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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)**

**(1) ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 30 JUNE 2022; AND  
(2) PROPOSED ADOPTION OF AMENDED AND RESTATED  
ARTICLES OF ASSOCIATION OF THE COMPANY**

- Revenue for the year ended 30 June 2022 (“FY2022”) decreased by approximately 26.6% to approximately HK\$1,408.1 million, as compared with approximately HK\$1,918.0 million for the year ended 30 June 2021 (“FY2021”).
- Gross profit for FY2022 decreased by approximately 29.3% to approximately HK\$1,022.3 million, as compared with approximately HK\$1,446.8 million for FY2021.
- Gross profit margin decreased from approximately 75.4% for FY2021 to approximately 72.6% for FY2022.
- Profit attributable to owners of the Company for FY2022 was approximately HK\$33.0 million, representing a decrease of approximately 87.3% as compared with approximately HK\$259.1 million for FY2021.
- Basic earnings per share for FY2022 was HK1.6 cents (FY2021: HK12.5 cents).
- Proposed a final dividend and a special dividend for FY2022 is HK0.7 cents and HK4.3 cents per share.

## (1) ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2022

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 FY2022 together with the consolidated statement of financial position of the Group as at 30 June 2022, and the notes with comparative figures for FY2021 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
<b>Revenue</b>	3	<b>1,408,092</b>	1,917,967
Cost of sales		<u>(385,810)</u>	<u>(471,145)</u>
Gross profit		<b>1,022,282</b>	1,446,822
Other income, gains and losses	4	<b>56,181</b>	113,476
Net reversal of impairment losses on trade receivables		<b>1,029</b>	4,024
Provision for onerous contracts		<b>(17,141)</b>	–
Impairment losses on property, plant and equipment		<b>(10,050)</b>	–
Impairment losses on right-of-use assets		<b>(1,750)</b>	–
Selling and distribution costs		<b>(915,800)</b>	(1,064,023)
Administrative expenses		<b>(111,256)</b>	(129,682)
Finance costs	5	<b>(850)</b>	(1,027)
Share of results of a joint venture		<u><b>1,061</b></u>	<u>2,401</u>
<b>Profit before taxation</b>		<b>23,706</b>	371,991
Income tax credit (charge)	6	<u><b>7,927</b></u>	<u>(103,464)</u>
<b>Profit for the year</b>	7	<u><b>31,633</b></u>	<u>268,527</u>
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of leasehold land and buildings		<b>8,345</b>	1,008
Gain on revaluation of property, plant and equipment upon transfer to investment properties		<b>2,270</b>	–
Deferred tax on revaluation of a property		<b>(1,312)</b>	–
Exchange differences arising on translation		<b>(36,925)</b>	171,232
Items that may be reclassified subsequently to profit or loss:			
Fair value change of debt instruments at fair value through other comprehensive income		<b>(15,035)</b>	7,793
Reclassification adjustment relating to debt instruments at fair value through other comprehensive income disposed of during the year		<u><b>(1,574)</b></u>	<u>–</u>
		<u><b>(44,231)</b></u>	<u>180,033</u>
<b>Total comprehensive (expense) income for the year</b>		<u><b>(12,598)</b></u>	<u>448,560</u>

	<i>NOTES</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Profit (loss) for the year attributable to:</b>			
Owners of the Company		<b>33,020</b>	259,103
Non-controlling interests		<b>(1,387)</b>	9,424
		<u><b>31,633</b></u>	<u>268,527</u>
<b>Total comprehensive (expense) income attributable to:</b>			
Owners of the Company		<b>(9,614)</b>	434,964
Non-controlling interests		<b>(2,984)</b>	13,596
		<u><b>(12,598)</b></u>	<u>448,560</u>
<b>Earnings per share</b>			
	<i>9</i>		
– Basic ( <i>HK cents</i> )		<u><b>1.6</b></u>	<u>12.5</u>

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	429,792	446,832
Right-of-use assets	11	56,929	51,455
Investment properties	12	126,840	107,700
Deposits paid for acquisition of property, plant and equipment		844	2,055
Interest in a joint venture		11,467	12,011
Financial assets at fair value through profit or loss	13	106,745	121,025
Debt instruments at fair value through other comprehensive income	14	256,526	166,094
Financial assets at amortised cost	15	289,336	271,742
Deferred tax assets		58,968	55,160
		<u>1,337,447</u>	<u>1,234,074</u>
<b>Current assets</b>			
Inventories	16	354,420	378,677
Trade receivables	17	187,669	284,948
Other receivables, deposits and prepayments	17	84,780	115,285
Tax recoverable		2,642	1,891
Financial assets at fair value through profit or loss	13	71,338	308,079
Debt instruments at fair value through other comprehensive income	14	–	37,966
Financial assets at amortised cost	15	58,570	447,293
Bank balances and cash		840,498	254,856
		<u>1,599,917</u>	<u>1,828,995</u>
Assets classified as held for sale		–	14,720
		<u>1,599,917</u>	<u>1,843,715</u>
<b>Current liabilities</b>			
Trade payables and bills payable	18	45,789	56,901
Other payables and accrued charges		115,006	149,240
Tax payable		48,973	63,572
Bank borrowings	19	–	40,000
Lease liabilities		10,816	11,320
Other loans		15,695	7,766
		<u>236,279</u>	<u>328,799</u>
<b>Net current assets</b>		<u>1,363,638</u>	<u>1,514,916</u>
<b>Total assets less current liabilities</b>		<u><u>2,701,085</u></u>	<u><u>2,748,990</u></u>

