,729**	(64,517)
Total equity		**2,193,189**	2,159,031
Non-current liabilities			
Deferred tax liabilities		**76,752**	67,958
Lease liabilities		**9,553**	–
		86,305	67,958
		2,279,494	2,226,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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 certain properties and certain financial instruments, which are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

The Group has early applied Amendment to HKFRS 16 "Covid-19-Related Rent Concessions" for rent concessions occurring as a direct consequence of Covid-19.

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

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 July 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 July 2019.

As at 1 July 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rates for certain leases of office premises, factories, shops and shop counters in the PRC and Hong Kong were determined on a portfolio basis; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Company's leases with extension options.

Amendment to HKFRS 16 "Covid-19-Related Rent Concessions"

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021;and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 "Leases" if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group has early applied the amendment in current year. The application has no impact to the opening accumulated profits at 1 July 2019. The Group recognised changes in lease payments that resulted from rent concessions of approximately HK$6,369,000 in the profit or loss for the year.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
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 1	Classification of Liabilities as Current or Non-current[6]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[5]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[5]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[5]

[1] *Effective for annual periods beginning on or after 1 January 2021*

[2] *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020*

[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 2020*

[5] *Effective for annual periods beginning on or after 1 January 2022*

[6] *Effective for annual periods beginning on or after 1 January 2023*

3. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue from contracts with customers

Continuing operations

	For the year ended 30 June 2020	
Type of goods	**Watches**	**Watch movements**
	HK$'000	***HK$'000***
Sales of watches		
– Tian Wang Watch	**1,450,261**	**–**
– Balco Watch	**42,426**	**–**
– Other brands	**140,041**	**–**
	1,632,728	**–**
Trading of watch movements	**–**	**93,704**
Total	**1,632,728**	**93,704**

Sales channel	***HK$'000***
Retail	**1,160,563**
E-commerce platforms	**472,165**
Wholesale	**93,704**
Total	**1,726,432**
Timing of revenue recognition	
A point in time	**1,726,432**

	For the year ended 30 June 2019	
		(re-presented)
Type of goods	Watches	Watch movements
	HK$'000	*HK$'000*
Sales of watches		
– Tian Wang Watch	1,963,106	–
– Balco Watch	77,405	–
– Other brands	209,221	–
	2,249,732	–
Trading of watch movements	–	128,182
Total	2,249,732	128,182

Sales channel	*HK$'000*
Retail	1,683,372
E-commerce platforms	566,360
Wholesale	128,182
Total	2,377,914
Timing of revenue recognition	
A point in time	2,377,914

For management purpose, the Group is currently organised into four operating divisions for continuing operations as follows:

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

b. **Balco Watch Business** – Wholesale and retail business of owned brand watches – Balco Watch;

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

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

An operating segment regarding the Group's global distribution of owned and licenced international brands of watches ("**Other Brands (Global) Business**") was discontinued during the year ended 30 June 2020. The Group's Other Brands (Global) Business was carried out by TWB and its subsidiaries, namely Geneva Watch Group Inc ("**GWG**") and 時計商貿（梅州）有限公司（"**時計梅州**"）. Upon the disposal of the entire interest of GWG, the Group discontinued its Other Brands (Global) Business during the year ended 30 June 2020. The segment information reported does not include any amount for the discontinued operation, which are described in detail in note 8. Prior year segment disclosures have been represented to conform with the current year's presentation.

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 and reporting segment.

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segments:

Year ended 30 June 2020

	Tian Wang Watch Business	Balco Watch Business	Watch Movements Trading Business	Other Brands (PRC) Business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations					
Revenue					
External sales	**1,450,261**	**42,426**	**93,704**	**140,041**	**1,726,432**
Inter-segment sales	**–**	**–**	**18,772**	**–**	**18,772**
Segment revenue	**1,450,261**	**42,426**	**112,476**	**140,041**	**1,745,204**
Elimination					**(18,772)**
Group revenue					**1,726,432**
Results					
Segment results	**256,288**	**(29,598)**	**3,637**	**(9,792)**	**220,535**
Interest income					**48,141**
Unallocated other income, gains and losses					**(27,135)**
Central administration costs					**(44,225)**
Finance costs					**(1,218)**
Profit before taxation					**196,098**

