TWI GROUP

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 Report 2022

CORPORATE PROFILE

Time Watch Investments Limited (the "Company" or "Time Watch") and its subsidiaries (collectively, the "Group") are the leading manufacturer, brand-owner and retailer of domestic watches in the People's Republic of China ("PRC"). Established in 1988, the Group's core proprietary brand, Tian Wang (天王), has developed into a well-known and one of the top national watch brands in the PRC targeting the mass market. Another proprietary brand of the Group, Balco, which was initially registered in Switzerland in 1986 by an independent third party and acquired by the Group in 2002, offers Swiss-made watches targeting younger mid-income consumers in the PRC.

2022 RESULTS AT A GLANCE

Profit attributable to Owners of the Company:

HK$33.0 million

(2021: HK$259.1m)
-87.3%

Equity attributable to owners of the Company:

HK$2,582.8 million

(2021: HK$2,601.8m)
-0.7%

Earnings per share – basic:

HK1.6 cents

(2021: HK12.5 cents)
-87.2%

CONTENTS


TIANWANG
1958
AUTOMATIC
WATER RESISTANT
50M/166FT


Focus on Quality
Striving for Perfection

FINANCIAL HIGHLIGHTS

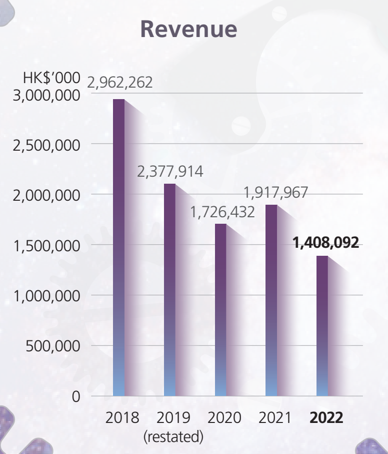
FIVE-YEAR FINANCIAL SUMMARY

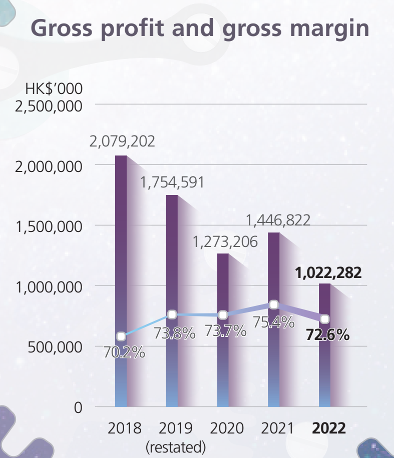
The following is a summary of the published audited financial results of the Group for the last five financial years. The financial information for the years ended 30 June 2018, 2019, 2020, 2021 and 2022 is extracted from the consolidated financial statements in the annual reports for the years ended 30 June 2018, 2019, 2020, 2021 and this annual report.

For the year ended 30 June	2018 HK$'000	2019 HK$'000 (restated)	2020 HK$'000	2021 HK$'000	**2022 HK$'000**
Revenue	2,962,262	2,377,914	1,726,432	1,917,967	**1,408,092**
Gross profit	2,079,202	1,754,591	1,273,206	1,446,822	**1,022,282**
Gross margin	70.2%	73.8%	73.7%	75.4%	**72.6%**
Profit attributable to owners of the Company	291,447	318,043	140,720	259,103	**33,020**

Note: The financial results for the years ended 30 June 2019, 2020 and 2021 only represent result from continuing operations. Accordingly, the financial results for the years ended 30 June 2017 and 2018 may not be comparable to the years ended 30 June 2019, 2020 and 2021 as Other Brands (Global) Business was discontinued during the year ended 30 June 2020.

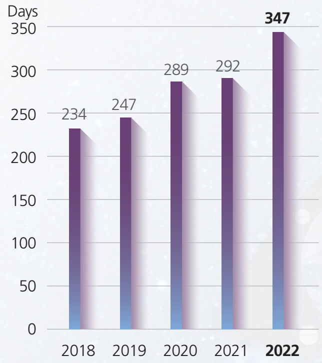
As at 30 June	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022 HK$'000**
Total assets	2,669,756	2,713,859	2,496,106	3,077,789	**2,937,364**
Total liabilities	616,662	554,828	302,917	443,995	**325,752**
Equity attributable to owners of the Company	2,100,695	2,223,548	2,169,460	2,601,806	**2,582,805**
Average inventory turnover days (days)	234	247	289	292	**347**
Average trade receivables turnover days (days)	52	54	63	51	**61**
Average trade payables turnover days (days)	44	39	39	35	**49**



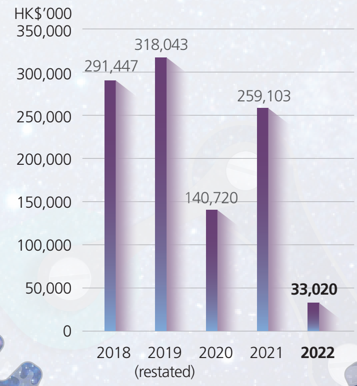


FINANCIAL HIGHLIGHTS

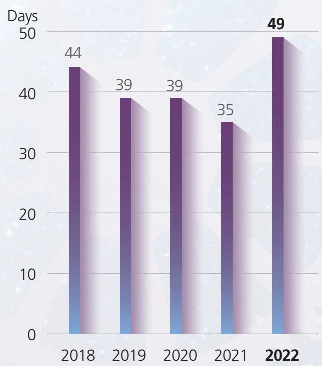
Average inventory turnover days



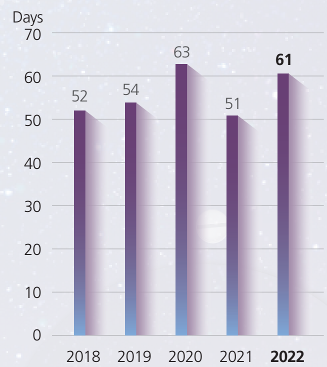
Profit attributable to owners of the Company



Average trade payables turnover days



Average trade receivables turnover days



Equity attributable to owners of the Company

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of Time Watch Investments Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the Group's annual results for the financial year ended 30 June 2022 ("FY2022").

The market environment for 2021 and 2022 have been challenging due to the intense international situation, the recurrence and spreading variant of COVID-19.

The social distancing measures, lock down and travel restrictions policy in Mainland China has proven to be effective in the control of spreading of COVID-19 cases. To some extent, logistics for supply chain, market atmosphere and consumption behavior has been affected.

Since the end of 2019, the Company started to reorganise its business structure in order to reduce its risk exposure. The disposal and cessation of the business segment on the distribution of the third party licensed international brands of watch allowed the Group focus on its core business segment and, enhance its operation efficiency and reduce market risk exposure. All along the time, the Group adopted prudence approach in fund management. As of 30 June 2022, the Group maintained bank balances and cash and liquid investments of approximately HK$1,615.7 million and it is a crucial competitive advantage for the Group in existing challenging market position.

CHAIRMAN'S STATEMENT

For the FY2022, the Group recorded revenue of approximately HK$1,408.1 million. By comparing revenue of HK$1,918.0 million for FY2021, a drop of approximately 26.6% was recorded. Due to increase in percentage of wholesale in the revenue mix, gross profit percentage decreased by approximately 2.8 percentage points from 75.4% for FY2021 to 72.6% for FY2022. Profit for the year attributable to owners of the Company was decreased from approximately HK$259.1 million to approximately HK$33.0 million for FY2022. The earnings per share was HK1.6 cents for the FY2022 (FY2021: HK12.5 cents).

For FY2022, Tian Wang Watch continued to be our major brand. Tian Wang Watch Business contributed approximately 85.0% of the total revenue of the Group, which was approximately HK$1,196.6 million. The remaining two major segments of the Group, namely, Watch Movements Trading Business and Other Brands (PRC) Business contributed approximately 5.7% and 9.3% of the total revenue of the Group for FY2022 respectively.

For FY2022, the revenue generated from the e-commerce business remained steady and continue to be a key contributor of revenue to the Group, E-commence platform provides good channel for marketing of the Group products and launching of new watch model. In 2022, the Group continued to be top of the Tmall's domestic watch sales chart for nine consecutive years.

As of 30 June 2022, the Group has 2,319 points of sales ("POS") (2021: 2,549 POS). Through operation of POS, the Group obtained first-hand knowledge in respect of the customers' preference and demand. Therefore, the Group could be able to formulate precise business strategy on marketing and product development and enhance operational efficiency. The Group will remain cautious, performance and integration of each POS will be evaluated from time to time, POS will mainly be focused on the shopping malls in second-, third– and fourth-tier cities.

As of 30 June 2022, the Group maintained bank balances and cash of approximately HK$840.5 million, certificate of deposits/fixed deposits of approximately HK$518.7 million and debt instruments of approximately HK$256.5 million. It is the Group's strategy to maintain sufficient working capital to maintain resilience in the harsh market environment and capture business opportunities, as well as utilising the surplus cash to bring stable return and income.

The Group will continue to closely monitor its cost control policy and optimize its retail network (POS) in order to maximise the profitability through improving efficiency and cost structure.

After considering the Group's fund position and working capital requirements, 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.

With over 30 years of reputation in the national watch brand market, we believe our philosophy "Focus on Quality, Striving for Perfection", and our pragmatic approach is the key driver to consolidate our market position. The Group believes those strategies being implemented over the years would help the Group to overcome challenges and maintain its leading position in the PRC watch market.

I would like to express my sincere gratitude to our shareholders, Board, staff members, customers, business partners and those who have been supportive throughout the years from the bottom of my heart. We strive to develop more stylish and high-quality watches for customers, to enhance business growth and return of the Group.