	<b>2022</b>	2021
<i>NOTES</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Capital and reserves</b>		
Share capital	<b>205,807</b>	207,638
Reserves	<b>2,376,998</b>	2,394,168
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Equity attributable to owners of the Company	<b>2,582,805</b>	2,601,806
Non-controlling interests	<b>28,807</b>	31,988
	<hr/>	<hr/>
<b>Total equity</b>	<b>2,611,612</b>	2,633,794
	<hr/>	<hr/>
<b>Non-current liabilities</b>		
Deferred tax liabilities	<b>74,818</b>	110,309
Lease liabilities	<b>14,655</b>	4,887
	<hr/>	<hr/>
	<b>89,473</b>	115,196
	<hr/>	<hr/>
	<b>2,701,085</b>	2,748,990
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2022*

## 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 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 July 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19 Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of 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.

## 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 <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> *Effective for annual periods beginning on or after a date to be determined*

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2022*

<sup>3</sup> *Effective for annual periods beginning on or after 1 January 2023*

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

### Amendments to HKAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” (“**HKAS 37**”), the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application. Specifically, the amendments are applicable to the Group’s assessment of onerous contracts in relation to unavoidable costs of running retail shops.

The directors of the Company are in the process of assessing the impact on the application of amendments to HKAS 37 in the foreseeable future.



### 3. REVENUE AND SEGMENT INFORMATION

#### Revenue

##### (i) Disaggregation of revenue from contracts with customers

Type of goods	For the year ended 30 June 2022	
	Watches <i>HK\$'000</i>	Watch movements <i>HK\$'000</i>
Sales of watches		
– Tian Wang Watch	1,196,554	–
– Other brands	131,578	–
	<u>1,328,132</u>	<u>–</u>
Trading of watch movements	–	79,960
Total	<u>1,328,132</u>	<u>79,960</u>
<b>Sales channel</b>		<i>HK\$'000</i>
Retail		969,506
E-commerce platforms		313,180
Wholesale		<u>125,406</u>
Total		<u>1,408,092</u>
Timing of revenue recognition		
A point in time		<u>1,408,092</u>

For the year ended 30 June 2021

<b>Type of goods</b>	Watches	Watch
	<i>HK\$'000</i>	<i>movements</i>
		<i>HK\$'000</i>
Sales of watches		
– Tian Wang Watch	1,643,235	–
– Other brands	192,758	–
	<u>1,835,993</u>	<u>–</u>
Trading of watch movements	–	81,974
Total	<u>1,835,993</u>	<u>81,974</u>
<b>Sales channel</b>		<i>HK\$'000</i>
Retail		1,337,944
E-commerce platforms		466,932
Wholesale		<u>113,091</u>
Total		<u>1,917,967</u>
Timing of revenue recognition		
A point in time		<u>1,917,967</u>

For management purpose, the Group is currently organised into three operating divisions as follows:

- a. **Tian Wang Watch Business** – Manufacturing, wholesale and retail business of owned brand watches – Tian Wang Watch;
- b. **Watch Movements Trading Business** – Wholesale of watch movements; and
- c. **Other Brands (PRC) Business** – Wholesale and retail business of owned brand watch – Balco Watch and imported watches mainly of well-known brands.

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 by reportable and operating segments:

*Year ended 30 June 2022*

	<b>Tian Wang Watch Business HK\$'000</b>	<b>Watch Movements Trading Business HK\$'000</b>	<b>Other Brands (PRC) Business HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>Revenue</b>				
External sales	1,196,554	79,960	131,578	1,408,092
Inter-segment sales	–	17,399	–	17,399
Segment revenue	<u>1,196,554</u>	<u>97,359</u>	<u>131,578</u>	1,425,491
Elimination				<u>(17,399)</u>
Group revenue				<u>1,408,092</u>
<b>Results</b>				
Segment results	<u>46,040</u>	<u>(670)</u>	<u>(13,869)</u>	31,501
Interest income				48,701
Unallocated other income, gains and losses				(9,014)
Central administration costs				(46,632)
Finance costs				<u>(850)</u>
Profit before taxation				<u>23,706</u>