Year ended 30 June 2019 (Re-presented)

	Tian Wang Watch Business	Balco Watch Business	Watch Movements Trading Business	Other Brands (PRC) Business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations					
Revenue					
External sales	1,963,106	77,405	128,182	209,221	2,377,914
Inter-segment sales	–	–	36,969	–	36,969
Segment revenue	1,963,106	77,405	165,151	209,221	2,414,883
Elimination					(36,969)
Group revenue					2,377,914
Results					
Segment results	439,110	(36,908)	(6,560)	5,523	401,165
Interest income					42,940
Unallocated other income, gains and losses					3,051
Central administration costs					(51,857)
Finance costs					(1,755)
Profit before taxation					393,544

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.

Inter-segment sales are charged at prevailing market rates.

4. OTHER INCOME, GAINS AND LOSSES

	2020	2019
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Other income:		
Bank interest income	**9,712**	4,507
Interest income on financial assets measured at fair value through profit or loss ("FVTPL")	**27,082**	32,363
Interest income on debt instruments at fair value through other comprehensive income ("FVTOCI")	**11,347**	6,070
Watch repair and maintenance services income	**4,929**	6,033
Government subsidies *(Note)*	**22,847**	17,233
Rental income	**3,093**	4,079
Others	**9,140**	6,544
	88,150	76,829
Other gains and losses:		
Loss on disposal and write-off of property, plant and equipment	**(12,539)**	(11,935)
Loss on disposal of a debt instrument at FVTOCI	**(490)**	(1,203)
(Loss) gain from changes in fair value of financial assets measured at FVTPL	**(849)**	8,032
(Loss) gain from change in fair value of an investment property	**(21,900)**	2,900
Net exchange loss	**(11,231)**	(9,819)
	(47,009)	(12,025)
	41,141	64,804

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

	2020	2019
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Interest on bank borrowings	**–**	1,755
Interest expenses of lease liabilities	**1,218**	–
	1,218	1,755

6. INCOME TAX

	2020	2019
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Current tax:		
PRC Enterprise Income Tax	**44,488**	76,418
PRC withholding tax	**488**	29,846
	44,976	106,264
Underprovision (overprovision) in prior years:		
Hong Kong Profits Tax	**–**	472
PRC Enterprise Income Tax	**(822)**	(20,946)
	(822)	(20,474)
Deferred taxation	**9,446**	(11,192)
	53,600	74,598

7. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	2020	2019
	HK$'000	*HK$'000*
		(restated)
Profit for the year from continuing operations has been arrived at after charging:		
Auditor's remuneration	**3,000**	2,550
Directors' remuneration		
Fees	**1,080**	1,056
Other emoluments	**9,402**	20,357
Retirement benefit scheme contributions	**57**	70
	10,539	21,483
Other staff costs	**342,146**	375,372
Retirement benefit scheme contributions	**38,493**	56,766
Total staff costs	**391,178**	453,621
Depreciation of property, plant and equipment	**69,027**	69,953
Depreciation of right-of-use assets	**16,142**	–
Amortisation of prepaid lease payments	**–**	1,326
Cost of inventories recognised as cost of sales	**404,719**	572,250
Research and development costs recognised as cost of sales	**38,618**	45,977
Allowance for inventories recognised as cost of sales	**9,889**	5,096
Concessionaire fee *(Note)*	**257,110**	441,630
Operating lease payment in respect of shop counters and shops	**N/A**	24,451
Operating lease payment in respect of office premises and factories	**N/A**	11,749
Payment in respect of short-term leases	**70,410**	N/A

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. DISCONTINUED OPERATION

On 26 June 2020, the Group entered into a sale and purchase agreement to sell the entire interest of Geneva Watch Group Inc. ("**GWG**") at a consideration of US$499,369 (equivalent to approximately HK$3,870,000) (The "**Disposal**"). Upon completion of the Disposal on 26 June 2020, the assets, liabilities and financial results of GWG no longer be consolidated into the financial statements of the Group.

9. DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2020 Interim – nil (2019 Interim – HK2 cents) per share	**–**	41,599
2019 Final – HK4.30 cents (2018 Final – HK3.75 cents) per share	**89,438**	77,998
	89,438	119,597

Subsequent to the end of the reporting period, no final dividend in respect of the year ended 30 June 2020 (2019: HK4.30 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.

10. EARNINGS PER SHARE

For continuing operations

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2020	2019
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to owners of the Company	**91,402**	305,360
Add: Loss for the year from discontinued operation	**49,318**	12,683
Earnings for the purposes of basic earnings per share from continuing operations	**140,720**	318,043
	'000	*'000*
Number of shares:		
Number of ordinary shares for the purposes of basic earnings per share	**2,079,946**	2,079,946

For continuing and discontinued operations

The calculation of basic earnings per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of basic earnings per share Profit for the year attributable to owners of the Company	**91,402**	305,360

The denominator used are the same as those detailed above for basic earnings per share.

From discontinued operation

Basic loss per share for the discontinued operation is HK2.4 cents (2019: HK0.6 cents) per share, based on loss for the year from discontinued operation of approximately HK$49.3 million (2019: approximately HK$12.7 million) and the denominator detailed above for basic earnings per share.

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

11. PROPERTY, PLANT AND EQUIPMENT

During the year ended 30 June 2020, the Group purchased property, plant and equipment of approximately HK$107,120,000 (year ended 30 June 2019: approximately HK$140,546,000) and wrote off property, plant and equipment of approximately HK$13,130,000 (year ended 30 June 2019: approximately HK$12,175,000).

12. RIGHT-OF-USE ASSETS

	Leasehold land	**Leased properties**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 July 2019			
Carrying amount	36,014	27,247	63,261
As at 30 June 2020			
Carrying amount	33,457	21,251	54,708
For the year end 30 June 2020			
Depreciation charge	1,276	14,866	16,142
Expenses relating to short-term leases			80,634

13. INVESTMENT PROPERTY

	HK$'000
Fair value	
At 1 July 2018	111,000
Increase in fair value recognised in profit or loss	2,900
At 30 June 2019	113,900
Decrease in fair value recognised in profit or loss	(21,900)
At 30 June 2020	92,000

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment property.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$'000	*HK$'000*
Financial assets measured at FVTPL:		
Certificate of deposits	**346,557**	288,597
Investment in a trust	**17,361**	92,861
Structured deposits	**–**	274,656
Life insurance	**4,210**	2,460
	368,128	658,574
Analysed for reporting purposes as:		
Non-current assets	**350,767**	383,918
Current assets	**17,361**	274,656
	368,128	658,574

15. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	HK$'000	*HK$'000*
Debt instruments – unlisted	**195,850**	219,739
Analysed for reporting purposes as:		
Non-current assets	**195,850**	200,298
Current assets	**–**	19,441
	195,850	219,739

The debt instruments represent the Group's investments in corporate bonds. These corporate bonds are measured at fair value which are quoted bid prices by a bank. The corporate bonds carry coupon rates ranging from 4.9% to 6.25% (2019: 4.5% to 6.25%) payable semi-annually and will be matured from August 2021 to perpetuity (2019: January 2020 to perpetuity).

The amount are denominated in US Dollars ("**USD**") which is not the functional currency of the relevant group entity.

16. FINANCIAL ASSETS AT AMORTISED COST

	2020	2019
	HK$'000	*HK$'000*
Certificate of deposits – non-current	**54,850**	–

Note: As at 30 June 2020, financial assets at amortised cost included certificate of deposits issued by a bank in the PRC with interest at a fixed rate of 4.125% per annum payable at maturity. These certificates are non-transferrable and not early redeemable. The maturity date of the certificates is August 2022.

17. INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Raw materials and consumables	**68,386**	71,887
Work in progress	**3,141**	5,227
Finished goods	**302,788**	403,551
	374,315	480,665

18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020	2019
	HK$'000	*HK$'000*
Trade receivables from third parties	**285,628**	409,691
Trade receivables from related companies	**5,352**	2,844
Less: allowance for credit losses	**(36,533)**	(42,489)
	254,447	370,046
Deposits	**23,823**	26,582
Prepayments	**9,439**	19,851
VAT receivables	**9,721**	9,584
Fund deposits to e-payment platforms	**8,060**	18,645
Amount due from a joint venture	**5,485**	7,226
Consideration receivable	**3,870**	–
Interest receivables	**8,892**	5,759
Others	**24,669**	25,737
	93,959	113,384
Total trade and other receivables, deposits and prepayments	**348,406**	483,430

As at 30 June 2020 and 1 July 2019, trade receivables from contracts with customers amounted to approximately HK$254,447,000 and approximately HK$370,046,000 respectively. As at 1 July 2018, trade receivables from contracts with customers amounted to approximately HK$415,692,000.

Trade receivables from third parties mainly represent receivables from department stores and e-commerce platforms in relation to the collection of sales proceeds from sales of merchandise to customers and other corporate customers and wholesalers for the Group's wholesale business and trading of watch movement business. The credit period granted to the debtor(s) is ranging from 30-60 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 amount due from a joint venture is non-trade in nature, and the amount is unsecured, unguaranteed and repayable on demand.

The following is an ageing analysis of trade receivables from third parties net of allowance for credit losses, presented based on the date of receipt of goods for retail customers and delivery of goods for wholesale and corporate customers, which approximates to the respective date of revenue recognition, at the end of the reporting period:

	2020	2019
	HK$'000	*HK$'000*
0 to 60 days	**214,092**	310,481
61 to 120 days	**18,474**	39,785
121 to 180 days	**11,649**	7,872
Over 180 days	**4,880**	9,064
	249,095	367,202

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:

	2020	2019
	HK$'000	*HK$'000*
0 to 60 days	**5,352**	2,844

19. TRADE PAYABLES AND BILLS PAYABLE

	2020	2019
	HK$'000	*HK$'000*
Trade payables to third parties	**33,122**	70,146
Bills payable to third parties	**907**	5,860
Trade payables to related companies	**–**	3,222
	34,029	79,228

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

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**22,276**	43,254
31 to 60 days	**4,390**	9,075
61 to 90 days	**2,268**	10,933
Over 90 days	**4,188**	6,884
	33,122	70,146

The related companies, which are 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:

	2020	2019
	HK$'000	*HK$'000*
Over 90 days	**–**	3,222

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue of the Group from continuing operations decreased by approximately HK$651.5 million or approximately 27.4% from approximately HK$2,377.9 million for FY2019 to approximately HK$1,726.4 million for FY2020. The decrease was mainly attributable to the significant impact on the operations of the Group since late January 2020 and the weak consumer sentiment caused by the outbreak of COVID-19 in the PRC. The operations of some of the point of sales ("**POS**") of the Group in the PRC were suspended for certain period of time during February 2020 and the customer traffic flow in the department stores and shopping malls were relatively low during February to April of 2020.

Tian Wang Watch Business

Revenue of Tian Wang Watch Business continued to be the Group's main source of revenue which accounted for approximately 84.0% of the total revenue of the Group for FY2020 (FY2019: approximately 82.6%). Revenue of Tian Wang Watch Business decreased by approximately HK$512.8 million or approximately 26.1% from approximately HK$1,963.1 million for FY2019 to approximately HK$1,450.3 million for FY2020. The retail sales network shrank from 2,532 POS as at 30 June 2019 to 2,369 POS as at 30 June 2020, with a net decrease of 163 POS.

Balco Watch Business

Revenue of Balco Watch Business decreased by approximately HK$35.0 million or approximately 45.2% from approximately HK$77.4 million for FY2019 to approximately HK$42.4 million for FY2020. The decline was mainly due to the decrease in sales of the Balco watches in the PRC market.

Other Brands (PRC) Business

Retail sales of other well-known brand watches apart from Tian Wang Watch and Balco Watch decreased by approximately HK$69.2 million or approximately 33.1% from approximately HK$209.2 million for FY2019 to approximately HK$140.0 million for FY2020, which accounted for approximately 8.1% of the total revenue of the Group for FY2020 (FY2019: approximately 8.8%).