Mr. Tung Koon Ming
Chairman
Hong Kong, 30 September 2022

NUMBER OF POS OF THE GROUP AS AT 30 JUNE 2022

TIAN WANG WATCH BUSINESS
2,086

TOTAL
2,319

OTHER BRANDS (PRC) BUSINESS
233


North Eastern China
289
Northern China
324
North Western China
151
Eastern China
618
Central China
384
South Western China
308
Southern China
245

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 trading of watch movements.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 generated from investing activities for FY2022 was approximately HK$481.8 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

	30 June 2022 ***HK$'000***	30 June 2021 *HK$'000*
Capital commitments in respect of life insurance contract	**2,000**	4,000
Capital commitments in respect of property, plant and equipment	**16,603**	24,463
	18,603	28,463

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ASSETS AT AMORTISED COST

As at 30 June 2022, financial assets at amortised cost represented certificate of deposits and fixed deposits issued by banks in the PRC. The table below sets out a summary of the financial assets at amortised cost as at 30 June 2022 and the comparative figures as at 30 June 2021:

Issuer	Product type	Principal business	Investment cost as at 30 June 2022 RMB'000	Investment cost as at 30 June 2021 RMB'000	Fair value as at 30 June 2022 HKD'000	Fair value as at 30 June 2021 HKD'000	Annual interest income as at 30 June 2022 HKD'000	Realised gain or loss and interest income during FY2022 HKD'000	Unrealised gain or loss and interest income during FY2022 HKD'000	Size relative to the Company's total asset as at 30 June 2022
Agricultural Bank of China	Certificate of deposit	Banking services	50,000	50,000	58,570	60,120	2,501	N/A	2,501	2.0%
Agricultural Bank of China	Fixed deposit	Banking services	96,000	96,000	112,454	115,430	4,398	N/A	4,398	3.8%
Hua Xia Bank Co. Limited	Fixed deposit	Banking services	100,000	80,000	117,140	96,192	4,101	N/A	4,069	4.0%
Bank of Ningbo	Fixed deposit	Banking services	51,000	310,000	59,741	372,744	2,164	4,627	1,544	2.0%
China Guangfa Bank	Fixed deposit	Banking services	N/A	62,000	N/A	74,549	N/A	1,165	N/A	0.0% *(Note 1)*

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June 2022, financial assets at fair value through profit or loss represented unlisted financial products purchased from commercial banks or insurance company. The table below sets out a summary of the financial assets at fair value through profit or loss of the Group as at 30 June 2022 and the comparative figures as at 30 June 2021:

Issuer	Product type	Principal business	Investment cost as at 30 June 2022 '000	Investment cost as at 30 June 2021 '000	Fair value as at 30 June 2022 HKD'000	Fair value as at 30 June 2021 HKD'000	Annual interest income as at 30 June 2022 HKD'000	Realised gain or loss and interest income during FY2022 HKD'000	Unrealised gain or loss and interest income during FY2022 HKD'000	Size relative to the Company's total asset as at 30 June 2022
China Merchants Bank	Certificates of deposit	Banking services	N/A	RMB250,000	N/A	303,245	N/A	6,441	N/A	0.0% *(Note 1)*
China Guangfa Bank	Certificate of deposit	Banking services	RMB110,000	RMB60,000	133,422	73,346	5,192	2,837	5,664	4.5%
Huaxia Bank	Certificate of deposit	Banking services	RMB30,000	RMB30,000	37,368	36,553	1,237	N/A	3,541	1.3%
FWD Life insurance	Life insurance	Life insurance	HKD8,000	HKD6,000	4,860	6,000	N/A	N/A	(3,140)	0.2%
Manulife (International)	Universal life insurance	Life insurance	HKD5,000	HKD5,000	2,433	5,126	N/A	N/A	(2,693)	0.1%
BOC Wealth Management	Wealth management product	Banking services	N/A	RMB4,000	N/A	4,834	N/A	N/A	N/A	0.0% *(Note 1)*

Note 1: Such product has reached maturity before 30 June 2022. As such, the size relative to the Company's total assets as at 30 June 2022 is not applicable.

DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 30 June 2022, debt instruments at fair value through other comprehensive income represented listed corporate bonds. The table below sets out a summary of debt instruments at fair value through other comprehensive income fo the Group as at 30 June 2022 and the comparative figures as at 30 June 2021:

Issuer	Product type	Principal business	Investment cost as at 30 June 2022 USD'000	Investment cost as at 30 June 2021 USD'000	Fair value as at 30 June 2022 HKD'000	Fair value as at 30 June 2021 HKD'000	Annual interest income as at 30 June 2022 HKD'000	Realised gain or loss and interest income during FY2022 HKD'000	Unrealised gain or loss and interest income during FY2022 HKD'000	Size relative to the Company's total asset as at 30 June 2022
HSBC Holdings Plc	Corporate bonds	Banking services	9,964	9,964	78,162	82,220	4,873	4,873	(4,068)	2.7%
Bank of China (Hong Kong) Limited	Corporate bonds	Banking services	10,353	10,353	81,063	83,874	4,600	4,600	(2,959)	2.8%
CALC Bond 2 Limited	Corporate bonds	Aircraft leasing	N/A	4,687	N/A	37,966	1,872	936	N/A	0.0% *(Note 2)*
Nan Fung Treasury (III) Limited	Corporate bonds	Property development	6,720	N/A *(Note 1)*	52,510	N/A *(Note 1)*	2,729	N/A	(3,374)	1.8%
NWD Finance (BVI) Limited	Corporate bonds	Property development	6,500	N/A *(Note 1)*	50,791	N/A *(Note 1)*	3,411	N/A	(47)	1.7%

Note 1: Such product was not purchased by the Group during the year ended 30 June 2021.

Note 2: Such product has reached maturity before 30 June 2022. As such, the size relative to the Company's total assets as at 30 June 2022 is not applicable.

During FY2022, the Group had adopted a conservative approach in deploying its surplus fund, such as investment in fixed deposits, certificates of deposit, low risk and high credit rating products issued by banks, financial institutions and listed companies.

In the future, the Group will from time to time monitor market situation, continue to adopt this investment strategy in order to optimize the usage of its surplus fund.

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.

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

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.

TIANJUE TOURBILLON SERIES

A CELEBRATED LEGACY OF THE WORLD


SHINE
SERIES
TIANWANG
TIANWANG
BORN TO BE
ROMANTIC AND
GRACEFUL


TIANWANG
1988
SAPPHIRE
WATER RESISTANT
30 METERS
TIANWANG
1988
SAPPHIRE
WATER RESISTANT
30 METERS


TIANWANG
1988
SAPPHIRE
WATER RESISTANT
30 METERS
LEARNED
SERIES
FEEL THE
LIGHTNESS AND
RELAX
TOGETHER

LEGEND
SERIES

WITNESS YOUR EVERY **LEGENDARY FOOTPRINT**

CORPORATE EVENTS

CHARITY

From July 2021 To June 2022

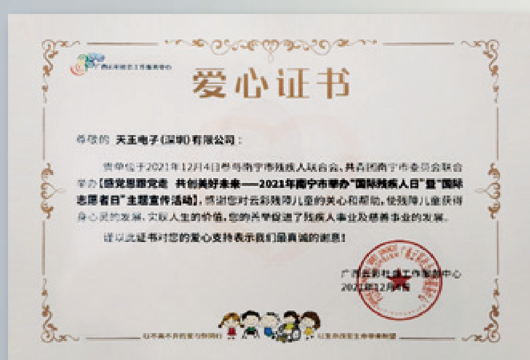
1. Donation to flood-inflicted areas of Zhengzhou, Henan in July 2021

Numerous Chinese people were greatly concerned about severe floods in Henan, and general public made contribution.

On 24 July 2021, Tian Wang Zhengzhou team procured and raised emergency supplies nearly RMB100,000 and transported to Weihui, Xinxiang City, Henan, the heavily affected area.

2. Donation to Guangxi Yuncai Social Service Center 廣西雲彩社會服務中心 in March 2022

The project "Yuncai Care for Children in Difficulties"(雲彩關懷困境兒童) is a poverty alleviation activity organized by Tian Wang in Dahua Yao Autonomous County. From 2020 to 2021, Tian Wang donated more than RMB1,450,000 to Guangxi Yuncai Social Service Center(廣西雲彩社會服務中心). In March 2022, Tian Wang continued to donate RMB300,000 to Guangxi Yuncai Social Service Center(廣西雲彩社會服務中心) to help children in difficulties.


爱心证书

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tung Koon Ming (董觀明), aged 71, is the founder of the Group, Chairman, executive Director and chief executive officer of the Company. Mr. Tung is the father of Mr. Tung Wai Kit, an executive Director, and the brother of Mr. Tung Koon Kwok Dennis, an executive Director. He was appointed as an executive Director on 21 September 2011. He is responsible for the overall direction, management and daily operation of the Group. He is also a director of certain subsidiaries of the Group. Mr. Tung has over 30 years of experience in the manufacturing and trading of watches business. Mr. Tung is the founder of Winning Metal Products Manufacturing Company Limited ("Winning Metal") since its incorporation in 1980. He has been the chairman, chief executive officer and director of Time Watch Investments Private Limited ("Time Watch Singapore"), a company which was listed on the Singapore Stock Exchange ("SGX") until it was privatised in June 2011. Through Winning Metal and Time Watch Singapore, Mr. Tung established the Group's watch movements trading business; developed Tian Wang and Balco watch and sales network of the Group in the PRC. Mr. Tung was awarded the Top Ten Persons of the Year (十大風雲人物獎) by the China Watch and Clock Top Forum in 2005 and the outstanding entrepreneurship award by Enterprise Asia in September 2013. He was also a member of the 8th, 9th and 10th Hunan Province People's Political Consultative Committee since 1998.