Year ended 30 June 2021

	Tian Wang 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>
<b>Revenue</b>				
External sales	1,643,235	81,974	192,758	1,917,967
Inter-segment sales	—	17,325	—	17,325
Segment revenue	<u>1,643,235</u>	<u>99,299</u>	<u>192,758</u>	1,935,292
Elimination				<u>(17,325)</u>
Group revenue				<u>1,917,967</u>
<b>Results</b>				
Segment results	<u>343,219</u>	<u>3,314</u>	<u>(5,750)</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>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<i>Other income:</i>		
Bank interest income	8,062	2,189
Interest income on financial assets measured at fair value through profit or loss (“FVTPL”)	6,620	29,449
Interest income on debt instruments at fair value through other comprehensive income (“FVTOCI”)	11,501	11,122
Interest income on financial assets at amortised cost	22,518	11,728
Watch repair and maintenance services income	6,805	5,545
Government subsidies ( <i>Note</i> )	13,773	21,628
Rental income	3,889	3,591
Others	6,020	9,388
	<u>79,188</u>	<u>94,640</u>
<i>Other gains and losses:</i>		
Loss on disposal and write-off of property, plant and equipment	(10,490)	(9,866)
Gain on disposal of a debt instrument at FVTOCI	1,659	–
Loss from changes in fair value of financial assets measured at FVTPL	(3,243)	(2,740)
Gain from change in fair value of investment properties	736	17,700
Net exchange (loss) gain	(11,669)	13,742
	<u>(23,007)</u>	<u>18,836</u>
	<u><u>56,181</u></u>	<u><u>113,476</u></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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expenses on lease liabilities	845	1,027
Interest expenses on bank borrowings	<u>5</u>	<u>–</u>
	<b><u>850</u></b>	<b><u>1,027</u></b>

## 6. INCOME TAX (CREDIT) CHARGE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	102	146
PRC Enterprise Income Tax	(3,670)	76,642
PRC withholding tax	<u>36,496</u>	<u>488</u>
	32,928	77,276
Overprovision in prior years:		
PRC Enterprise Income Tax	<u>(244)</u>	<u>(855)</u>
	32,684	76,421
Deferred taxation	<u>(40,611)</u>	<u>27,043</u>
	<b><u>(7,927)</u></b>	<b><u>103,464</u></b>

## 7. PROFIT FOR THE YEAR

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Auditor's remuneration	3,010	2,780
Directors' remuneration		
Fees	1,080	1,080
Other emoluments	10,084	19,946
Retirement benefit scheme contributions	88	57
	<u>11,252</u>	<u>21,083</u>
Other staff costs	325,253	360,629
Retirement benefit scheme contributions	61,497	36,735
	<u>398,002</u>	<u>418,447</u>
Depreciation of property, plant and equipment	71,399	66,163
Depreciation of right-of-use assets	19,286	20,233
Impairment losses on property, plant and equipment	10,050	–
Impairment losses on right-of-use assets	1,750	–
Provision for onerous contracts	17,141	–
Cost of inventories recognised as cost of sales	339,657	426,516
Research and development costs recognised as cost of sales	37,053	42,061
Allowance for obsolete inventories recognised as cost of sales	9,100	2,568
Concessionaire fee ( <i>Note</i> )	<u>212,279</u>	<u>294,734</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. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend and a special dividend in respect of the year ended 30 June 2022 of HK0.7 cents and HK4.3 cents per share (2021: nil) has been proposed by the directors and is subject to the approval by the shareholders of the Company in the forthcoming annual general meeting of the Company.



## 9. EARNINGS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings:		
Earnings for the purposes of calculating basic earnings per share		
Profit for the year attributable to owners of the Company	<u>33,020</u>	<u>259,103</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>2,074,586</u>	<u>2,079,878</u>
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No diluted earnings per share is presented as there was no potential ordinary share outstanding for both years.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the year ended 30 June 2022, the Group purchased property, plant and equipment of approximately HK\$91,173,000 (year ended 30 June 2021: approximately HK\$144,682,000), wrote off property, plant and equipment of approximately HK\$11,544,000 (year ended 30 June 2021: approximately HK\$16,201,000).

### **Impairment assessment of the Identified PPE and the Identified ROU assets**

Giving the potential adverse impact on the performance of the Group's retail stores as a result of COVID-19 pandemic, the management concluded there was indication for impairment and performed impairment assessment for certain light boxes located in retail stores in the PRC. The Group estimates the recoverable amount of the cash-generating unit to which the assets belong to when it is not possible to estimate the recoverable amount individually, including allocation of corporate assets when reasonable and consistent basis can be established. Each cash-generation unit represents the Group's retail stores in the PRC. The recoverable amount of cash generating unit has been determined based on a value in use calculations using cash flow projections based on forecasts approved by the management of the Group covering the remaining lease terms with a pre-tax discount rate of 10.50% to 11.00% per annum as at 30 June 2022. The forecasted revenue and gross profit margin have been determined with reference to the expected market development and the past performance of the retail stores. The management conducted impairment assessment on recoverable amounts of light boxes (the "Identified PPE") and right-of-use assets (the "Identified ROU assets") were impaired to their recoverable amounts of HK\$75,314,000 and HK\$7,613,000, respectively, which are their carrying amounts.

