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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 2021

- Revenue from continuing operations for the year ended 30 June 2021 (“FY2021”) increased by approximately 11.1% to approximately HK\$1,918.0 million, as compared with approximately HK\$1,726.4 million for the year ended 30 June 2020 (“FY2020”).
- Gross profit from continuing operations for FY2021 increased by approximately 13.6% to approximately HK\$1,446.8 million, as compared with approximately HK\$1,273.2 million for FY2020.
- Gross profit margin from continuing operations increased from approximately 73.7% for FY2020 to approximately 75.4% for FY2021.
- Profit attributable to owners of the Company from continuing operations and discontinued operation for FY2021 was approximately HK\$259.1 million, representing an increase of approximately 183.5% as compared with approximately HK\$91.4 million for FY2020.
- Basic earnings per share from continuing operations for FY2021 was HK12.5 cents (FY2020: HK6.8 cents).
- The board did not recommend a payment of final dividend for both FY2021 and FY2020.

ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2021

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 FY2021 together with the consolidated statement of financial position of the Group as at 30 June 2021, and the notes with comparative figures for FY2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Continuing operations			
Revenue	3	1,917,967	1,726,432
Cost of sales		(471,145)	(453,226)
Gross profit		1,446,822	1,273,206
Other income, gains and losses	4	113,476	41,141
Net reversal of impairment losses (impairment losses) on trade receivables		4,024	(5,255)
Selling and distribution costs		(1,064,023)	(988,342)
Administrative expenses		(129,682)	(124,748)
Finance costs	5	(1,027)	(1,218)
Share of results of a joint venture		2,401	1,314
Profit before taxation		371,991	196,098
Income tax	6	(103,464)	(53,600)
Profit for the year from continuing operations	7	268,527	142,498
Discontinued operation			
Loss for the period from discontinued operation	8	–	(83,093)
Profit for the year		268,527	59,405
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of leasehold land and buildings		1,008	508
Exchange differences arising on translation		171,232	(56,218)
Items that may be reclassified subsequently to profit or loss:			
Fair value change of debt instruments at fair value through other comprehensive income		7,793	(2,754)
Reclassification adjustment relating to debt instruments at fair value through other comprehensive income disposed of during the year		–	531
		180,033	(57,933)
Total comprehensive income for the year		448,560	1,472

	2021	2020
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the year attributable to owners of the Company:		
From continuing operations	259,103	140,720
From discontinued operation	—	(49,318)
	<u>259,103</u>	<u>91,402</u>
Profit (loss) for the year attributable to non-controlling interests:		
From continuing operations	9,424	1,778
From discontinued operation	—	(33,775)
	<u>9,424</u>	<u>(31,997)</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	434,964	34,072
Non-controlling interests	13,596	(32,600)
	<u>448,560</u>	<u>1,472</u>
Earnings per share	10	
From continuing and discontinued operations		
– Basic (<i>HK cents</i>)	<u>12.5</u>	<u>4.4</u>
From continuing operations		
– Basic (<i>HK cents</i>)	<u>12.5</u>	<u>6.8</u>

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 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment	11	446,832	249,315
Right-of-use assets	12	51,455	54,708
Investment property	13	107,700	92,000
Deposits paid for acquisition of property, plant and equipment		2,055	3,706
Interest in a joint venture		12,011	10,755
Financial assets at fair value through profit or loss	14	121,025	350,767
Debt instruments at fair value through other comprehensive income	15	166,094	195,850
Financial assets at amortised cost	16	271,742	54,850
Deferred tax assets		55,160	48,646
		<u>1,234,074</u>	<u>1,060,597</u>
Current assets			
Inventories	17	378,677	374,315
Trade receivables	18	284,948	254,447
Other receivables, deposits and prepayments	18	115,285	93,959
Tax recoverable		1,891	1,789
Financial assets at fair value through profit or loss	14	308,079	17,361
Debt instruments at fair value through other comprehensive income	15	37,966	–
Financial assets at amortised cost	16	447,293	–
Bank balances and cash		254,856	693,638
		<u>1,828,995</u>	<u>1,435,509</u>
Assets classified as held for sale		<u>14,720</u>	<u>–</u>
		<u>1,843,715</u>	<u>1,435,509</u>
Current liabilities			
Trade payables and bills payable	19	56,901	34,029
Other payables and accrued charges		149,240	132,543
Tax liabilities		63,572	30,771
Bank borrowings	20	40,000	–
Lease liabilities		11,320	11,519
Other loans		7,766	7,750
		<u>328,799</u>	<u>216,612</u>
Net current assets		<u>1,514,916</u>	<u>1,218,897</u>
Total assets less current liabilities		<u><u>2,748,990</u></u>	<u><u>2,279,494</u></u>