Mr. Tung Koon Kwok Dennis (董觀國), aged 64. He was appointed as an executive Director on 1 March 2019. Mr. Tung Koon Kwok Dennis is the brother of Mr. Tung Koon Ming, the Chairman, executive Director and chief executive officer of the Company and the uncle of Mr. Tung Wai Kit, an executive Director of the Company. Mr. Tung Koon Kwok Dennis has over 32 years of experience in sales and marketing in the watch industry. He was a sales manager of Winning Metal Products Manufacturing Company Limited, a controlling shareholder of the Company from 1980 to 2012. He has been the sales manager of Win Source Trading Limited, a wholly owned subsidiary of the Company since 2012. The main business of both Winning Metal Products Manufacturing Company Limited and Win Source Trading Limited is trading of watch movements. Mr. Tung Koon Kwok Dennis was a director of the Federation of Hong Kong Watch Trades & Industries Limited from 1991 to 1999. Mr. Tung Koon Kwok Dennis is currently the honorary director of the Federation of Hong Kong Watch Trades & Industries Limited. Mr. Tung Koon Kwok Dennis is currently a director of various subsidiaries of the Company.

Mr. Tung Wai Kit (董偉傑), aged 48, was appointed as an executive Director on 21 September 2011. Mr. Tung Wai Kit is the son of Mr. Tung Koon Ming, the Chairman, executive Director and chief executive officer of Company and the nephew of Mr. Tung Koon Kwok Dennis, an executive Director. Mr. Tung Wai Kit is the Group's marketing and administrative controller and is responsible for the marketing, production and administration of the Group's brand of Balco. Mr. Tung Wai Kit has over 22 years of experience in sales and marketing. He is currently a director of certain subsidiaries of the Group. Mr. Tung Wai Kit was a director of Time Watch Singapore, an associate of the controlling shareholders (within the meaning of Listing Rules) of the Company, whose shares were listed on the SGX until its delisting in June 2011.

Mr. Deng Guanglei (鄧光磊), aged 52, was appointed as an executive Director on 15 October 2014. Mr. Deng graduated in 安徽財貿學院 (Anhui Finance and Trade College) (for identification purpose only) in June 1994. He has over 22 years of experience in sales and marketing. He joined 天王電子有限公司 (Tian Wang Electronics Co., Ltd.) ("Tian Wang Electronics") in 1996 as a regional manager of its sales department in which he was responsible for the sales and marketing of Tian Wang brand of watches and left in 1998. By the end of 1998, when he rejoined Tian Wang Electronics after a temporary departure, he was promoted to be the sales manager of its marketing department. Starting from 2004, he started to be assistant general manager and the person-in-charge of the sales and marketing department of 天王電子(深圳)有限公司 (Tian Wang Electronics (Shenzhen) Co., Ltd.) ("Tian Wang Shenzhen"), a wholly-owned subsidiary of the Company. He has been the general manager of the sales and marketing department of Tian Wang Shenzhen since September 2007 and has also served as the general manager of Shenzhen Time Watch Management Consulting Limited since 2012. He was the deputy general manager of Tian Wang Shenzhen in 2016. He is the general manager of Tian Wang Shenzhen since January 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ma Ching Nam, BBS, CStJ, J.P. (馬清楠), aged 69, was appointed as an independent non-executive Director of the Company in January 2013. He is responsible for providing independent judgement on the Group' s strategies, performance, resources and standard of conduct. Mr. Ma is the chairman of Corporate Governance Committee, member of the Nomination Committee, the Audit Committee and the Remuneration Committee.

Mr. Ma obtained a degree of Bachelor of Science in Economics with honours from The University of Hull in 1977. He was admitted as a solicitor in England and Wales, Hong Kong, Australia (Victoria) and Singapore. He is also a Notary Public, China Appointed Attesting Officer and Civil celebrant of Marriages. Mr. Ma has been practicing law for over 40 years. He is currently a partner of Hastings & Co., Solicitors & Notaries.

Mr. Ma currently serves as director of Tai Sang Bank Limited, Heptacontinental group of companies, Ma Kam Ming Company Limited, Ma's Enterprises Company Limited and Ma Kam Ming Charitable Foundation. He is also the independent non-executive director of EC Healthcare (formerly known as Union Medical Healthcare Limited) (2138.HK) and JY Grandmark Holdings Limited (2231.HK).

Mr. Ma was the President of the Hong Kong Society of Notaries (2007-2013). He was Chairman of Po Leung Kuk (2019-2020) and now Advisor of Po Leung Kuk Advisory Board. He was appointed a member of Political and Consultative Conference in Hunan Province, the People's Republic of China (2003-2017). He is a visiting professor of the China Agricultural University.

Mr. Wong Wing Keung Meyrick (王泳強), aged 64, was appointed as an independent non-executive Director on 10 January 2013.

In August 1987, Mr. Wong obtained his Bachelor of Laws from The University of London as an external student. He was called to the degree of utter barrister of the Honourable Society of Gray's Inn in April 1989. In 1990, he started his practice as a barrister-at-law in Hong Kong. Mr. Wong also obtained Master of Laws in international economic law from The Chinese University of Hong Kong in December 2009 and Postgraduate Diploma in Corporate Governance and Directorship jointly issued by the School of Business, Hong Kong Baptist University and The Hong Kong Institute of Directors in June 2011. He obtained a degree in Master of Science in Corporate Governance and Directorship (Distinction) issued by the School of Business, Hong Kong Baptist University in 2011. He is also a Chartered Engineer, a member of the Institute of Energy, the Institution of Mechanical Engineers and the Institution of Engineering and Technology.

From November 2005 to June 2011, he served as an independent non-executive director of the Time Watch Singapore, whose shares were listed on the SGX until its delisting in June 2011. He has been appointed as an independent non-executive director of Chong Fai Jewellery Group Holdings Company Limited (formerly known as Dominate Group Holdings Company Limited) on 26 September 2018, a company whose shares are listed on the GEM of the Stock Exchange (stock code: 8537).

Mr. Choi Ho Yan (蔡浩仁), aged 46, was appointed as an independent non-executive Director on 10 May 2013. Mr. Choi obtained a degree of Bachelor of Arts in Accounting from the University of Hertfordshire in July 1998. He has over 24 years of experience in auditing, accounting, corporate finance, advisory and restructuring and investors relations. Mr. Choi worked in Ernst and Young as an accountant, and subsequently a senior accountant, from September 1998 to August 2004. Mr. Choi was an independent non-executive director of Long Well International Holdings Limited, a company whose shares were delisted on the Main Board of The Stock Exchange on 28 May 2021, until his resignation as director on 5 March 2021. Mr. Choi has been appointed as an independent non-executive director of China Saite Group Company on 30 June 2020, a company whose shares are listed on the Main Board of The Stock Exchange (stock code: 153). Mr. Choi has been appointed as an independent non-executive director of Jimu Group Limited on 12 February 2022, a company whose shares are listed on the GEM Board of The Stock Exchange (stock code: 8187).

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Li Yu Zhong (李育忠), aged 56, is the factory general manager of Tian Wang Shenzhen and the head of the manufacturing and assembly department of the Group. He is responsible for the manufacturing and assembly department of the Group. Mr. Li has more than 26 years of experience in the watch manufacturing business. In 2007, he obtained the qualification of watch repair examiner issued by Shenzhen Occupational Skill Testing Authority. He graduated from Guangdong Boluo Province Botong Agricultural Vocational School in 1984. Starting from 2008, he becomes a committee member of Materials and External Watch Parts Subcommittee on National Technical Committee on Watches of Standardisation Administration of China.

Mr. Mak King Pui Ricky (麥景培), aged 52, is the Chief Financial Officer (the "CFO") of the Group. He is responsible for the overall financial management, tax, treasury and corporate finance matters of the Group. He joined the Group in May 2018 and was appointed as the CFO in August 2018. He has over 28 years of experience in auditing, accounting, corporate finance, fund raising and company secretarial duties. Prior to joining the Group, he worked as CFO for several listed companies in Hong Kong and auditor in an international accounting firm. He is a Fellow Member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

Ms. Wong Siu Yu Rachel (黃少如), aged 52, is the financial controller of the Group. She is responsible for overseeing the Group's financial matters and the accounts of the PRC subsidiaries and the joint venture companies of the Group. She is also a director of certain subsidiaries of the Group. She has over 29 years of experience in accounting and finance. She obtained Bachelor of Business (major in accounting and manufacturing management) from the Swinburne University of Technology in 1999.

CORPORATE GOVERNANCE REPORT

The board (the "Board") of directors (the "Directors") of the Company is pleased to report to the shareholders on the corporate governance of the Company for the year ended 30 June 2022 ("FY2022").

CORPORATE GOVERNANCE PRACTICES

The Board and the Company are always committed to maintaining high standards of corporate governance. Apart from adopting the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code") as the Company's corporate governance code, the Company has also established a corporate governance committee (the "CG Committee") with corporate governance functions set out in code provision A.2 of the CG Code. The Company and the CG Committee periodically review the Company's corporate governance practice to ensure its continuous compliance with the CG Code. During FY2022 and up to the date of this annual report, save as disclosed below, the Company has complied with the code provisions set out in the CG Code.

CODE PROVISION C.2.1

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. Under the current corporate structure of the Group, Mr. Tung Koon Ming performs both the roles of the Chairman and the Chief Executive Officer of the Company. Although the responsibilities of the Chairman and the Chief Executive Officer are vested in one person, all major decisions are made in consultation with the Board members and the senior management of the Company. As there are three independent non-executive Directors in the Board, the Board considers that there is sufficient balance of power in the Board. Also, 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 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 during FY2022 and up to the date of this annual report.