Based on the result of the assessment, management of the Group determined that the recoverable amounts of certain cash-generating units are lower than the corresponding carrying amounts. The impairment amount has been allocated to each category of the Identified PPE and the Identified ROU assets such that the carrying amount of each category of asset is not reduced below the highest of its value in use, fair value less costs of disposal and zero. Based on the value in use calculations and the allocation, impairment losses of HK\$10,050,000 and HK\$1,750,000 have been recognised against the carrying amounts of the Identified PPE and the Identified ROU assets, respectively.

## 11. RIGHT-OF-USE ASSETS

	<b>Leasehold land</b> <i>HK\$'000</i>	<b>Leased properties</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
As at 30 June 2022			
Carrying amount	<u>33,039</u>	<u>23,890</u>	<u>56,929</u>
As at 30 June 2021			
Carrying amount	<u>35,293</u>	<u>16,162</u>	<u>51,455</u>
For the year ended 30 June 2022			
Depreciation charge	1,391	17,895	19,286
Impairment losses recognised	<u>–</u>	<u>1,750</u>	<u>1,750</u>
For the year ended 30 June 2021			
Depreciation charge	<u>1,334</u>	<u>18,899</u>	<u>20,233</u>
		<b>2022</b>	2021
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Expenses relating to short-term leases		<u><b>62,068</b></u>	<u>85,389</u>

## 12. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
<b>Fair value</b>	
At 1 July 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	107,700
Transfer from property, plant and equipment ( <i>Note</i> )	19,021
Increase in fair value recognised in profit or loss	736
Exchange realignment	<u>(617)</u>
At 30 June 2022	<u><u>126,840</u></u>

*Note:* During the year ended 30 June 2022, the management of the Group changed in use of certain commercial units under property, plant and equipment from own use to lease them out for rentals. Accordingly, property, plant and equipment with carrying amount HK\$16,751,000 was transferred to investment properties upon the end of owner-occupation. A net fair value gain of HK\$2,270,000 in respect of these properties is recognised in other comprehensive income.

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.

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Financial assets measured at FVTPL:		
Certificate of deposits	<b>170,790</b>	413,145
Wealth management product	–	4,833
Life insurance	<b><u>7,293</u></b>	<u>11,126</u>
	<b><u><u>178,083</u></u></b>	<u><u>429,104</u></u>
Analysed for reporting purposes as:		
Non-current assets	<b>106,745</b>	121,025
Current assets	<b><u>71,338</u></b>	<u>308,079</u>
	<b><u><u>178,083</u></u></b>	<u><u>429,104</u></u>

#### 14. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Debt instruments	<u>256,526</u>	<u>204,060</u>
Analysed for reporting purposes as:		
Non-current assets	256,526	166,094
Current assets	<u>–</u>	<u>37,966</u>
	<u>256,526</u>	<u>204,060</u>

The debt instruments represent the Group's investments in corporate bonds listed in Hong Kong Stock Exchange and Overseas Stock Exchange. These corporate bonds are measured at fair value which are quoted bid prices by banks. The corporate bonds carry coupon rates ranging from 5.00% to 6.25% (FY2021: 4.90% to 6.25%) payable semi-annually and will be matured perpetuity (2021: August 2021 to perpetuity).

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

#### 15. FINANCIAL ASSETS AT AMORTISED COST

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Certificate of deposits	58,570	60,120
Fixed deposits	<u>289,336</u>	<u>658,915</u>
	<u>347,906</u>	<u>719,035</u>
Analysed for reporting purposes as:		
Non-current assets	289,336	271,742
Current assets	<u>58,570</u>	<u>447,293</u>
	<u>347,906</u>	<u>719,035</u>

*Note:*

As at 30 June 2022 and 2021, financial assets at amortised cost included certificate of deposits and fixed deposits issued by various banks in the PRC with interest at a fixed rate ranging from 3.50% to 4.13% (2021: 3.10% to 4.13%) per annum payable at maturity. These certificates are held to collect contractual cash flows. The maturity date of the certificates and fixed deposits are from August 2022 to November 2024 (2021: July 2021 to June 2024).

## 16. INVENTORIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Raw materials and consumables	81,465	62,254
Work in progress	4,163	6,711
Finished goods	<u>268,792</u>	<u>309,712</u>
	<u><b>354,420</b></u>	<u><b>378,677</b></u>

## 17. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables from third parties	216,643	316,242
Trade receivables from related companies	610	451
<i>Less: allowance for credit losses</i>	<u>(29,584)</u>	<u>(31,745)</u>
	<u><b>187,669</b></u>	<u>284,948</u>
Deposits	21,088	22,575
Prepayments	5,900	14,411
VAT receivables	949	21,296
Fund deposits to e-payment platforms ( <i>Note</i> )	4,348	14,860
Amount due from a joint venture	7,996	5,977
Interest receivables	31,374	18,150
Others	<u>13,125</u>	<u>18,016</u>
	<u><b>84,780</b></u>	<u>115,285</u>
Total trade and other receivables, deposits and prepayments	<u><b>272,449</b></u>	<u><b>400,233</b></u>

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

As at 1 July 2020, trade receivables from contracts with customers amounted to approximately HK\$254,447,000.