	2021	2020
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital and reserves		
Share capital	207,638	207,995
Reserves	<u>2,394,168</u>	<u>1,961,465</u>
Equity attributable to owners of the Company	2,601,806	2,169,460
Non-controlling interests	<u>31,988</u>	<u>23,729</u>
Total equity	<u>2,633,794</u>	<u>2,193,189</u>
Non-current liabilities		
Deferred tax liabilities	110,309	76,752
Lease liabilities	<u>4,887</u>	<u>9,553</u>
	<u>115,196</u>	<u>86,305</u>
	<u>2,748,990</u>	<u>2,279,494</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19 Related Rent Concessions

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year 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.

Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

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 and the related Amendments ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁴
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 April 2021

⁵ Effective for annual periods beginning on or after 1 January 2021

The directors of the Company anticipate that the application of all these new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue from contracts with customers

Continuing operations

Type of goods	For the year ended 30 June 2021	
	Watches HK\$'000	Watch movements HK\$'000
Sales of watches		
– Tian Wang Watch	1,643,235	–
– Balco Watch	35,854	–
– Other brands	156,904	–
	<u>1,835,993</u>	<u>–</u>
Trading of watch movements	<u>–</u>	<u>81,974</u>
Total	<u>1,835,993</u>	<u>81,974</u>
Sales channel		HK\$'000
Retail		1,369,061
E-commerce platforms		466,932
Wholesale		<u>81,974</u>
Total		<u>1,917,967</u>
Timing of revenue recognition		
A point in time		<u>1,917,967</u>

For the year ended 30 June 2020

Type of goods	Watches	Watch movements
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of watches		
– Tian Wang Watch	1,450,261	–
– Balco Watch	42,426	–
– Other brands	140,041	–
	<u>1,632,728</u>	<u>–</u>
Trading of watch movements	<u>–</u>	<u>93,704</u>
Total	<u>1,632,728</u>	<u>93,704</u>
Sales channel		<i>HK\$'000</i>
Retail		1,160,563
E-commerce platforms		472,165
Wholesale		<u>93,704</u>
Total		<u>1,726,432</u>
Timing of revenue recognition		
A point in time		<u>1,726,432</u>

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 Investments Limited ("**TWB**") and its subsidiaries, namely Geneva Watch Group Inc ("**GWG**") and 時計商貿(梅州)有限公司. 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.

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 2021

	Tian Wang Watch Business <i>HK\$'000</i>	Balco Watch Business <i>HK\$'000</i>	Watch Movements Trading Business <i>HK\$'000</i>	Other Brands (PRC) Business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Continuing operations					
Revenue					
External sales	1,643,235	35,854	81,974	156,904	1,917,967
Inter-segment sales	—	—	17,325	—	17,325
Segment revenue	<u>1,643,235</u>	<u>35,854</u>	<u>99,299</u>	<u>156,904</u>	1,935,292
Elimination					<u>(17,325)</u>
Group revenue					<u>1,917,967</u>
Results					
Segment results	<u>343,219</u>	<u>(18,041)</u>	<u>3,314</u>	<u>12,291</u>	340,783
Interest income					54,488
Unallocated other income, gains and losses					35,950
Central administration costs					(58,203)
Finance costs					<u>(1,027)</u>
Profit before taxation					<u>371,991</u>

Year ended 30 June 2020

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

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

	2021 HK\$'000	2020 HK\$'000
Continuing operations		
<i>Other income:</i>		
Bank interest income	2,189	7,412
Interest income on financial assets measured at fair value through profit or loss ("FVTPL")	29,449	27,082
Interest income on debt instruments at fair value through other comprehensive income ("FVTOCI")	11,122	11,347
Interest income on financial assets at amortised cost	11,728	2,300
Watch repair and maintenance services income	5,545	4,929
Government subsidies (<i>Note</i>)	21,628	22,847
Rental income	3,591	3,093
Others	9,388	9,140
	<u>94,640</u>	<u>88,150</u>
<i>Other gains and losses:</i>		
Loss on disposal and write-off of property, plant and equipment	(9,866)	(12,539)
Loss on disposal of a debt instrument at FVTOCI	–	(490)
Loss from changes in fair value of financial assets measured at FVTPL	(2,740)	(849)
Gain (loss) from change in fair value of an investment property	17,700	(21,900)
Net exchange gain (loss)	13,742	(11,231)
	<u>18,836</u>	<u>(47,009)</u>
	<u>113,476</u>	<u>41,141</u>

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 subsidies for creative design, innovation and technology in the People's Republic of China ("PRC").