BOARD OF DIRECTORS

The Board has a balance of skills and experience and a balanced composition of executive and independent non-executive Directors. As at 30 June 2022, the Board comprised seven Directors, four of whom are executive Directors and three of whom are independent non-executive Directors as set out below:

Executive Directors

Mr. Tung Koon Ming *(Chairman and chief executive officer)*
Mr. Tung Koon Kwok Dennis
Mr. Tung Wai Kit
Mr. Deng Guanglei

Independent non-executive Directors

Mr. Ma Ching Nam
Mr. Wong Wing Keung Meyrick
Mr. Choi Ho Yan

The Board is responsible for overseeing management of the Group's business and affairs. The Board has delegated the day-to-day responsibility to the executive Directors and senior management of the Company who are closely supervised by the Board to ensure compliance with the Company's policy and strategy. The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company.

Save for the relationship as set out in the "Profile of Directors and Senior Management" section of this annual report, there is no relationship including financial, business, family or other material or relevant relationships, between Board members and the senior management.

The Company maintains appropriate liability insurance to indemnify the Directors for their liabilities in respect of any legal actions taken against the Directors arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

DIRECTORS' ATTENDANCE AT BOARD MEETINGS AND GENERAL MEETINGS

During FY2022, the Company had held two Board meetings and one general meeting which was the annual general meeting for FY2021. The attendance of each of the Directors at these board meetings and general meeting, by name, is set out below:

Directors	Attendance/ Number of board meetings held	Attendance/ Number of general meeting held
Executive Directors		
Mr. Tung Koon Ming *(Chairman)*	2/2	1/1
Mr. Tung Koon Kwok Dennis	2/2	1/1
Mr. Tung Wai Kit	2/2	1/1
Mr. Deng Guanglei	2/2	1/1
Independent Non-Executive Directors		
Mr. Ma Ching Nam	2/2	1/1
Mr. Wong Wing Keung Meyrick	2/2	1/1
Mr. Choi Ho Yan	1/2	1/1

For the individual attendance record of the Directors at the meetings of the remuneration committee, the audit committee, the nomination committee and the CG Committee of the Board, please refer to the paragraphs headed "Remuneration Committee", "Audit Committee", "Nomination Committee" and "Corporate Governance Committee" respectively of this corporate governance report.

Minutes of meetings of the Board and committees are recorded in appropriate detail and are kept by the Company Secretary of the Company. The minutes are circulated to the Directors for review within reasonable time after each meeting.

The Directors are able, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Based on these confirmations, the Company considers that each of the independent non-executive Directors to be independent.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in the information of Directors required to be disclosed is as follows:

Mr. Choi Ho Yan has been appointed as an independent non-executive director of Jimu Group Limited on 12 February 2022, a company whose shares are listed on the GEM Board of the Stock Exchange (stock code: 8187).

TERMS OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors was appointed for an initial term of two years which shall be renewable automatically for a successive term of one year each commencing from the next day after the expiry of the then current term of his appointment, unless terminated by either party by giving not less than three month's written notice expiring at the end of the initial term or any time thereafter. The appointment of the independent non-executive Directors is subject to the provisions of the articles of association of the Company with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

Pursuant to Code Provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. For FY2022, each of the Directors have been given relevant guideline materials to ensure that they are apprised of the latest changes in the commercial, legal and regulatory requirements in relation to the Company's businesses, and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, during FY2022, the Directors had received training on the Listing Rule requirement for notifiable transaction and connected transaction to update and refresh their knowledge in this aspect.

New Directors, on appointment, will be given an induction package containing all key legal and Listing Rules' requirements as well as guidelines on the responsibilities and obligations to be observed by a director. The package will also include the latest published financial reports of the Company and the documentation for the corporate governance practices adopted by the Board.

The Company also continuously provide updates to Directors on the latest developments regarding Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are also issued to Directors where appropriate to ensure their awareness of best corporate governance practices.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") of the Board pursuant to a resolution of the Directors passed on 11 January 2013 with written terms of reference (as amended in 30 September 2022) in compliance with Rule 3.25 of the Listing Rules. The primary functions of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance-based remuneration and ensure none of the Directors determine their own remuneration. During FY2022, the Remuneration Committee has reviewed and approved the remuneration policy and packages of the Directors and the senior management and made recommendation to the Board for consideration and approval.

The Remuneration Committee currently comprises three independent non-executive Directors. One Remuneration Committee meeting was held during FY2022. Members of the Remuneration Committee and the attendance record of each member are set out below:

Members	Attendance/ Number of meetings held
Independent Non-Executive Directors	
Mr. Wong Wing Keung Meyrick *(Chairman)*	1/1
Mr. Ma Ching Nam	1/1
Mr. Choi Ho Yan	0/1

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") of the Board pursuant to a resolution of the Directors passed on 11 January 2013 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and as amended and re-adopted by the Board with effect from 1 January 2019. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting and oversee the risk management and internal control systems of the Company. During FY2022, the Audit Committee has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and discussed the audit, risk management and internal control systems and financial reporting matters in relation to the annual report of the Group for FY2022. The Company has an internal audit function. The risk management and internal control systems of the Group are reviewed by the Audit Committee annually. Based on the review conducted by the Audit Committee during FY2022, the Board considers that the risk management and internal control systems of the Group are effective and adequate.

The Audit Committee currently comprises three independent non-executive Directors. Two Audit Committee meetings were held during FY2022. Members of the Audit Committee and the attendance record of each member are set out below:

Members	Attendance/ Number of meetings held
Independent Non-Executive Directors	
Mr. Choi Ho Yan *(Chairman)*	1/2
Mr. Wong Wing Keung Meyrick	2/2
Mr. Ma Ching Nam	2/2

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") of the Board pursuant to a resolution of Directors passed on 11 January 2013 with written terms of reference in compliance with Rule 3.27A and as amended and re-adopted by the Board with effect from 1 January 2019. The primary function of the Nomination Committee is to review the structure, size and composition of the Board and to make recommendations to the Board regarding candidates to fill vacancies on the Board.

The Nomination Committee currently comprises one executive Director and two independent non-executive Directors. One Nomination Committee meeting was held during FY2022 to review the structure, size, diversity and composition of the Board, assess the independence of independent non-executive Directors and make recommendation to the Board on re-election of retiring directors. Members of the Nomination Committee and attendance record of the members are set out below:

Members	Attendance/ Number of meetings held
Executive Director	
Mr. Tung Koon Ming *(Chairman)*	1/1
Independent Non-Executive Directors	
Mr. Ma Ching Nam	1/1
Mr. Wong Wing Keung Meyrick	1/1

DIRECTOR NOMINATION POLICY

The Company has adopted a director nomination policy ("Director Nomination Policy") which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors.

In appointing a new Director, the Nomination Committee and/or the Board will first call a meeting of the Nomination Committee and invite nominations of candidates from Board members for its consideration prior to the meeting. The Nomination Committee may also put forward candidates who are not nominated by the Board. The Nomination Committee shall then make recommendations for the Board's consideration and approval. The information, including biography, independence (for nomination of non-executive or independent non-executive directors only), proposed remuneration and other information as required under the applicable laws and regulations will be included in the circular to shareholders. A shareholder may also serve to the principal place of business of the Company in Hong Kong a notice in writing for its intention to propose a resolution to elect a certain candidate as Director and a notice by the nominated person of his/her willingness to be elected according to the Articles of Association, without the Board's recommendation or nomination of the Nomination Committee other than those candidates as set out in the circular. The Board shall then consider and have the final decision on all matters relating to whether to have the recommended candidates to stand for election at a general meeting. The Nomination Committee shall ensure the transparency and fairness of the selection procedure.

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

a. Reputation for integrity.

b. Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy.

c. Willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments.

d. Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

e. Such other perspectives appropriate to the Company's business.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee may consider other factors so to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

BOARD DIVERSITY POLICY

Recognising the benefits of having a diversified Board, the Company adopted a board diversity policy and aims to achieve diversity in the Board in order to achieve a sustainable and balanced development for the businesses of the Group. Selection of candidates for the members of the Board are made through the consideration of a different aspects including age, gender, cultural and education background, ethnicity, professional qualification, skills, knowledge and length of services. Besides the above aspects, the Nomination Committee will consider whether the Board composition, as a whole, has sufficient diversified expertise particularly in corporate management, financial control, business development and human resources management. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The following measurable objectives have been set for implementing the board diversity policy:

(a) at least 50% of the members of the Board shall have attained education from university;

(b) at least 40% of the members of the Board shall have obtained accounting or other professional qualifications;

(c) at least 20% of the members of the Board shall have China-related work experience; and

(d) at least 40% of the members of the Board shall be independent non-executive directors.

The Nomination Committee is responsible for ensuring the diversity of the Board. The Nomination Committee shall review the policy and the measurable objectives annually to ensure its effectiveness to achieve diversity on the Board.

CORPORATE GOVERNANCE COMMITTEE

The Company has established the CG Committee pursuant to a resolution of the Directors passed on 11 January 2013 with written terms of reference in compliance with paragraph A.2.1 of the CG Code. The primary functions of the CG Committee are to keep the effectiveness of the corporate governance and system of internal non-financial controls of the Group.

The CG Committee currently comprises three independent non-executive Directors. One CG Committee meeting was held during FY2022 to review the policies and practices on corporate governance of the Group. Members of the CG Committee and the attendance record of each member are set out below:

Members	Attendance/ Number of meetings held
Independent Non-Executive Directors	
Mr. Ma Ching Nam *(Chairman)*	1/1
Mr. Choi Ho Yan	0/1
Mr. Wong Wing Keung Meyrick	1/1

AUDITOR'S REMUNERATION

The fees in relation to the audit service for continuing operations provided by Deloitte Touche Tohmatsu, the external auditors of the Company, for FY2022 amounted to approximately HK$3,010,000 (FY2021: approximately HK$2,780,000). No non-audit services were provided by Deloitte Touche Tohmatsu during FY2022.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the financial statements for FY2022, suitable accounting policies have been adopted and applied consistently. The financial statements for the reporting year have been prepared on a going concern basis.