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:

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0 to 60 days	<b>151,770</b>	253,226
61 to 120 days	<b>21,479</b>	18,558
121 to 180 days	<b>7,270</b>	3,523
Over 180 days	<b>6,540</b>	9,190
	<b><u>187,059</u></b>	<u>284,497</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:

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0 to 60 days	<b><u>610</u></b>	<u>451</u>

## 18. TRADE PAYABLES AND BILLS PAYABLE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables to third parties	43,597	54,830
Bills payable to third parties	<u>2,192</u>	<u>2,071</u>
	<u><u>45,789</u></u>	<u><u>56,901</u></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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	29,465	38,224
31 to 60 days	10,132	6,965
61 to 90 days	1,494	3,387
Over 90 days	<u>2,506</u>	<u>6,254</u>
	<u><u>43,597</u></u>	<u><u>54,830</u></u>

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

## 19. BANK BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank loans – unsecured	<u>–</u>	<u>40,000</u>
	<u><u>–</u></u>	<u><u>40,000</u></u>

At 30 June 2021, the bank borrowings were repayable on demand due to the repayment on demand clause set out in the loan agreements. According to scheduled repayment dates set out in the loan agreement, the bank borrowings were repayable within one year.

At 30 June 2021, bank borrowings were arranged at floating rates at interest ranging from Hong Kong Composite Interest Rate plus 1% per annum. The weighted average market interest rate of these borrowings was approximately 1.22% per annum.

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

## 20. 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.

## 21. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere, the Group has the following events subsequent to the end of the reporting period:

In August and September 2022, the Group has entered into agreements to dispose of the entire issued share capital of its joint venture, 上海唯時鐘錶有限公司 and entire issued share capital of its 51% owned subsidiary, Suzhou Paragon Watch Company Limited for RMB7,650,000 and RMB13,737,000 respectively. The directors of the Company expect that the gain or loss on disposals would not be significant.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue

Revenue of the Group decreased by approximately HK\$509.9 million or approximately 26.6% from approximately HK\$1,918.0 million for FY2021 to approximately HK\$1,408.1 million for FY2022. The decrease was mainly attributable to the rebound of the COVID-19 pandemic in Mainland China in the first quarter of 2022 which led to negative impact on sales of non-essential goods such as watches.

#### *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 85.0% of the total revenue of the Group for FY2022 (FY2021: approximately 85.7%). Revenue of Tian Wang Watch Business decreased by approximately HK\$446.7 million or approximately 27.2% from approximately HK\$1,643.2 million for FY2021 to approximately HK\$1,196.6 million for FY2022. Due to the ongoing COVID-19 pandemic, the retail sales network for Tian Wang watches shrank from 2,226 point of sales (“**POS**”) as at 30 June 2021 to 2,086 POS as at 30 June 2022, with a net decrease of 140 POS.

#### *Other Brands (PRC) Business*

Revenue from the sales of other well-known brand watches apart from Tian Wang Watch (“**Other Brands (PRC) Business**”) decreased by approximately HK\$61.2 million or approximately 31.7% from approximately HK\$192.8 million for FY2021 to approximately HK\$131.6 million for FY2022, which accounted for approximately 9.3% of the total revenue of the Group for FY2022 (FY2021: approximately 10.1%).

Starting from 2022, the sales of Balco watch business was merged into Other Brands (PRC) Business in view of the trivial amount of sales generated by Balco Watch compared with the total revenue of the Group.

### ***Watch Movements Trading Business***

Revenue from trading of watch movement (“**Watch Movements Trading Business**”) accounted for approximately 5.7% of the Group’s total revenue for FY2022 (FY2021: approximately 4.3%). For FY2022, revenue from trading of watch movements was approximately HK\$80.0 million, representing a decrease of approximately HK\$2.0 million or approximately 2.5% from approximately HK\$82.0 million for FY2021.

### **Gross Profit**

The Group’s gross profit decreased by approximately HK\$424.5 million or approximately 29.3% from approximately HK\$1,446.8 million for FY2021 to approximately HK\$1,022.3 million for FY2022. The decrease was mainly due to decrease in sales from the 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 decreased by approximately HK\$57.3 million or approximately 50.5% from approximately HK\$113.5 million for FY2021 to approximately HK\$56.2 million for FY2022. The decrease was due to (i) gain from change in fair value of an investment properties of approximately HK\$0.7 million (FY2021: approximately HK\$17.7 million); (ii) net exchange loss of approximately HK\$11.7 million (FY2021: net exchange gain of approximately HK\$13.7 million) which was mainly due to depreciation of Renminbi (“**RMB**”); and (iii) decrease in government subsidies of approximately HK\$7.9 million.