During the year ended 30 June 2021, the Group had received subsidies of approximately HK\$2,700,000 pursuant to the Employment Support Scheme provided by the Hong Kong government.

5. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Interest expenses on lease liabilities	<u>1,027</u>	<u>1,218</u>
	<u>1,027</u>	<u>1,218</u>

6. INCOME TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Current tax:		
Hong Kong Profits Tax	146	—
PRC Enterprise Income Tax	76,642	44,488
PRC withholding tax	<u>488</u>	<u>488</u>
	77,276	44,976
Overprovision in prior years:		
PRC Enterprise Income Tax	<u>(855)</u>	<u>(822)</u>
	(855)	(822)
Deferred taxation	<u>27,043</u>	<u>9,446</u>
	<u>103,464</u>	<u>53,600</u>

7. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year from continuing operations has been arrived at after charging:		
Auditor's remuneration	2,780	3,000
Directors' remuneration		
Fees	1,080	1,080
Other emoluments	19,946	9,402
Retirement benefit scheme contributions	<u>57</u>	<u>57</u>
	21,083	10,539
Other staff costs	360,629	342,146
Retirement benefit scheme contributions	<u>36,735</u>	<u>38,493</u>
Total staff costs	418,447	391,178
Depreciation of property, plant and equipment	66,163	69,027
Depreciation of right-of-use assets	20,233	16,142
Cost of inventories recognised as cost of sales	426,516	404,719
Research and development costs recognised as expenses	42,061	38,618
Allowance for inventories recognised as cost of sales	2,568	9,889
Concessionaire fee (<i>Note</i>)	<u><u>294,734</u></u>	<u><u>257,110</u></u>

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 GWG to an entity related to non-controlling shareholder of TWB at a cash consideration of US\$499,369 (equivalent to approximately HK\$3,870,000) (The “**Disposal**”). The Disposal was regarded as connected transaction under the Listing Rules. Upon completion of the Disposal on 26 June 2020, the assets, liabilities of GWG and financial results of Other Brands (Global) Business no longer be consolidated into the financial statements of the Group.

9. DIVIDENDS

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>

Dividends recognised as distribution during the year:

2020 Final – nil (2019 Final – HK4.3 cents) per share	<u>–</u>	<u>89,438</u>
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The directors did not recommend the payment of a final dividend for the year ended 30 June 2021 and 2020.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings:		
Profit for the year attributable to owners of the Company	259,103	91,402
Add: Loss for the year from discontinued operation	<u>–</u>	<u>49,318</u>
Earnings for the purposes of basic earnings per share from continuing operations	<u>259,103</u>	<u>140,720</u>
	<i>'000</i>	<i>'000</i>

Number of shares:

Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>2,079,878</u>	<u>2,079,946</u>
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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:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings:		
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to owners of the Company	<u>259,103</u>	<u>91,402</u>

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

From discontinued operation

For the year ended 30 June 2020, basic loss per share for the discontinued operation was HK2.4 cents per share, based on loss for period from discontinued operation of approximately HK\$49.3 million and the denominator detailed above for basic earnings per share.

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

11. PROPERTY, PLANT AND EQUIPMENT

During the year ended 30 June 2021, the Group purchased property, plant and equipment of approximately HK\$144,682,000 (year ended 30 June 2020: approximately HK\$107,120,000) and wrote off property, plant and equipment of approximately HK\$16,201,000 (year ended 30 June 2020: approximately HK\$13,127,000).

During the year ended 30 June 2021, the Group entered into the sale and purchase agreement with an independent third party in relation to disposal of the Group's owned properties, amounting to HK\$14,720,000 as at 30 June 2021. Given the disposal was not completed as at 30 June 2021, the Group's owned properties was then reclassified to assets classified as held for sale in the consolidated statement of financial position.