Watch Movements Trading Business

Revenue of Watch Movements Trading Business accounted for approximately 5.4% of the Group's total revenue for both years. For FY2020, revenue from trading of watch movements was approximately HK$93.7 million, representing a decrease of approximately HK$34.5 million or approximately 26.9% from approximately HK$128.2 million for FY2019.

Gross Profit

The Group's gross profit from continuing operations decreased by approximately HK$481.4 million or approximately 27.4% from approximately HK$1,754.6 million for FY2019 to approximately HK$1,273.2 million for FY2020. The decrease was mainly due to decline in Tian Wang Watch Business and was in line with the decrease in revenue.

Other Income, Gains and Losses

The Group's other income, gains and losses from continuing operations decreased by approximately HK$23.7 million or approximately 36.5% from approximately HK$64.8 million for FY2019 to approximately HK$41.1 million for FY2020. The decrease was owing to loss from change in fair value of an investment property of approximately HK$21.9 million (FY2019: gain from change in fair value of an investment property of approximately HK$2.9 million).

Selling and Distribution Costs

The Group's selling and distribution costs from continuing operations decreased by approximately HK$285.5 million or approximately 22.4% from approximately HK$1,273.9 million for FY2019 to approximately HK$988.3 million for FY2020. The decrease was attributable to (i) decrease in concessionaire fee and rental; (ii) decrease in staff costs as in line with the decrease in number of POS; (iii) decrease in advertising and promotion expenses as a result of reduced number of marketing activities and events caused by the suspension of operation of some POSs as well as traffic control implemented in certain cities in the PRC in February, March and April 2020.

Administrative Expenses

The Group's administrative expenses from continuing operations decreased by approximately HK$21.3 million or approximately 14.6% from approximately HK$146.0 million for FY2019 to approximately HK$124.7 million for FY2020. The decrease was mainly owing to (i) decrease in staff cost as a result of stringent cost control by the management; (ii) one-off expense incurred for celebration of 30th anniversary of Tian Wang Watch Brand in FY2019; (iii) decrease in other taxes as a result of VAT reduction.

Finance Costs and Income Tax

The Group's finance costs from continuing operations decreased by approximately HK$0.5 million or approximately 30.6% from approximately HK$1.8 million for FY2019 to approximately HK$1.2 million for FY2020 as a result of the combined effect of decrease in borrowings for the Watch Movements Trading Business and increase in interest expenses of lease liabilities after the first adoption of HKFRS16 in FY2020.

The Group's income tax from continuing operations decreased by approximately HK$21.0 million or approximately 28.1% from approximately HK$74.6 million for FY2019 to approximately HK$53.6 million for FY2020. The decrease was primarily due to decrease in profit for the PRC subsidiaries during current year. The Group's effective tax rate increased from approximately 19.0% for FY2019 to approximately 27.3% for FY2020 because there was a tax credit in FY2019 as a result of preferential tax treatment for the calendar year ended 31 December 2018.

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 from continuing and discontinued operation for FY2020 decreased by approximately HK$214.0 million or approximately 70.1% from approximately HK$305.4 million for FY2019 to approximately HK$91.4 million for FY2020.

BUSINESS REVIEW

Overview

During FY2020, 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 ("**Other Brands**") in the PRC and the distribution of watch movements to other watch manufacturers and distributors ("**Watch Movements Trading Business**").

Due to the outbreak and wide spreading of the COVID-19 across the PRC, part of the operations of the Group's point of sales ("**POS**") in the PRC were suspended for certain period of time in February 2020. Even though most of the POS resumed operation in late February 2020, the customer traffic flow in the department stores and shopping malls were relatively low during February to April of 2020, this was mainly due to the travel restrictions and traffic control measures implemented in various cities in the PRC during the period which has directly affected the retail sales of the Group. The Group expects such impact may continue as operating environment is still uncertain within the foreseeable future and recovery of the economy and consumer sentiment may takes longer than expected due to the enduring impact of the COVID-19 continuing in the PRC.