### **Selling and Distribution Costs**

The Group’s selling and distribution costs decreased by approximately HK\$148.2 million or approximately 13.9% from approximately HK\$1,064.0 million for FY2021 to approximately HK\$915.8 million for FY2022. The decrease was attributable to (i) decrease in concessionaire fee and rental expenses due to the closing down for some of the POS; (ii) decrease in staff costs as in line with the decrease in revenue.

### **Administrative Expenses**

The Group’s administrative expenses decreased by approximately HK\$18.4 million or approximately 14.2% from approximately HK\$129.7 million for FY2021 to approximately HK\$111.3 million for FY2022 as result of the decrease in staff costs.

## **Finance Costs and Income Tax**

The Group's finance costs decreased by approximately HK\$0.2 million or approximately 17.2% from approximately HK\$1.0 million for FY2021 to approximately HK\$0.9 million for FY2022 as a result of decrease in interest expenses of lease liabilities in FY2022.

The Group's income tax decreased by approximately HK\$111.4 million or approximately 107.7% from approximately HK\$103.5 million for FY2021 to tax credit of approximately HK\$7.9 million for FY2022. The decrease was primarily due to decrease in profit from the PRC subsidiaries of the Group during FY2022. The Group's effective tax rate decreased significantly from approximately 27.8% for FY2021 to approximately -33.4% for FY2022 because there was a tax credit in FY2022 as a result of preferential tax treatment granted to the relevant PRC subsidiaries for the calendar year ended 31 December 2021.

## **Profit attributable to the owners of the Company**

As a combined result of the factors presented above, the profit attributable to the owners of the Company for FY2022 decreased by approximately HK\$226.1 million or approximately 87.3% from approximately HK\$259.1 million for FY2021 to approximately HK\$33.0 million for FY2022.

## **BUSINESS REVIEW**

### **Overview**

During FY2022, 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 85.0% of the total revenue of the Group in FY2022. 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. During FY2022, 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 an 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 2022, the number of the Group's POS for the sales of Tian Wang Watch was 2,086, representing a net decrease of 140 POS compared to that as at 30 June 2021. As at 30 June 2022, the number of the Group's POS for the sales of other brands watches was 233, representing a net decrease of 90 POS compared to that as at 30 June 2021.

## **Proprietary Watch of the Group**

### ***Tian Wang Watch***

The Tian Wang Watch Business remained the Group's main source of revenue, contributing to approximately 85.0% of the Group's total revenue for FY2022 (FY2021: approximately 85.7%). During FY2022, the Group has launched not less than 46 new models of Tian Wang watches with prices ranging from approximately RMB100 to RMB18,000 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.

### ***Other Brands (PRC) Business***

Since the PRC market was still affected by the outbreak of COVID-19, the decrease in consumer sentiment has led to the decrease in demand for both Balco watches and other brands of well-known watches, which resulted in the decrease in revenue by approximately HK\$61.2 million or 31.7% from approximately HK\$192.8 million for FY2021 to approximately HK\$131.6 million for FY2022. 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 FY2022, the Group had closed down some of the under-performing POS so as to optimise its sales network.

### ***Watch Movements Trading Business***

The Watch Movements Trading Business involves procurement of watch movements from suppliers located in Hong Kong. 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 revenue of the Watch Movements Trading Business accounted for approximately 5.7% of the Group's total revenue for FY2022 (FY2021: approximately 4.3%). Revenue from this business segment decreased by approximately HK\$2.0 million or approximately 2.5% to approximately HK\$80.0 million for FY2022 from approximately HK\$82.0 million for FY2021. The decrease was mainly attributable to the spreading of COVID-19 pandemic which resulted in the decrease in demand of watch movements in Hong Kong market.

## **E-commerce Business**

Apart from retail and wholesales, the Group has been engaging in the e-commerce business by selling its products on several major online sales platforms such as those of Tmall and JD.com since 2013. 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 FY2022, the e-commerce business continued to be one of the major contributors to the Group's revenue, which accounted for approximately 22.2% of the total revenue of the Group during FY2022. For FY2022, the sales of watches on e-commerce platforms had decreased by approximately HK\$153.7 million from approximately HK\$466.9 million for FY2021 to approximately HK\$313.2 million for FY2022 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 FY2022 compared with those for FY2021. The Group continued to top Tmall's domestic watch sales chart for nine consecutive years.

## **INVENTORY CONTROL**

The Group's inventory balance was approximately HK\$354.4 million as at 30 June 2022, representing a decrease of approximately HK\$24.3 million or approximately 6.4% as compared with approximately HK\$378.7 million as at 30 June 2021. The Group's inventory turnover days increased to approximately 347 days for FY2022, as compared with approximately 292 days for FY2021. The increase in inventory balance was primarily attributable to the decrease in sales of Tian Wang Watch Business for FY2022. 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\$162.9 million and approximately HK\$162.7 million as at 30 June 2022 and 30 June 2021 respectively, with corresponding provision for these inventory balances of approximately HK\$112.6 million and approximately HK\$106.9 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\$840.5 million and approximately HK\$254.9 million as at 30 June 2022 and 30 June 2021 respectively.