A statement by the auditors of the Company about their reporting responsibilities is set out in the "Independent Auditor's Report" on pages 53 to 57 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the effectiveness of the risk management and internal control system of the Group and monitors the internal control systems through an external professional firm engaged by the Group. The professional firm is arranged to conduct review on the internal controls of the Group on a continuous basis and aim to cover all major operations of the Group on a cyclical basis. Overall, internal audits are designed to provide the Board with reasonable assurance that the internal control systems of the Group are sound and effective. The Group has established procedures in handling and dissemination of inside information in an accurate, secure and timely manner and to avoid possible mishandling of inside information within the Group.

The risk management and internal control systems are reviewed and assessed on an on-going basis by the Audit Committee and the Board, and will be further reviewed and assessed at least once each year by the Board.

Based on the risk management and internal control systems established and maintained by the Group and the reviews by external professional firm on internal audit of the Group, the Board is of the view that the Group has maintained effective and adequate risk management and internal control systems during FY2022.

COMPLIANCE AND ENFORCEMENT OF THE NON-COMPETE UNDERTAKING FROM CONTROLLING SHAREHOLDERS

As disclosed in the prospectus of the Company dated 24 January 2013 (the "Prospectus"), Mr. Tung Koon Ming, Red Rewarding Limited, Time Watch Investments Private Limited, Winning Metal Products Manufacturing Company Limited and Red Glory Investments Limited, being the then controlling shareholders of the Company (the "Controlling Shareholders"), through various companies controlled by them or any of them, are interested in some other different businesses, including but not limited to the (1) retail sales of multi- brand watches outside the PRC; (2) minority investments in various companies that distribute multi-brand watches; (3) minority investments in various companies that manufacture and supply third-party brands of watches and accessories on OEM basis and manufacture and supply of packaging materials for third-party brands of watches; and (4) property investment in the PRC and Hong Kong ("Excluded Business").

To protect the Group from any potential competition, the Controlling Shareholders have given an irrevocable non-compete undertaking (the "Non-compete Undertaking") in favour of the Company on 11 January 2013 pursuant to which each of the Controlling Shareholders has, among other matters, undertaken with the Company that each of the Controlling Shareholders and their respective associates (other than the Group) shall not, save as to the extent permitted pursuant to the Non-compete Undertaking, engaged in any business which will or may compete with the business currently and from time to time engaged by the Group. Details of the Non-compete Undertaking have been set out in paragraph headed "Relationship with our controlling shareholders – Non-compete undertaking" of the Prospectus.

In order to properly manage any potential or actual conflict of interests between the Group and the Controlling Shareholders in relation to the compliance and enforcement of the Non-compete Undertaking, the Group has adopted the following corporate governance measures:

(i) the independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Non-compete Undertaking by the Controlling Shareholders;

(ii) any decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Non-compete Undertaking shall be disclosed either through the Company's annual report or by way of announcement;

(iii) how the terms of the Non-compete Undertaking have been complied with and enforced shall be disclosed in the corporate governance report of the Company's annual report;

(iv) in the event that any of the Directors and/or their respective associates has material interest in any matter to be deliberated by the Board in relation to the compliance and enforcement of the Non-compete Undertaking, he/she may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the articles of association of the Company; and

(v) the Group is committed that the Board should include a balanced composition of executives and non–executive Directors (including independent non-executive Directors).

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Controlling Shareholders and their respective associates and the Group and to protect the interests of the shareholders, in particular, the minority shareholders of the Company.

The Company has received the annual declaration from each of the Controlling Shareholders in respect of their respective compliance with the terms of the Non-compete Undertaking during FY2022. The independent non-executive Directors, having reviewed the annual declarations and made reasonable enquiry, are satisfied that the Controlling Shareholders have complied with the terms of the Non-compete Undertaking during FY2022.

COMPANY SECRETARY

Ms. Hui Wai Man, Shirley ("Ms. Hui") has been appointed as the Company Secretary of the Company since 2 January 2015. Ms. Hui is a practising accountant in Hong Kong and is currently a director of a CPA firm. She is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, The Chartered Governance Institute (formerly known as "The Institute of Chartered Secretaries and Administrators") and The Hong Kong Chartered Governance Institute (formerly known as "The Hong Kong Institute of Chartered Secretaries"). During FY2022, Ms. Hui has attended the relevant professional training in accordance with Rule 3.29 of the Listing Rules. The CFO is the primary point of contact at the Company with the Company Secretary.

SHAREHOLDERS' RIGHTS

1. Procedures for shareholders to convene an extraordinary general meeting

1.1 The following procedures for shareholders (the "Shareholders", each a "Shareholder") of the Company to convene an extraordinary general meeting ("EGM") of the Company are prepared in accordance with Article 64 of the articles of association of the Company:

(1) One or more Shareholders (the "Requisitionist(s)") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice (the "Requisition"), to require an EGM to be called by the Directors for the transaction of any business specified therein.

(2) Such Requisition shall be made in writing to the Board or the Company Secretary of the Company at 27th Floor, CEO Tower, 77 Wing Hong Street, Kowloon, Hong Kong or via email at ir@timewatch.com.hk.

(3) The EGM shall be held within two months after the deposit of such Requisition.

(4) If the Directors fail to proceed to convene such meeting within twenty-one (21) days of the deposit of such Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

2. Procedures for raising enquiries

2.1 Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are as follows:

Tricor Investor Services Limited

Address: 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

Email: is-enquiries@hk.tricorglobal.com

Tel: (852) 2980 1333

Fax: (852) 2861 1465

2.2 Shareholders may raise enquiries in respect of the Company at the following designated contacts, correspondence addresses, email addresses and enquiry hotlines of the Company:

Email: ir@timewatch.com.hk

Tel: (852) 2945 0703

Address: 27th Floor, CEO Tower, 77 Wing Hong Street, Kowloon, Hong Kong

Attention: Company Secretary/Board of Directors

2.3 Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

3. **Procedures and contact details for putting forward proposals at shareholders' meetings**

3.1 To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information at the Company's principal place of business at 27th Floor, CEO Tower, 77 Wing Hong Street, Kowloon, Hong Kong.

3.2 The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order and made by a Shareholder, the Board of Directors will be asked to include the Proposal in the agenda for the general meeting.

3.3 The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(a) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires an ordinary resolution or a special resolution of the Company in an annual general meeting of the Company;

(b) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution of the Company in an extraordinary general meeting of the Company; and

(c) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of an ordinary resolution of the Company in an extraordinary general meeting of the Company.

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's principal place of business in Hong Kong at 27th Floor, CEO Tower, 77 Wing Hong Street, Kowloon, Hong Kong.

COMMUNICATION WITH SHAREHOLDERS

The management of the Group endeavours to maintain effective communications with the shareholders and potential investor. The Company meets the shareholders at the annual general meeting, publish interim and annual reports on the Company's website (www.timewatch.com.hk) and the website of the Stock Exchange, and release press releases on the Company's website to keep the shareholders and potential investors abreast of the Group's business and development.

CONSTITUTIONAL DOCUMENTS

During FY2022 and up to the date of this report, there is no change in the Company's constitutional documents.

DIVIDEND POLICY

The Company seeks to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable, stable and continuing dividend policy. The Company's dividend policy aims strike a balance between allowing Shareholders to participate in the Company's profit and allowing the Company to retain adequate reserves for business operations and future development. In proposing any dividend payout, the Company would consider in accordance with the Articles of Association of the Company and applicable laws and regulations, various factors including (i) the earnings per share of the Company; (ii) the reasonable return in investment of investors and Shareholders in order to provide incentive to them to continue to support the Company in its long-term development; (iii) the financial conditions and business plan of the Company; and (iv) the market sentiment and circumstances. Compliant with the conditions under the dividend policy, the Board may propose final dividends, interim dividends or special dividends distribution as the Board considers appropriate based on the profitability and capital requirements of the Company. The Company shall review and reassess the dividend policy and its effectiveness on a regular basis or when necessary.

UPDATES ON COMPLIANCE AND REGULATORY MATTERS AS DISCLOSED IN THE PROSPECTUS

Failure to contribute to social insurance and housing provident fund

As disclosed in the annual report of the Company for FY2021, Tian Wang Shenzhen failed to make full contributions into the social insurance and housing provident fund before the listing date. The Group has made up contributions for all entitled employees of Tian Wang Shenzhen in accordance with the PRC national laws and regulations since July 2012 and has incorporated an enforceable written policy for social insurance and housing provident fund contribution into its human resources management policy as stated in the Prospectus. As there is no established mechanism for enterprises to make up historical deficient contributions, particularly for those contributions which have been outstanding for a certain period of time, the Group has made provision, which cover for both of the employer's and the employee's portions of the unpaid social insurance and housing provident fund contributions, in the consolidated financial statements. As at the date of this report, the Group has not received any notification or orders from the relevant authorities in relation to the previously unpaid social insurance and housing provident fund.

Defects in relation to lease agreements of the Group

As disclosed in the annual report of the Company for FY2021, the Group strives to rectify the non-compliances or defects in lease agreements (please refer to the section headed "Our business – Litigation and compliance" of the Prospectus for details of such non-compliance). As at the date of this report, save for the lease agreements for four POS of the Group which remain unregistered, the Group has rectified the non-compliances and the defective lease agreements in the manner as disclosed in the Prospectus. As disclosed in the Prospectus, the maximum fine which the Group may be subject to for each unregistered lease agreement is RMB10,000. In respect of the four unregistered lease agreements, the Group has requested the relevant local authorities to implement the registration of the agreements. But the registration procedure for the four lease agreements have not been completed up to the date of this annual report because the local authorities have not provided clear registration procedures to the Group.