The retail markets for watches in the PRC and Hong Kong became extremely challenging as consumer confidence was deeply affected by the COVID-19 pandemic and the worsen trade dispute between China and the United States. As a result, the Group has experienced sharp decline in sales during the FY2020 which leads to the huge impact on the profitability. Nevertheless, the Group continued to maintain its leading position in the PRC's national watch market with competitive advantages developed over years and the sustainable sales at its e-commerce business.

The Group's core brand business of Tian Wang Watch accounted for approximately 84% of its total revenue in FY2020. As a heritage brand with a history of over-30-years, Tian Wang Watch has established a reputation for making high-quality, accurate and stylish watches. This is the key to the continued success and widespread brand recognition of Tian Wang Watch. Based on the information gathered from customers through the Group's nationwide network of POS, the Group is always able to satisfy the demand for high quality and trendy watches from customers of different age groups.

Retail Network

The Group's retail network principally comprises its directly managed and controlled sales counters located in department stores and shopping malls. Over 66% of the sales of the Group's Tian Wang and Balco watches were conducted at the Group's directly managed POS. Since the Group sells most of its watches directly to customers, the Group has been able to obtain first-hand market information and feedback from customers directly through its frontline sales staff. The Group considers this as its advantage over its competitors, who generally do not have fully and directly managed sales network and can only sell most of their products through distributors.

As at 30 June 2020, the number of the Group's POS for the business of Tian Wang Watch was 2,369, representing a net decrease of 163 POS compared to that as at 30 June 2019. As at 30 June 2020, the number of the Group's POS for the business of Balco Watch was 307, representing a net decrease of 46 POS compared to that as at 30 June 2019. As at 30 June 2020, the number of the Group's POS for Other Brands (PRC) Business was 62, representing a net decrease of 8 POS compared to that as at 30 June 2019.

Proprietary Watches of the Group

Tian Wang Watch

The business of Tian Wang Watch remained the Group's main source of revenue, contributing to approximately 84.0% of the Group's total revenue for FY2020 (FY2019: approximately 82.6%). During FY2020, the Group has launched not less than 50 new models of Tian Wang watches with prices ranging from approximately RMB100 to RMB17,000 per watch for direct retail sales, e-commerce channels and corporate sales. This wide range of unit prices of Tian Wang watches allowed the Group to cater for different needs and increased demand of customers of different income levels and age groups.

Balco Watch

Balco watches are assembled in and imported from Switzerland. The business of Balco Watch generated approximately 2.5% of the Group's total revenue for FY2020 (FY2019: approximately 3.3%). Revenue from the business of Balco Watch decreased by approximately HK$35.0 million or approximately 45.2% to approximately HK$42.4 million for FY2020 from the approximately HK$77.4 million for FY2019. The decrease was mainly due to a drop in sales in the PRC market. The Group continued with its strategies for improving the performance of the Balco Watch business. Such strategies include optimising the sales and distribution channels within and outside PRC and launching new stylish models of Balco watches on the market.

Other Brands (PRC) Business

As the living standard of ordinary people in China has improved in the past few decades, consumers are looking for more choices of quality and stylish watches of both domestic brands and international brands. The Other Brands (PRC) Business, continued to provide a wide range of domestic and international products in order to satisfy the demand of customers of different income levels and age groups. During the FY2020, the Group closed under-performing POS and opened new POS in strategic locations so as to optimise its sales network.

Watch Movements Trading Business

The Directors consider that the Group's in-house watch movements procurement and trading arm forms an integral part of its overall business operation because it does not only ensure a reliable and stable supply of watch movements to its business of Tian Wang Watch but also generates revenue by supplying watch movements to other external watch manufacturers and distributors. The Watch Movements Trading Business accounted for approximately 5.4% of the Group's total revenue for both years. Revenue from this business segment decreased by approximately HK$34.5 million or approximately 26.9% to approximately HK$93.7 million for FY2020 from approximately HK$128.2 million for FY2019.