12. RIGHT-OF-USE ASSETS

	Leasehold land HK\$'000	Leased properties HK\$'000	Total HK\$'000
As at 30 June 2021			
Carrying amount	<u>35,293</u>	<u>16,162</u>	<u>51,455</u>
As at 30 June 2020			
Carrying amount	<u>33,457</u>	<u>21,251</u>	<u>54,708</u>
For the year end 30 June 2021			
Depreciation charge	<u>1,334</u>	<u>18,899</u>	<u>20,233</u>
		2021	2020
		HK\$'000	HK\$'000
Expenses relating to short-term leases		<u>85,389</u>	<u>80,634</u>

13. INVESTMENT PROPERTY

HK\$'000

Fair value

At 30 June 2019	113,900
Decrease in fair value recognised in profit or loss	<u>(21,900)</u>
At 30 June 2020	92,000
Increase in fair value recognised in profit or loss	17,700
Transfer to property, plant and equipment	<u>(2,000)</u>
At 30 June 2021	<u><u>107,700</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Financial assets measured at FVTPL:		
Certificate of deposits	413,145	346,557
Investment in a trust	–	17,361
Wealth management product	4,833	–
Life insurance	<u>11,126</u>	<u>4,210</u>
	<u><u>429,104</u></u>	<u><u>368,128</u></u>
Analysed for reporting purposes as:		
Non-current assets	121,025	350,767
Current assets	<u>308,079</u>	<u>17,361</u>
	<u><u>429,104</u></u>	<u><u>368,128</u></u>

15. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 HK\$'000	2020 HK\$'000
Debt instruments – unlisted	<u>204,060</u>	<u>195,850</u>
Analysed for reporting purposes as:		
Non-current assets	166,094	195,850
Current assets	<u>37,966</u>	<u>–</u>
	<u>204,060</u>	<u>195,850</u>

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 banks. The corporate bonds carry coupon rates ranging from 4.9% to 6.25% (2020: 4.9% to 6.25%) payable semi-annually and will be matured from August 2021 to perpetuity (2020: August 2021 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

	2021 HK\$'000	2020 HK\$'000
Certificate of deposits	60,120	54,850
Fixed deposits	<u>658,915</u>	<u>–</u>
	<u>719,035</u>	<u>54,850</u>
Analysed for reporting purposes as:		
Non-current assets	271,742	54,850
Current assets	<u>447,293</u>	<u>–</u>
	<u>719,035</u>	<u>54,850</u>

Note: As at 30 June 2021, financial assets at amortised cost included certificate of deposits and fixed deposits issued by banks in the PRC with interest at a fixed rate ranging from 3.1% to 4.125% per annum payable at maturity. These certificates are non-transferrable and not early redeemable. The maturity date of the certificates and fixed deposits are from July 2021 to June 2024.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Raw materials and consumables	62,254	68,386
Work in progress	6,711	3,141
Finished goods	309,712	302,788
	<u>378,677</u>	<u>374,315</u>

18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables from third parties	316,242	285,628
Trade receivables from related companies	451	5,352
<i>Less: allowance for credit losses</i>	<u>(31,745)</u>	<u>(36,533)</u>
	<u>284,948</u>	<u>254,447</u>
Deposits	22,575	23,823
Prepayments	14,411	9,439
VAT receivables	21,296	9,721
Fund deposits to e-payment platforms (<i>Note</i>)	14,860	8,060
Amount due from a joint venture	5,977	5,485
Consideration receivable	–	3,870
Interest receivables	18,150	8,892
Others	<u>18,016</u>	<u>24,669</u>
	<u>115,285</u>	<u>93,959</u>
Total trade and other receivables, deposits and prepayments	<u>400,233</u>	<u>348,406</u>

Note: The fund deposits to e-payment platforms are interest free and refundable.

As at 1 July 2019, trade receivables from contracts with customers amounted to approximately HK\$370,046,000.

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 interest-free, 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 60 days	253,226	214,092
61 to 120 days	18,558	18,474
121 to 180 days	3,523	11,649
Over 180 days	<u>9,190</u>	<u>4,880</u>
	<u>284,497</u>	<u>249,095</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 60 days	<u>451</u>	<u>5,352</u>

19. TRADE PAYABLES AND BILLS PAYABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables to third parties	54,830	33,122
Bills payable to third parties	<u>2,071</u>	<u>907</u>
	<u>56,901</u>	<u>34,029</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	38,224	22,276
31 to 60 days	6,965	4,390
61 to 90 days	3,387	2,268
Over 90 days	<u>6,254</u>	<u>4,188</u>
	<u>54,830</u>	<u>33,122</u>

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

20. BANK BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Bank loans – unsecured	40,000	–
	<u>40,000</u>	<u>–</u>

The bank borrowings are repayable on demand due to the repayment on demand clause set out in the loan agreements.

At 30 June 2021, bank borrowings are arranged at floating rates based on Hong Kong Composite Interest Rate plus 1% per annum. The weighted average market interest rate of these borrowings was approximately 1.22% per annum. According to scheduled repayment dates set out in the loan agreement, the bank borrowings are repayable within one year.

The bank borrowings are guaranteed by the executive director, Mr. Tung Koon Ming.