DIRECTORS' REPORT

The Board of Directors of the Company is pleased to present this annual report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for FY2022.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its major subsidiaries are set out in note 38 to the consolidated financial statements.

BUSINESS REVIEW

A business review of the Group for the FY2022 is set out in the section headed "Management Discussion and Analysis" of this annual report on page 12.

Details of the Group's environmental policies and performance are published in the separate Environmental, Social and Governance Report which will be available at the Group's website and the website of the Stock Exchange not later than 5 months after the end of the financial year.

The Group recognises the importance of compliance with rules and regulations and the impact of non–compliance with such rules and regulations on the business. The Group has been allocating staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators through effective communications. Except as disclosed in the section headed "Updates on compliance and regulatory matters as disclosed in the prospectus" on page 41 in this annual report, during FY2022, the Group has complied, to the best of our knowledge, with all relevant rules and regulations that have a significant impact on the business operation of the Group.

The Group recognises the value and importance of its employees and provides trainings and career development opportunities to its employees. The Group ensures that all employees are reasonably remunerated and also continues to improve, regularly review and update its policies on remuneration and benefits, training, occupational health and safety. The Group strives to achieve corporate sustainability through providing quality services to its customers and collaborating with its suppliers. To enhance customer satisfaction and promote a customer oriented culture within the Company, the Group takes 'Customer First' as one of its core values. The Group values the feedback from customers and has also established a mechanism to handle customer service, support and complaints. The Group also proactively collaborates with its suppliers and contractors to deliver high quality products and services. The Group has developed and included certain requirements in its standard tender documents. These requirements include regulatory compliance, labour practices, anti-corruption and other business ethics.

The applicable discussion and analysis as cross-referenced above shall form an integral part of this Directors' Report.

MAJOR CUSTOMERS AND SUPPLIERS

During FY2022, sales to the Group's five largest customers accounted for approximately 3.5% of the Group's total revenue of the year and purchase from the Group's five largest suppliers accounted for approximately 43.9% of the Group's total purchase of the year. Purchase from the largest supplier of the Group accounted for approximately 11.2% of the total purchase of the year.

None of the Directors nor any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued shares) of the Company had any interest in the Group's five largest customers or suppliers.

RESULTS AND DIVIDENDS

The results of the Group for FY2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 58 of this annual report and the state of affairs of the Group as at 30 June 2022 are set out in the consolidated statement of financial position on pages 59 to 60 of this annual report.

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.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining members who are qualified for attending the forthcoming 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.

Conditional on the passing of the resolution approving the declaration of the proposed final and special dividend at the forthcoming annual general meeting, the register of members of the Company will also be closed on 1 December 2022 for the purpose of determining the entitlement to the proposed final and special dividend in respect of the FY2022. In order to be qualified for the proposed final and special dividend (subject to the approval of the Shareholders at the forthcoming annual general meeting), unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at the address stated above for registration not later than 4:30 p.m. (Hong Kong time) on 30 November 2022.

RESERVES

Details of the movement in the reserves of the Group during FY2022 are set out in the consolidated statement of changes in equity.

The Directors considered that the Company's reserves available for distribution to shareholders comprise the share premium and the accumulated earnings which amounted to approximately HK$1,856.4 million for FY2022 (FY2021: approximately HK$1,219.1 million). Under the Companies Act (Chapter 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands (the jurisdiction where the Company was incorporated), the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

RETIREMENT BENEFIT SCHEMES

The Group participates in retirement schemes and pension schemes operated by the local government for the Group's eligible employees in the PRC and Switzerland, and operates a Mandatory Provident Fund scheme for the employees in Hong Kong. Details of retirement benefit schemes of the Group are set out in note 31 to the consolidated financial statements in this annual report.

During FY2022, no contribution was forfeited (by the Group on behalf of its employees who leave the scheme prior to vesting fully in such contributions) under the retirement benefit schemes which may be used by the Group to reduce the contribution payable in the future years. Accordingly, no forfeited contribution was utilised during FY2022, and as at 30 June 2022, there was no forfeited contribution available to reduce the Group's future level of contributions to the retirement benefit schemes.

PROPERTY, PLANT AND EQUIPMENT

During FY2022, the Group acquired furniture and fixtures at a cost of approximately HK$0.9 million, computer equipment at a cost of approximately HK$5.0 million, tools, machinery, factory equipment and fittings at a cost of approximately HK$65.4 million, motor vehicles at a cost of approximately HK$0.8 million and construction in progress of approximately HK$19.1 million.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the issued share capital of the Company during FY2022 are set out in note 27 to the consolidated financial statements in this annual report.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during FY2022 and up to the date of this report were:

Executive Directors

Mr. Tung Koon Ming *(Chairman)*
Mr. Tung Koon Kwok Dennis
Mr. Tung Wai Kit
Mr. Deng Guanglei

Independent Non-Executive Directors

Mr. Ma Ching Nam
Mr. Wong Wing Keung Meyrick
Mr. Choi Ho Yan

In accordance with article 105(A) of the Company's articles of association, Mr. Tung Koon Kwok Dennis, Mr. Tung Wai Kit and Mr. Ma Ching Nam (collectively, the "Retiring Directors") will retire at the Annual General Meeting. The Retiring Directors, Mr. Tung Koon Kwok Dennis and Mr. Tung Wai Kit, being eligible, will offer themselves for re-election at the Annual General Meeting. Mr. Ma Ching Nam will not offer himself for re-election at the Annual General Meeting.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Based on these confirmations, the Company considers that each of the independent non-executive Directors to be independent.

Each of Mr. Tung Koon Ming, Mr. Tung Wai Kit and Mr. Deng Guanglei, all being executive Directors, has entered into a service contract with the Company for an initial term of two years with effect from 11 January 2013, Mr. Tung Koon Kwok Dennis, being an executive Director, has entered into a service contract with the Company for an initial term of two years with effect from 1 March 2019, and renewable automatically until terminated by either party by giving not less than three months' written notice. Each of their appointment is subject to the provisions of the articles of association of the Company with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

Each of the independent non-executive Directors is appointed for an initial term of two years which shall be renewable automatically for a successive term of one year each commencing from the next day after the expiry of the then current term of his appointment, unless terminated by either party by giving not less than three month's written notice expiring at the end of the initial term or any time thereafter. The appointment of the independent non-executive Directors is subject to the provisions of the articles of association of the Company with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

Save as disclosed above, none of the Directors proposed for re-election at the Annual General Meeting of the Company has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors' fees are subject to Shareholders' approval at general meeting of the Company. Other emoluments are determined by the Board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group.

The remuneration of the senior management by band for FY2022 is set out below:

Remuneration bands	**Number of employees**
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	2

Further details of the Directors' remuneration and the five highest paid employees are set out in notes 6 and 7 to the consolidated financial statements in this annual report respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2022, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Name of Director	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of securities *(note 1)*	Approximate percentage of shareholding
Mr. Tung Koon Ming ("Mr. Tung")	Company	Interest of controlled corporation *(Note 2 and 3)*	1,456,277,000 (L)	70.76%
		Beneficial owner	9,092,000	0.44%
Mr. Tung Koon Kwok Dennis	Company	Beneficial owner	16,778,000	0.82%

Notes:

1. The letter "L" denotes a long position in the shares of the Company or the relevant associated corporation.

2. As at 30 June 2022, these shares were held by Red Glory Investments Limited ("Red Glory"), which was wholly owned by Mr. Tung. Mr. Tung was deemed to be interested in all the Shares in which Red Glory was interested by virtue of the SFO.

3. On 26 July 2022, Mr. Tung transferred his direct interest in the Company and his indirect interest in the Company through Red Glory to the trustee of a trust established by Mr. Tung. Please refer to the voluntary announcement dated 26 July 2022 for further details.

Save as disclosed above, as at 30 June 2022, none of the Directors or the chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware of, as at 30 June 2022, the interests and short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of SFO were as follows:

Name of shareholders	Capacity/nature of interest	Number and class of securities *(note 1)*	Approximate percentage of shareholding
Red Glory	Beneficial owner	1,456,277,000 Shares (L)	70.76%
Ms. Tam Fun Hung ("Ms. Tam")	Interest of spouse *(note 2)*	1,465,369,000 Shares (L)	71.2%
Areo Holdings Limited	Interest of a controlled corporation *(note 3)*	186,292,000 Shares (L)	8.96%
Lam Lai Ming	Interest of a controlled corporation *(note 3)*	186,292,000 Shares (L)	8.96%
Li Gabriel	Interest of a controlled corporation *(note 3)*	186,292,000 Shares (L)	8.96%
Orchid Asia V, L.P.	Beneficial owner *(note 3)*	180,946,000 Shares (L)	8.70%
OAV Holdings, L.P.	Interest of a controlled corporation *(note 3)*	180,946,000 Shares (L)	8.70%
Orchid Asia V GP, Limited	Interest of a controlled corporation *(note 3)*	180,946,000 Shares (L)	8.70%
Orchid Asia V Group Management, Limited	Interest of a controlled corporation *(note 3)*	180,946,000 Shares (L)	8.70%
Orchid Asia V Group, Limited	Interest of a controlled corporation *(note 3)*	180,946,000 Shares (L)	8.70%
Webb David Michael	Interest of a controlled corporation *(note 4)*	63,354,320 Shares (L)	3.05%
	Beneficial owner	41,217,680 Shares (L)	1.99%

DIRECTORS' REPORT

1. The letter "L" denotes a person's long position in the Shares or underlying Shares of the Company.

2. Ms. Tam is the spouse of Mr. Tung. Ms. Tam was deemed to be interested in the Shares in which Mr. Tung was interested by virtue of the SFO. Details of Mr. Tung's interests in the Shares are disclosed in note 2 and 3 to the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" in this annual report.