E-commerce Business

Since 2013, the Group has been engaging in the e-commerce business and selling its products on several major online sales platforms such as those of Tmall and JD.com. In order to capture the growing consumption power of the younger generation in the PRC, the Group launched some models of Tian Wang and Balco watches which are more affordable and feature fast fashion style through the online sales channel. The Directors also believe that a wide variety of watches enables the Group to reach out to more diverse customers, including those of different age groups. For FY2020, the e-commerce business continued to be one of the major contributors to the Group's revenue. For FY2020, watch sales experienced a decline because of intense competition among players in the market. However, the Group's watch sales at Tmall on Alibaba's "Single's Day" (November 11th) remained steady for FY2020 compared with those for FY2019. The Group continued to top Tmall's domestic watch sales chart for seven consecutive years.

INVENTORY CONTROL

The Group's inventory balance was approximately HK$374.3 million as at 30 June 2020, representing a decrease of approximately HK$106.4 million or approximately 22.1% as compared with approximately HK$480.7 million as at 30 June 2019. The Group's inventory turnover days increased to approximately 289 days for FY2020, as compared with 247 days for FY2019. The decrease in inventory balance was primarily attributable to the disposal of related stock as a result of cessation of Other Brands (Global) Business during FY2020 while the increase in inventory turnover days was mainly due to the significant drop in sales during the period of COVID-19 epidemic in early 2020. 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$146.6 million and approximately HK$147.6 million as at 30 June 2020 and 30 June 2019 respectively, with corresponding provision for these inventory balances of approximately HK$98.2 million and approximately HK$92.7 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$693.6 million and approximately HK$397.9 million as at 30 June 2020 and 30 June 2019 respectively.

The Group's net cash generated from operating activities for FY2020 was approximately HK$316.9 million, representing a decrease of approximately HK$118.5 million from approximately HK$435.3 million for FY2019. The amount was primarily attributable to profit before taxation of approximately HK$196.1 million from the Group's operations adjusted for non-cash items of approximately HK$167.0 million, increase of working capital balances of approximately HK$104.4 million, income taxes paid of approximately HK$50.8 million and interest received of approximately HK$36.8 million.

The Group's net cash from investing activities for FY2020 was approximately HK$140.4 million, which was mainly attributable to purchase of property, plant and equipment of approximately HK$83.8 million, purchase of financial assets at fair value through profit or loss of approximately HK$407.8 million, purchase of financial assets at amortised cost of approximately HK$55.6 million which was partially offset by redemption of financial assets at fair value through profit or loss of approximately HK$677.4 million.

The Group's net cash used in financing activities for FY2020 was approximately HK$158.3 million, which was mainly attributable to dividends payment of approximately HK$89.4 million, repayment of other loans of approximately HK$18.2 million and repayment of bank borrowings of approximately HK$99.2 million, which was partially offset by borrowings raised of approximately HK$61.0 million. The Group's bank borrowings and overdraft were nil and approximately HK$62.5 million as at 30 June 2020 and 30 June 2019 respectively due to repayment of all bank borrowings during FY2020.

The Group was in net cash position as at 30 June 2020 and 30 June 2019. As at 30 June 2020, the Group's total equity was approximately HK$2,193.2 million, representing an increase of approximately HK$34.2 million from approximately HK$2,159.0 million as at 30 June 2019. The Group's working capital was approximately HK$1,218.9 million as at 30 June 2020, representing an increase of approximately HK$16.7 million as compared with approximately HK$1,202.2 million as at 30 June 2019.

As at 30 June 2020, the Group's bank balances and cash were mainly denominated in Renminbi, United States dollar and Hong Kong dollar.

The gearing ratio is calculated based on the total debt divided by the total equity at the end of the respective year. The gearing ratio was approximately 1.3% and approximately 9.5% as at 30 June 2020 and 30 June 2019, respectively. The decrease in gearing ratio was because of the repayment of all the bank borrowings by the Group during FY2020.

CHARGE ON GROUP ASSETS

There was no material charge on the Group's assets as at 30 June 2020 and 2019.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2020 and 2019.