The Group's net cash generated from operating activities for FY2022 was approximately HK\$175.5 million, representing a decrease of approximately HK\$252.2 million from approximately HK\$427.7 million for FY2021. The net cash generated from operating activities was primarily attributable to profit before taxation of approximately HK\$23.7 million from the Group's operations adjusted for non-cash items of approximately HK\$90.0 million, increase of working capital balances of approximately HK\$71.5 million, income taxes paid of approximately HK\$46.9 million and interest received of approximately HK\$37.2 million.

The Group's net cash used in investing activities for FY2022 was approximately HK\$482.0 million, which was mainly attributable to purchase of property, plant and equipment of approximately HK\$89.1 million, purchase of financial assets at fair value through profit or loss of approximately HK\$62.6 million, purchase of debt instruments at fair value through other comprehensive income of approximately HK\$103.3 million, purchase of financial assets at amortised cost of approximately HK\$498.3 million which was partially offset by redemption of financial assets at fair value through profit or loss of approximately HK\$308.0 million, and redemption of financial assets at amortised cost of approximately HK\$863.3 million.

The Group's net cash used in financing activities for FY2022 was approximately HK\$60.7 million, which was mainly attributable to the payment of lease liabilities of approximately of HK\$18.0 million and payment on repurchase and cancellation of shares of approximately of HK\$9.4 million and repayment of bank borrowings of approximately HK\$40.0 million.

The Group was in net cash position as at 30 June 2022 and 30 June 2021. As at 30 June 2022, the Group's total equity was approximately HK\$2,611.6 million, representing a decrease of approximately HK\$22.2 million from approximately HK\$2,633.8 million as at 30 June 2021. The Group's working capital was approximately HK\$1,363.6 million as at 30 June 2022, representing a decrease of approximately HK\$151.3 million as compared with approximately HK\$1,514.9 million as at 30 June 2021.

As at 30 June 2022, 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 1.6% and approximately 2.4% as at 30 June 2022 and 30 June 2021, respectively. The decrease in gearing ratio was because of the repayment of bank borrowings by the Group during FY2022.

## CHARGE ON GROUP ASSETS

There was no material charge on the Group's assets as at 30 June 2022 and 2021.

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2022 and 2021.

## CAPITAL COMMITMENTS

	<b>30 June 2022 HK\$'000</b>	30 June 2021 HK\$'000
Capital commitments in respect of life insurance contract	<b>2,000</b>	4,000
Capital commitments in respect of property, plant and equipment	<u><b>16,603</b></u>	<u>24,463</u>
	<u><b>18,603</b></u>	<u>28,463</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 2022, the Group employed a total of approximately 4,100 full time employees from continuing operations in the PRC and Hong Kong (30 June 2021: approximately 4,500). The staff costs incurred during FY2022 was approximately HK\$398.0 million (FY2021: approximately HK\$418.4 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 FY2022 amounted to approximately HK\$0.5 million (FY2021: approximately HK\$1.1 million). No donations were made to political parties.

## USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the initial public offering (“IPO”) of the Company in February 2013 amounted to approximately HK\$742.0 million, of which approximately HK\$705.5 million had been utilised for FY2013, FY2014, FY2015, FY2016, FY2017, FY2018, FY2019, FY2020 and FY2021. For FY2022, the Company had not further utilised the proceeds in the manner set out in the following table.

	<b>Amount of net proceeds allocated and unutilised as at 1 July 2021 (HK\$'m)</b>	<b>Amount of net proceeds utilised for FY2022 (HK\$'m)</b>	<b>Balance as at 30 June 2022 (HK\$'m)</b>	<b>Actual business progress up to 30 June 2022</b>
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	36.5	–	36.5	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.
	<u>36.5</u>	<u>–</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**

Although the pandemic has been gradually brought under control to certain extent owing to the increased COVID-19 vaccination rate, the new variants of viruses show that the pandemic is not completely over and they are becoming part of our daily life. As the requirements of quarantines, social distancing, and travel restrictions have not been and will not be fully relaxed in a short period of time, consumers are beginning to change their consumption behavior. This affects very much the products which are non-necessities, especially those wearable goods and even particularly traditional wearable products.

Moreover, the dynamic clearing policy in China seriously affect the logistics industry and hence e-commerce business will inevitably be implicated. Furthermore, the appearance of new variants implies a new wave of epidemic. The prevention control measures adopted by the Chinese government are expected to re-implement in those epidemic cities in the coming year. Both online and offline operation and business will continue to be affected.

In view of the current situation, the Group will adopt a prudent approach to optimize 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.

As our e-commerce business is being influenced by the change of consumer behavior and obstructed supply chain, the Group expects future growth for this division would be slow or even stagnant. However, the Group will still allocate resources and efforts in order to maintain its online market share during this difficult operating environment. The Group will adopt precise marketing campaigns to capture new customers through livestreaming, short video clips and other emerging media channels. All these initiatives will help to achieve low-cost and wide-reaching marketing which could maximize marketing outcomes. Meanwhile, the Group has been closely monitoring the technological advancements in the retail industry. We are highly sensitive to emerging technologies, channels and models so that we can strengthen the presence of the brand within different media platforms in China.