3. So far as the Directors are aware of, these Shares were beneficial owned as to 180,946,000 Shares by Orchid Asia V, L.P. and 5,346,000 Shares by Orchid Asia V Co-Investment, Limited. So far as the Directors are aware of, Orchid Asia V, L.P. was wholly-controlled by OAV Holdings, L.P., which was in turn wholly-owned by Orchid Asia V GP, Limited. Orchid Asia V GP, Limited was wholly-owned by Orchid Asia V Group Management, Limited, which was in turn wholly-owned by Orchid Asia V Group, Limited. Orchid Asia V Group, Limited was wholly-owned by Areo Holdings Limited.

   So far as the Directors are aware of, Orchid Asia V Co-Investment, Limited was also wholly-controlled by Areo Holdings Limited. Areo Holdings Limited was wholly-owned by Ms. Lam Lai Ming. Areo Holdings Limited is also controlled by Mr. Li Gabriel by virtue of his directorship therein. Accordingly, Ms. Lam Lai Ming and Mr. Li Gabriel were taken to be interested in the Shares in which Areo Holdings Limited was interested by virtue of the SFO.

4. So far as the Directors are aware of, these Shares were held by Preferable Situation Assets Limited, which was wholly-owned by Mr. Webb David Michael. Mr Webb David Michael was deemed to be interested in all Shares in which Preferable Situation Assets Limited was interested by virtue of the SFO.

Save as disclosed above, as at 30 June 2022, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed in the paragraph headed "Financial assets at fair value through profit or loss", "Debt instruments at fair value through other comprehensive income" and "Financial assets at amortised cost" in the section headed "Management Discussion and Analysis" and note 33 to the consolidated financial statements, there was no material acquisition or disposal of subsidiaries or associated companies or significant investment held by the Company during FY2022.

SHARE OPTION SCHEME

A share option scheme (the "Scheme") was conditionally approved by the then sole shareholder of the Company on 11 January 2013 for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group.

Eligible participants of the Scheme include, (i) any employee (whether full time or part time, including any executive director) of the Company, its subsidiaries or invested entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or invested entity; (iii) any supplier or customer of the Group or any invested entity; (iv) any person or entity that provides research, development or other technological support to the Group or any invested entity; (v) any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity; (vi) any advisor (professional or otherwise) or consultant to any area of business or business development of the Group or any invested entity; (vii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and (viii) any company wholly owned by one or more eligible participants as referred to in (i) to (vii) above.

The maximum number of Shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The maximum number of Shares issuable upon the exercise of options granted under the Scheme and any other share option scheme adopted by the Group (including both exercised or outstanding options) to each grantee within any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Share options granted to a Director, chief executive or substantial shareholder of the Company, or any of their associates must be approved by the independent non-executive Directors (excluding independent non-executive Director who or whose associates is the proposed grantee of the options).

In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company or to any of their associates that would result in the Shares to be issued in aggregate upon exercise thereof, in excess of 0.1% of the Shares in issue at any time and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The total number of shares which may be issued upon exercise of all options (excluding for this purpose options which have lapsed) to be granted under the Scheme and any other share option schemes must not in aggregate exceed 200,000,000 shares, representing approximately 10% and 9.62% of shares in issue as at 5 February 2013 (the date of which the shares of the Company were listed on the Stock Exchange) and as at the date of this annual report, respectively.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, which period may commence from the date of the offer of the share options, and shall end on a date which is not later than 10 years from the date of grant of the share options subject to the provisions for early termination thereof.

The subscription price for the shares under the Scheme shall be determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

Subject to the earlier termination of the Scheme in accordance with the rules thereof, the Scheme will remain in force for a period of 10 years commencing on 11 January 2013, which was the date of adoption of the Scheme and will expire on 10 January 2023.

During FY2022, no share option was granted, exercised, cancelled or lapsed under the Scheme.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No Director nor an connected entity of the Director had a material interest, whether directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, subsisting during or at the end of the year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance (whether it is for provision of services to the Group or not) had been entered into between the Company or any of its subsidiaries, and any controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During FY2022 and up to the date of this report, except for Mr. Tung Koon Ming who is one of the Controlling Shareholders currently interested or engaged in the Excluded Business, none of the Directors are considered to have any direct or indirect interests in businesses which compete or are likely to compete with businesses of the Group pursuant to Rule 8.10 of the Listing Rules.

CONNECTED TRANSACTIONS

A summary of the related party transactions made during FY2022 is disclosed in note 37 to the consolidated financial statements. The related party transactions also constitute connected transactions as defined in Chapter 14A of the Listing Rules, and such transactions are fully exempt from the requirements under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transaction.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the IPO of the Company in February 2013, after the deduction of expenses, amounted to approximately HK$742.0 million which comprise approximately HK$640.0 million from the global offering and approximately HK$102.0 million from the partial exercise of over-allotment option, of which approximately HK$705.5 million had been utilised from the year ended 30 June 2013 to the year ended 30 June 2021. For FY2022, the Company had not further utilised the net proceeds. For further details, please refer to the "Management Discussion and Analysis – Use of Proceeds from the Company's Initial Public Offering" of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules as at the latest practicable date prior to the issue of this annual report.

DONATIONS

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 during FY2022.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 149 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 39 to the consolidated financial statements, there is no material subsequent event undertaken by the Company or by the Group after 30 June 2022 and up to the date of this annual report.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 29 to page 41 of this annual report.

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the management and the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including review of the audited financial statements for FY2022.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws in the Cayman Islands, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

TAX RELIEF

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Shares during FY2022.

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 (the "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	10,000,000	0.45	0.42	4,375
	18,308,000			9,441

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.

During FY2022, save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PERMITTED INDEMNITY PROVISIONS

During FY2022 and up to the date of this report, permitted indemnity provisions (within the meaning in section 469 of the Companies Ordinance) (Chapter 622 of the Laws of Hong Kong) were in force for the benefit of the Directors of the Company and its subsidiaries. The permitted indemnity provisions are provided for in the Company's articles of association and in the Directors liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against such Directors. During FY2022, no claims were made against the Directors.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, which were not contract of service with any Director or any person engaged in full time employment of the Company, were entered into or existed during FY2022.

AUDITORS

The consolidated financial statements of the Group for FY2022 have been audited by Deloitte Touche Tohmatsu.

On behalf of the Board

Mr. Tung Koon Ming
Chairman
Hong Kong, 30 September 2022

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF TIME WATCH INVESTMENTS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Time Watch Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 58 to 148, which comprise the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of inventories	
We identified the valuation of inventories as a key audit matter because of its significance to the consolidated financial statements, and the significant judgement exercised by management in identifying slow-moving inventory items that are no longer suitable for use in production or for sale and determining the appropriate levels of write down of inventories. As set out in note 4 to the consolidated financial statements, in determining the write down of obsolete and slow-moving inventory items, the management reviews the ageing of inventories and carries out an inventory review on a product-by-product basis with reference to subsequent sales and usage of inventories and latest selling prices. As at 30 June 2022, the carrying amount of inventories is approximately HK$354,420,000 and write down of inventories of approximately HK$9,100,000 was charged to profit or loss for the year then ended.	Our procedures in relation to evaluating the reasonableness of the valuation of inventories included: • Understanding the inventory allowance policy of the Group in the identification of slow-moving inventories and measurement of the write down of inventories; • Assessing whether the inventory allowance at the end of the reporting period was calculated in a manner consistent with the Group's inventory write down policy; • Testing the accuracy of the Group's inventory ageing analysis, on a sample basis, to purchase invoices or production notes and assessing whether the write down of inventories is reasonable based on the factors considered by the management; • Enquiring the management and the sales team about any expected changes in plans for the markdown of selling price of slow-moving inventories; and • Assessing the reasonableness of the estimation of the net realisable value of inventories with reference to usage and sales of inventories subsequent to the end of the reporting period and latest selling prices, on a sample basis.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine the matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe the matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Keung To Wai, David.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 September 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	NOTES	2022 HK$'000	2021 HK$'000
Revenue	5	**1,408,092**	1,917,967
Cost of sales		**(385,810)**	(471,145)
Gross profit		**1,022,282**	1,446,822
Other income, gains and losses	8	**56,181**	113,476
Net reversal of impairment losses on trade receivables		**1,029**	4,024
Selling and distribution costs		**(915,800)**	(1,064,023)
Administrative expenses		**(111,256)**	(129,682)
Impairment losses on property, plant and equipment		**(10,050)**	–
Impairment losses on right-of-use assets		**(1,750)**	–
Provision for onerous contracts		**(17,141)**	–
Finance costs	9	**(850)**	(1,027)
Share of results of a joint venture		**1,061**	2,401
Profit before taxation		**23,706**	371,991
Income tax credit (charge)	10	**7,927**	(103,464)
Profit for the year	11	**31,633**	268,527
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of leasehold land and buildings		**8,345**	1,008
Gain on revaluation of property, plant and equipment upon transfer to investment properties		**2,270**	–
Deferred tax on revaluation of a property		**(1,312)**	–
Exchange differences arising on translation		**(36,925)**	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		**(15,035)**	7,793
Reclassification adjustment relating to debt instruments at fair value through other comprehensive income disposed of during the year		**(1,574)**	–
		(44,231)	180,033
Total comprehensive (expense) income for the year		**(12,598)**	448,560
Profit (loss) for the year attributable to owners of the Company:			
Owners of the Company		**33,020**	259,103
Non-controlling interests		**(1,387)**	9,424
		31,633	268,527
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(9,614)**	434,964
Non-controlling interests		**(2,984)**	13,596
		(12,598)	448,560
Earnings per share	13		
– Basic (HK cents)		**1.6**	12.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	NOTES	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	14	**429,792**	446,832
Right-of-use assets	15	**56,929**	51,455
Investment properties	16	**126,840**	107,700
Deposits paid for acquisition of property, plant and equipment		**844**	2,055
Interest in a joint venture	17	**11,467**	12,011
Financial assets at fair value through profit or loss	18	**106,745**	121,025
Debt instruments at fair value through other comprehensive income	19	**256,526**	166,094
Financial assets at amortised cost	20	**289,336**	271,742
Deferred tax assets	28	**58,968**	55,160
		1,337,447	1,234,074
Current assets			
Inventories	21	**354,420**	378,677
Trade receivables	22	**187,669**	284,948
Other receivables, deposits and prepayments	22	**84,780**	115,285
Tax recoverable		**2,642**	1,891
Financial assets at fair value through profit or loss	18	**71,338**	308,079
Debt instruments at fair value through other comprehensive income	19	**–**	37,966
Financial assets at amortised cost	20	**58,570**	447,293
Bank balances and cash	23	**840,498**	254,856
		1,599,917	1,828,995
Assets classified as held for sale	14	**–**	14,720
		1,599,917	1,843,715
Current liabilities			
Trade payables and bills payable	24	**45,789**	56,901
Other payables and accrued charges	24	**115,006**	149,240
Tax payable		**48,973**	63,572
Bank borrowings	25	**–**	40,000
Lease liabilities	26	**10,816**	11,320
Other loans	29	**15,695**	7,766
		236,279	328,799
Net current assets		**1,363,638**	1,514,916
Total assets less current liabilities		**2,701,085**	2,748,990