CAPITAL COMMITMENTS

	30 June 2020	30 June 2019
	HK$'000	*HK$'000*
Capital commitments in respect of life insurance contract	**6,000**	8,000
Capital commitments in respect of property, plant and equipment	**37,444**	49,277
	43,444	57,277

FOREIGN CURRENCY EXPOSURE

The Group has foreign currency sales, which expose itself to foreign currency risk. In addition, debt instruments at fair value through other comprehensive income, certain trade and other receivables, pledged bank deposits, bank balances, other payables and accrued charges, bank borrowings and overdraft and other loan 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 2020, the Group employed a total of approximately 4,700 full time employees from continuing operations in the PRC and Hong Kong (30 June 2019: approximately 5,200). The staff costs incurred during FY2020 was approximately HK$391.2 million (FY2019: approximately HK$453.6 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 every year. Apart from provident fund scheme and medical insurance, discretionary bonuses are also awarded to employees according to the individual performance assessment. 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 FY2020 amounted to approximately HK$9.2 million (FY2019: approximately HK$3.7 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, FY2017, FY2018 and FY2019. For FY2020, 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 2019 *(HK$'m)*	**Amount of net proceeds utilised for FY2020** *(HK$'m)*	**Balance as at 30 June 2020** *(HK$'m)*	**Actual business progress up to 30 June 2020**
Opening of POS in the coming years	–	–	–	
Establishing joint ventures worldwide with experienced operators of watch sales network and acquiring their inventories	–	–	–	
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.
	40.0	–	40.0	

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

PROSPECT AND STRATEGIES

Since the outbreak of the COVID-19 pandemic in January 2020, operating environment in the PRC has never been as difficult as it is now. Although the country has started resuming work and production for most businesses after the implementation of all necessary measures and emergency responses during the incidence, the recovery especially for the demand of consumer discretionary products are still under huge downward pressure due to the weak consumer confidence and the drop of the overall global demand. According to the latest Global and Asia Economic Outlook forum by the International Monetary Fund, the pandemic has affected the entire world and has triggered the worst economic downturn since the Great Depression during the 1930's. Despite the recent data from the National Bureau of Statistics shows a mild recovery in China's economy after the re-opening together with some signs of rebound in consumption activities in the past couple of months, the Group still believes that consumer confidence would take longer to recover and expects that the country's operating environment will be even more difficult in the coming years as the pandemic would have a lasting adverse effect on the overall global economy.

In view of the current situation, the Group will prudently review the performance of the nationwide retail network for Tian Wang Watch. Future potential openings will mainly be at the shopping malls in second-, third– and fourth-tier cities after cautious evaluations by the management of the Group. The Group will keep on monitoring and assessing the performances of all existing POS regularly and continue optimising its sales network in order to achieve the best geographical market coverage while enhancing its profitability.

For the E-commerce business, the group has been encountering increasingly keen competition throughout the past few years and therefore growth is expected to be moderate or slow. However, the Group will continue to allocate additional resources and devote additional efforts in order to enlarge its market share online as the pandemic has sped up the growing trend for consumers to switch over to online shopping. Meanwhile, the Group aims to proactively shifting future sales to the e-commerce platform and strengthening its online marketing activities and support.

In the light of the recent extremely challenging retail environment together with the unstable economic condition, management expects that the Group's performance and financial position will inevitably be affected to a certain extent in this and the coming couple of years. Therefore, the Group believes that maintaining sufficient liquidity and adequate working capital will be the key to business survival during this extreme operating environment.

PROPOSED FINAL DIVIDEND

The board did not recommend a payment of final dividend for the year ended 30 June 2020 (FY2019: HK4.3 cents per share).

CLOSURE OF REGISTER OF MEMBERS AND ANNUAL GENERAL MEETING

For the purpose of determining members who are qualified for attending the forthcoming annual general meeting (the "**Annual General Meeting**") of the Company to be held on 25 November 2020, the register of members of the Company will be closed from 20 November 2020 to 25 November 2020 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on 19 November 2020.

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 FY2020.

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 FY2020, 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 FY2020.

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 FY2020 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 FY2020 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, 28 September 2020

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