Given that the current unfavorable factors impacting the retail industry in China and our intention to focus our resources on the proprietary brand business, we are in the process of disposal of part or all of the Other Brands (PRC) Business in the near future.

Looking ahead, the economy outlook and the retailing industry in China are still facing uncertainty and challenges. In the post-pandemic era, regional outbreaks of the pandemic will continue to impact the economic recovery. Our management expects that the Group's performance and financial position will inevitably be affected in the next couple of years.

## **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 24 November 2022, the register of members of the Company will be closed from 21 November 2022 to 24 November 2022 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by no later than 4:30 p.m. on 18 November 2022.

For the purpose of determining members who are qualified for the proposed special and final dividend for FY2022 which is subject to approval by the shareholders at the Annual General Meeting, the register of members of the Company will be closed on 1 December 2022, on which no transfer of share of the Company will be effected. In order to qualify for the entitlement to the proposed special and final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at the above address for registration no later than 4:30 p.m. on 30 November 2022.

## **FINAL DIVIDEND AND SPECIAL DIVIDEND**

After considering the Company's existing bank and cash balance level, the working capital requirements for future business development, and to show appreciation for the support of the shareholders, the Board of Directors has recommended a special dividend of HK4.3 cents per share and a final dividend of HK0.7 cents per share, payable on 16 December 2022 to shareholders whose names appeared on the Register of Members of the Company as of 1 December 2022.

## 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 2021, the Directors were granted a general mandate to repurchase up to 207,637,600 shares of the Company, representing 10% of the total number of issued Shares as at 25 November 2021 (the "Repurchase Mandate"). During FY2022, pursuant to the Repurchase Mandate, the Company repurchased a total of 18,308,000 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)
December 2021	2,808,000	0.72	0.70	1,981
March 2022	5,500,000	0.58	0.54	3,085
April 2022	<u>10,000,000</u>	0.45	0.42	<u>4,375</u>
	<u>18,308,000</u>			<u>9,441</u>

The repurchased Shares for December 2021 and March 2022 to April 2022 had been cancelled on 30 December 2021 and 22 June 2022 respectively.

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 FY2022.

## 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 FY2022, 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 C.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.

Code provision C.5.1 of the CG Code stipulates that the board of directors should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals. Due to the preventive measures put in place in response to COVID-19 pandemic, each Board meeting arranged to discuss multiple topics and resolutions, only two regular board meetings were held to review and discuss the annual and interim results. During FY2022, the Directors were provided with all relevant information on an ongoing basis to enable them to stay informed of the operation and financial performance of the Group and to make swift decisions as required. The Company will consider holding more regular Board meetings in the coming year in compliance of CG Code depending on the development of the COVID-19 situation in Hong Kong.

## **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 FY2022.

## **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 FY2022 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](http://www.hkexnews.hk) and the Company's website at [www.timewatch.com.hk](http://www.timewatch.com.hk). The Company's annual report for FY2022 will be despatched to the shareholders of the Company (the “**Shareholders**”) 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.

## **(2) PROPOSED ADOPTION OF AMENDED AND RESTATED ARTICLES OF ASSOCIATION OF THE COMPANY**

This announcement is made by the Company pursuant to Rule 13.51(1) of the Listing Rules. The Board proposes to amend and restate the articles of association of the Company (the “**Articles of Association**”). According to the Consultation Conclusions on Listing Regime for Overseas Issuers published by the Stock Exchange in November 2021, the Listing Rules have been amended with effect from 1 January 2022 which requires, among others, listed issuers to adopt a uniform set of 14 “Core Standards” for shareholder protections for issuers. Furthermore, the Company proposes to modernize and provide flexibility to the Company in relation to the conduct of general meetings. As such, the Board proposes to amend the Articles of Association for the purposes of, among others, (i) allow a general meetings to be held as an electronic meeting (also referred to as virtual general meeting) or a hybrid meeting; (ii) bring the Articles of Association in line with amendments made to Listing Rules and applicable laws and procedures of the Cayman Islands; and (iii) make certain minor housekeeping amendments to the Articles of Association for the purpose of clarifying existing practice and making consequential amendments in line with the amendments to the Articles of Association (collectively, the “**Amendments**”). Details of the proposed Amendments will be set out in the circular to be despatched to the Shareholders in due course.

At the upcoming Annual General Meeting, a special resolution will be proposed for the Shareholders to consider and, if thought fit, approve the proposed adoption of the new set of amended and restated Articles of Association incorporating the Amendments.

A circular containing, amongst other things, further information regarding the Amendments, together with the notice of the Annual General Meeting will be despatched to the Shareholders in due course.

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

Hong Kong, 30 September 2022

*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.*