The bank borrowings that are denominated in foreign currency of the relevant group entities are set out below:

	2021 HK\$'000	2020 HK\$'000
HK\$	<u>40,000</u>	<u>–</u>

21. ACQUISITION OF A SUBSIDIARY

On 30 June 2021, Immense Ocean Investments Limited (“**Immense Ocean**”), a direct wholly owned subsidiary of the Company, entered into a sales and purchase agreement with Red Frame Group Limited, a company wholly owned by an executive Director, pursuant to which Immense Ocean agreed to acquire 100% interest in Winning Asia Holdings Group Limited (“**Winning Asia**”) for a cash consideration of approximately HK\$84,696,000 (the “**Acquisition**”). Winning Asia is principally engaged in investment holding and is the sole legal and beneficial owner of a property. The Acquisition has been accounted for as an acquisition of assets.

This transaction was completed on 30 June 2021. The details of the Acquisition are set out in the announcements of the Company dated 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue of the Group from continuing operations increased by approximately HK\$191.5 million or approximately 11.1% from approximately HK\$1,726.4 million for FY2020 to approximately HK\$1,918.0 million for FY2021. The increase was mainly attributable to the improvement in consumer sentiment in most of the cities in the PRC in the second half of the FY2021.

Tian Wang Watch Business

Revenue from the sales of Tian Wang watch (“**Tian Wang Watch Business**”) continued to be the Group’s main source of revenue which accounted for approximately 85.7% of the total revenue of the Group for FY2021 (FY2020: approximately 84.0%). Revenue of Tian Wang Watch Business increased by approximately HK\$193.0 million or approximately 13.3% from approximately HK\$1,450.3 million for FY2020 to approximately HK\$1,643.2 million for FY2021. The retail sales network shrank from 2,369 point of sales (“**POS**”) as at 30 June 2020 to 2,226 POS as at 30 June 2021, with a net decrease of 143 POS.

Balco Watch Business

Revenue from the sales of Balco watch (“**Balco Watch Business**”) decreased by approximately HK\$6.6 million or approximately 15.5% from approximately HK\$42.4 million for FY2020 to approximately HK\$35.9 million for FY2021. 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 (“**Other Brands (PRC) Business**”) increased by approximately HK\$16.9 million or approximately 12.0% from approximately HK\$140.0 million for FY2020 to approximately HK\$156.9 million for FY2021, which accounted for approximately 8.2% of the total revenue of the Group for FY2021 (FY2020: approximately 8.1%).

Watch Movements Trading Business

Revenue from trading of watch movement (“**Watch Movements Trading Business**”) accounted for approximately 4.3% of the Group’s total revenue (FY2020: approximately 5.4%). For FY2021, revenue from trading of watch movements was approximately HK\$82.0 million, representing a decrease of approximately HK\$11.7 million or approximately 12.5% from approximately HK\$93.7 million for FY2020.

Gross Profit

The Group’s gross profit from continuing operations increased by approximately HK\$173.6 million or approximately 13.6% from approximately HK\$1,273.2 million for FY2020 to approximately HK\$1,446.8 million for FY2021. The increase was mainly due to increase in Tian Wang Watch Business and was in line with the increase in revenue.

Other Income, Gains and Losses

The Group’s other income, gains and losses from continuing operations increased by approximately HK\$72.3 million or approximately 175.8% from approximately HK\$41.1 million for FY2020 to approximately HK\$113.5 million for FY2021. The increase was due to gain from change in fair value of an investment property of approximately HK\$17.7 million (FY2020: loss from change in fair value of an investment property of approximately HK\$21.9 million) and net exchange gain of approximately HK\$13.7 million (FY2020: net exchange loss of approximately HK\$11.2 million) which was mainly due to appreciation of Renminbi (“**RMB**”).

Selling and Distribution Costs

The Group's selling and distribution costs from continuing operations increased by approximately HK\$75.7 million or approximately 7.7% from approximately HK\$988.3 million for FY2020 to approximately HK\$1,064.0 million for FY2021. The increase was attributable to (i) increase in concessionaire fee and rental; (ii) increase in staff costs as in line with the increase in revenue.

Administrative Expenses

The Group's administrative expenses from continuing operations increased by approximately HK\$4.9 million or approximately 4.0% from approximately HK\$124.7 million for FY2020 to approximately HK\$129.7 million for FY2021 as result of the combined effect of increase in staff costs and decrease in donations in FY2021 compared with FY2020.

Finance Costs and Income Tax

The Group's finance costs from continuing operations decreased by approximately HK\$0.2 million or approximately 15.7% from approximately HK\$1.2 million for FY2020 to approximately HK\$1.0 million for FY2021 as a result of decrease in interest expenses of lease liabilities in FY2021.

The Group's income tax from continuing operations increased by approximately HK\$49.9 million or approximately 93.0% from approximately HK\$53.6 million for FY2020 to approximately HK\$103.5 million for FY2021. The increase was primarily due to increase in profit from the PRC subsidiaries of the Group during FY2021. The Group's effective tax rate remained stable from approximately 27.3% for FY2020 to approximately 27.8% for FY2021.

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 FY2021 increased by approximately HK\$167.7 million or approximately 183.5% from approximately HK\$91.4 million for FY2020 to approximately HK\$259.1 million for FY2021.

BUSINESS REVIEW

Overview

During FY2021, the Group's principal business remained manufacturing, retail sales and e-commerce business of its two proprietary brands watches (namely, Tian Wang watch and Balco watch), retail sales of well-known brand of watches in the PRC and the Watch Movements Trading Business.

Tian Wang Watch Business continues to be the Group's core brand business, which contributed approximately 85.7% of the total revenue of the Group in FY2021. Its over-30-years-long brand heritage and reputation of delivering high quality, precise and stylish watches are key factors of the success of Tian Wang Watch Business 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 customers of different age group.

Retail Network

The Group's retail network principally comprises its directly managed and controlled sales counters located in department stores and shopping malls. Over 70% 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 2021, the number of the Group's POS for the sales of Tian Wang Watch was 2,226, representing a net decrease of 143 POS compared to that as at 30 June 2020. As at 30 June 2021, the number of the Group's POS for the sales of Balco Watch was 271, representing a net decrease of 36 POS compared to that as at 30 June 2020. As at 30 June 2021, the number of the Group's POS for the sales of other brands watches was 52, representing a net decrease of 10 POS compared to that as at 30 June 2020.

Proprietary Watches of the Group

Tian Wang Watch

The Tian Wang Watch Business remained the Group's main source of revenue, contributing to approximately 85.7% of the Group's total revenue for FY2021 (FY2020: approximately 84.0%). During FY2021, the Group has launched not less than 40 new models of Tian Wang watches with prices ranging from approximately RMB200 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

The Balco Watch Business accounted for approximately 1.8% of the Group's total revenue for FY2021 (FY2020: approximately 2.5%). Revenue from the Balco Watch Business decreased by approximately HK\$6.6 million or approximately 15.5% to approximately HK\$35.9 million for FY2021 from the approximately HK\$42.4 million for FY2020. 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 PRC and launching new stylish models of Balco watches on the market.

Other Brands (PRC) Business

Although the PRC market was still affected by the outbreak of novel coronavirus ("COVID-19"), the improvement in consumer sentiment has led to the increase in demand for other brands of well-known watches, which resulted in the slight increase in revenue by approximately HK\$16.9 million or 12.0% from approximately HK\$140.0 million for FY2020 to HK\$156.9 million for FY2021. 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 FY2021, the Group had closed some of the under-performing POS 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 4.3% of the Group's total revenue for FY2021 (FY2020: approximately 5.4%). Revenue from this business segment decreased by approximately HK\$11.7 million or approximately 12.5% to approximately HK\$82.0 million for FY2021 from approximately HK\$93.7 million for FY2020. The decrease was mainly attributable to the outbreak of COVID-19 which resulted in the decrease in demand of watch movements in Hong Kong market.

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 FY2021, the e-commerce business continued to be one of the major contributors to the Group's revenue. For FY2021, the sales of watches on e-commerce platforms had decreased slightly by approximately HK\$5.2 million from approximately HK\$472.2 million for FY2020 to approximately HK\$466.9 million for FY2021 because of intense competition among market players in the online sales channel. However, the Group's watch sales at Tmall on Alibaba's "Single's Day" (November 11th) remained steady for FY2021 compared with those for FY2020. The Group continued to top Tmall's domestic watch sales chart for eight consecutive years.

INVENTORY CONTROL

The Group's inventory balance was approximately HK\$378.7 million as at 30 June 2021, representing an increase of approximately HK\$4.4 million or approximately 1.2% as compared with approximately HK\$374.3 million as at 30 June 2020. The Group's inventory turnover days slightly increased to approximately 292 days for FY2021, as compared with 289 days for FY2020. The increase in inventory balance was primarily attributable to the increase in sales of Tian Wang Watch Business for FY2021. 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\$162.7 million and approximately HK\$146.6 million as at 30 June 2021 and 30 June 2020 respectively, with corresponding provision for these inventory balances of approximately HK\$106.9 million and approximately HK\$98.2 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 were approximately HK\$254.9 million and approximately HK\$693.6 million as at 30 June 2021 and 30 June 2020 respectively.

The Group's net cash generated from operating activities for FY2021 was approximately HK\$426.8 million, representing an increase of approximately HK\$109.9 million from approximately HK\$316.9 million for FY2020. The net cash generated from operating activities was primarily attributable to profit before taxation of approximately HK\$268.5 million from the Group's operations adjusted for non-cash items of approximately HK\$127.4 million, increase of working capital balances of approximately HK\$37.5 million, income taxes paid of approximately HK\$50.0 million and interest received of approximately HK\$43.4 million.

The Group's net cash used in investing activities for FY2021 was approximately HK\$868.2 million, which was mainly attributable to purchase of property, plant and equipment of approximately HK\$95.3 million, purchase of financial assets at fair value through profit or loss of approximately HK\$441.8 million, purchase of financial assets at amortised cost of approximately HK\$945.2 million which was partially offset by redemption of financial assets at fair value through profit or loss of approximately HK\$413.7 million, net cash outflow on acquisition of a subsidiary and redemption of financial assets at amortised cost of approximately HK\$308.1 million.

The Group's net cash used in financing activities for FY2021 was approximately HK\$27.7 million, which was mainly attributable to the payment of lease liabilities of approximately of HK\$19.7 million and payment on repurchase and cancellation of shares of approximately of HK\$2.6 million.

The Group was in net cash position as at 30 June 2021 and 30 June 2020. As at 30 June 2021, the Group's total equity was approximately HK\$2,633.8 million, representing an increase of approximately HK\$440.6 million from approximately HK\$2,193.2 million as at 30 June 2020. The Group's working capital was approximately HK\$1,514.9 million as at 30 June 2021, representing an increase of approximately HK\$296.0 million as compared with approximately HK\$1,218.9 million as at 30 June 2020.

As at 30 June 2021, the Group's bank balances and cash were mainly denominated in Renminbi, United States dollar and Hong Kong dollar.

As at 30 June 2021, the bank borrowing of the Group with floating interest rate amounted to approximately HK\$40.0 million.

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 2.4% and approximately 1.3% as at 30 June 2021 and 30 June 2020, respectively. The increase in gearing ratio was because of the increase in bank borrowings by the Group during FY2021.

CHARGE ON GROUP ASSETS

There was no material charge on the Group's assets as at 30 June 2021 and 2020.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2021 and 2020.

CAPITAL COMMITMENTS

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Capital commitments in respect of life insurance contract	4,000	6,000
Capital commitments in respect of property, plant and equipment	<u>24,463</u>	<u>37,444</u>
	<u>28,463</u>	<u>43,444</u>

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, bank balances, other payables and accrued charges, bank borrowings 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 2021, the Group employed a total of approximately 4,500 full time employees from continuing operations in the PRC and Hong Kong (30 June 2020: approximately 4,700). The staff costs incurred during FY2021 was approximately HK\$418.4 million (FY2020: approximately HK\$391.2 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 FY2021 amounted to approximately HK\$1.1 million (FY2020: approximately HK\$9.2 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, FY2019 and FY2020. For FY2021, the Company had further utilised approximately HK\$3.5 million of the proceeds in the manner set out in the following table.

	Amount of net proceeds allocated and unutilised as at 1 July 2020 (HK\$'m)	Amount of net proceeds utilised for FY2021 (HK\$'m)	Balance as at 30 June 2021 (HK\$'m)	Actual business progress up to 30 June 2021
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	3.5	36.5	Approximately HK\$3.5 million of IPO proceeds was used for engaging an active celebrity as the spokesperson for one of the series of Tian Wang watches together with related production of television commercial focusing on the spokesperson.
	<u>40.0</u>	<u>3.5</u>	<u>36.5</u>	

The Group will keep monitoring the use of the net proceeds from the IPO and the unutilised net proceeds is expected to be fully utilised in the next 5 years.

PROSPECT AND STRATEGIES

Since 2020, the COVID-19 pandemic has been continuously affecting the world from travel restrictions, global trading businesses to local lockdown arrangements, such restrictions have caused serious damage to the global economy. Meanwhile, different countries are starting to shift their strategy in fighting the COVID-19 pandemic in 2021, some western countries are opening up the society hoping that vaccines will protect their citizens while resuming its economic activities back to normal. However, a new wave of the COVID-19 cases together with Delta variant are rising rapidly even in countries with high vaccination rates, this has again caused another round of lockdown for some regions. In contrast, China has been adopting the “zero-Covid” strategy, with a totally different approach from the Western ones, the strategy prevents cases overload which may overwhelm China’s medical system. Such approach has been proven effective since early stage of the pandemic as China is the first and only major economy recorded a positive GDP growth in 2020. However, even though China became one of the major economy to recover from the COVID-19 pandemic in 2020, some of the restrictions have also caused negative impact on businesses as there have been continuous occasional lockdowns and social-distancing measures within the nation. The Group will closely monitor with updates by the local government and will take appropriate action to cope with the current situation while complying with all the rules and requirements.

While the world is facing the threat of the pandemic, extreme weather has been another rising concern. In recent years, China and the rest of the world had been through a series of natural disasters, flooding and typhoon hit which caused huge economic loss and millions of people were affected. According to officials data, China would expect to encounter more frequent extreme weather events amid climate change. Against the backdrop of the latest weather patterns and the continuous outbreak of the COVID-19 pandemic, the Group believes that the overall retail operating environment in China will be full of challenge in the foreseeable future.

In view of the current situation, the Group will prudently review the performance of the retail network of Tian Wang Watch. All POS’s selections will be carefully evaluated by senior management team, while at the same time putting additional effort on assessing and evaluating the performances of all existing POS and continue optimizing its sales network in order to achieve the best geographical market coverage while enhancing its profitability. For the future prospect, the Group will continue to provide a wide range of fashionable watches selections to cope with the fast-changing retail arena while injecting new elements in different series and potential co-operations projects.

Throughout the past few years, the Group has been facing increasing competition from the e-commerce arena, therefore, the Group expects future growth for this division would be moderate or slow. The Group will continue to allocate sufficient resources and additional efforts in order to maximize its online market share during this difficult operating environment. Meanwhile, the Group has been proactively driving its sales to the e-commerce platform by strengthening its online marketing activities and sales support by our online marketing team. In addition, the Group will strive to further strengthen our own existing social media channels so as to enhance the content quality and its presence of the brand within different media platforms in China.

For Balco Watch Business and Other Brands (PRC) Business, both segments are still experiencing difficulties and performance are affected by current market conditions. Nevertheless, both business segments has shown improvement through stringent cost control and optimization of retail network (POS). The Group will press ahead with its plans for improving business performance so as to enhance the overall operational efficiency for both business segments as a near target.

In the light of the 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 as the Group's treasury management policy will be the key to business survival during this extreme operating environment.

FINAL DIVIDEND

In view of uncertain and challenging market situation, it is considered prudent approach on finance management and maintaining of strong cash base would strengthen resiliency in harsh environment and be able to seize business opportunities when arise.

The board does not recommend a payment of final dividend for the year ended 30 June 2021.

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 2021, the register of members of the Company will be closed from 22 November 2021 to 25 November 2021 (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 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

In accordance with the shareholders’ resolution passed by the shareholders of the Company at the annual general meeting held on 25 November 2020, the Directors were granted a general mandate to repurchase up to 207,994,600 shares of the Company, representing 10% of the total number of issued Shares as at 25 November 2020 (the “**Repurchase Mandate**”). During FY2021, pursuant to the Repurchase Mandate, the Company repurchased a total of 3,570,000 shares (the “**Repurchase**”) of HK\$0.10 each in the share capital (“**Shares**”) of its own shares on the Stock Exchange, details of which are as follows:

Month of repurchase	Number of ordinary shares of HK\$0.1 each repurchased	Highest price paid per Share (HK\$)	Lowest price paid per Share (HK\$)	Approximate aggregate consideration paid (HK\$’000)
January 2021	3,496,000	0.75	0.71	2,562
May 2021	74,000	0.75	0.75	56
	<u>3,570,000</u>			<u>2,618</u>

The repurchased Shares had been cancelled on 24 June 2021.

The Board is of the view that the Repurchase was made for the benefit of the Company and the Shareholders as a whole with a view to enhancing the net assets value per Share and earnings per Share of the Company.

Save as disclosed, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during FY2021.

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 FY2021, the Company had complied with the code provisions of the CG Code.

Mr. Tung Koon Ming (“**Mr. Tung**”) is currently performing the role of chairman of the Board and chief executive officer of the Group. 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 FY2021.

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 FY2021 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 FY2021 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
Tung Koon Ming
Chairman and Executive Director

Hong Kong, 29 September 2021

As at the date of this announcement, the executive Directors are Mr. Tung Koon Ming, Mr. Tung Koon Kwok Dennis, 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.