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	NOTES	2022 HK$'000	2021 HK$'000
Capital and reserves			
Share capital	27	**205,807**	207,638
Reserves		**2,376,998**	2,394,168
Equity attributable to owners of the Company		**2,582,805**	2,601,806
Non-controlling interests		**28,807**	31,988
Total equity		**2,611,612**	2,633,794
Non-current liabilities			
Deferred tax liabilities	28	**74,818**	110,309
Lease liabilities	26	**14,655**	4,887
		89,473	115,196
		2,701,085	2,748,990

The consolidated financial statements on pages 58 to 148 were approved and authorised for issue by the Board of Directors on 30 September 2022 and are signed on its behalf by:

Mr. Tung Koon Ming
DIRECTOR

Mr. Tung Wai Kit
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (note a)	Translation reserve HK$'000	Investment revaluation reserve HK$'000	Properties revaluation reserve HK$'000	Statutory surplus reserve HK$'000 (note b)	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2020	207,995	511,101	(230,147)	(121,594)	2,137	5,388	72,557	1,722,023	2,169,460	23,729	2,193,189
Profit for the year	–	–	–	–	–	–	–	259,103	259,103	9,424	268,527
Exchange differences arising on translation	–	–	–	167,060	–	–	–	–	167,060	4,172	171,232
Gain on revaluation of leasehold land and buildings and car park	–	–	–	–	–	1,008	–	–	1,008	–	1,008
Fair value change of debt instruments at fair value through other comprehensive income	–	–	–	–	7,793	–	–	–	7,793	–	7,793
Total comprehensive income for the year	–	–	–	167,060	7,793	1,008	–	259,103	434,964	13,596	448,560
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	(5,337)	(5,337)
Repurchase and cancellation of shares (Note 27)	(357)	(2,261)	–	–	–	–	–	–	(2,618)	–	(2,618)
Appropriation to reserve	–	–	–	–	–	–	426	(426)	–	–	–
At 30 June 2021	207,638	508,840	(230,147)	45,466	9,930	6,396	72,983	1,980,700	2,601,806	31,988	2,633,794
Profit (loss) for the year	–	–	–	–	–	–	–	33,020	33,020	(1,387)	31,633
Exchange differences arising on translation	–	–	–	(35,328)	–	–	–	–	(35,328)	(1,597)	(36,925)
Gain on revaluation of leasehold land and buildings	–	–	–	–	–	8,345	–	–	8,345	–	8,345
Gain on revaluation of property, plant and equipment upon transfer to investment properties	–	–	–	–	–	2,270	–	–	2,270	–	2,270
Deferred tax on revaluation of a property	–	–	–	–	–	(1,312)	–	–	(1,312)	–	(1,312)
Fair value change of debt instruments at fair value through other comprehensive income	–	–	–	–	(15,035)	–	–	–	(15,035)	–	(15,035)
Reclassification adjustment relating to debt instruments at fair value through other comprehensive income disposed of during the year	–	–	–	–	(1,574)	–	–	–	(1,574)	–	(1,574)
Total comprehensive (expense) income for the year	–	–	–	(35,328)	(16,609)	9,303	–	33,020	(9,614)	(2,984)	(12,598)
Reclassification of cumulative translation reserve upon disposal of a subsidiary	–	–	–	54	–	–	–	–	54	–	54
Reclassification of cumulative properties revaluation reserve upon disposal of a property	–	–	–	–	–	(5,913)	–	5,913	–	–	–
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	(197)	(197)
Repurchase and cancellation of shares (Note 27)	(1,831)	(7,610)	–	–	–	–	–	–	(9,441)	–	(9,441)
Appropriation to reserve	–	–	–	–	–	–	793	(793)	–	–	–
At 30 June 2022	205,807	501,230	(230,147)	10,192	(6,679)	9,786	73,776	2,018,840	2,582,805	28,807	2,611,612

Notes:

(a) The special reserve represents: (i) the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the share capital of the acquired subsidiaries; (ii) financial guarantee provided to ultimate holding company as a result of group reorganisation which occurred in prior years; and (iii) the difference between the nominal amount and fair value of the loan advanced from a non-controlling shareholder of a subsidiary at initial recognition.

(b) The statutory surplus reserves represent enterprise development and general reserve fund appropriated from the profit after taxation of subsidiaries established in the People's Republic of China (the "PRC").

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**23,706**	371,991
Adjustments for:		
Allowance for obsolete inventories	**9,100**	2,568
Net reversal of impairment losses on trade receivables	**(1,029)**	(4,024)
Depreciation of property, plant and equipment	**71,399**	66,163
Loss on disposal and write-off of property, plant and equipment	**10,490**	9,866
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**	–
Gain on fair value change of investment properties	**(736)**	(17,700)
Loss from change in fair value of financial assets measured at fair value through profit or loss	**3,243**	2,740
Share of results of a joint venture	**(1,061)**	(2,401)
Gain on disposal of assets classified as held for sale	**(114)**	–
Gain on disposal of debt instruments at fair value through other comprehensive income	**(1,659)**	–
Finance costs	**850**	1,027
Interest income	**(48,701)**	(54,488)
Operating cash flows before movements in working capital	**113,715**	395,975
Decrease in inventories	**5,011**	31,743
Decrease (increase) in trade receivables	**94,219**	(2,148)
Decrease (increase) in other receivables, deposits and prepayments	**31,548**	(12,963)
(Decrease) increase in trade payables and bills payable	**(10,178)**	19,354
(Decrease) increase in other payables and accrued charges	**(49,145)**	2,463
Cash generated from operations	**185,170**	434,424
Interest received	**37,200**	43,366
Income tax paid	**(46,866)**	(50,050)
NET CASH FROM OPERATING ACTIVITIES	**175,504**	427,740
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(89,050)**	(95,292)
Deposits paid for acquisition of property, plant and equipment	**(929)**	(47,454)
Proceeds from disposal of property, plant and equipment	**1,054**	6,335
Proceeds from disposal of debt instruments at fair value through other comprehensive income	**38,427**	–
Proceeds from disposal of assets classified as held for sale	**14,834**	–
Advance to a joint venture	**(2,343)**	–
Deposits received from assets classified as held for sale	**–**	1,500
Purchase of debt instruments at fair value through other comprehensive income	**(103,301)**	–
Purchase of financial assets at fair value through profit or loss	**(62,625)**	(441,813)
Redemption of financial assets at fair value through profit or loss	**307,975**	413,695
Purchase of financial assets at amortised cost	**(498,338)**	(945,194)
Redemption of financial assets at amortised cost	**863,300**	308,089
Payment for rental deposits	**(202)**	(913)
Interest received from debt instruments at fair value through other comprehensive income	**11,501**	11,122
Dividend received from a joint venture	**1,539**	1,364
Net cash outflow on acquisition of assets through acquisition of a subsidiary (Note 33)	**–**	(84,414)
Net cash inflow on disposal of a subsidiary	**–**	3,870
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**481,842**	(869,105)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	2022 *HK$'000*	2021 *HK$'000*
FINANCING ACTIVITIES		
Dividends paid to non-controlling interests of subsidiaries	**(197)**	(5,337)
Interest paid	**(850)**	(1,027)
Other loans raised	**7,797**	–
Repayment of bank borrowings	**(40,000)**	–
Payment of lease liabilities	**(18,022)**	(18,710)
Payment on repurchase and cancellation of shares	**(9,441)**	(2,618)
NET CASH USED IN FINANCING ACTIVITIES	**(60,713)**	(27,692)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**596,633**	(469,057)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**254,856**	693,638
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(10,991)**	30,275
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**840,498**	254,856
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**840,498**	254,856

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

1. GENERAL

Time Watch Investments Limited (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 ("BVI"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in this annual report.

The Company is an investment holding company. Details of the principal activities of its subsidiaries are set out in note 38.

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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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 Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods 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 has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (cont'd)

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[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
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 a date to be determined
[2] Effective for annual periods beginning on or after 1 January 2022
[3] 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 consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (cont'd)

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 "Income Taxes" ("HKAS 12") so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 4, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 30 June 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK$56,929,000 and HK$25,471,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of accumulated profits (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") 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 at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16 "Leases" ("HKFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value for the purposes of measuring inventories in HKAS 2 "Inventories" or value in use for the purposes of impairment assessment in HKAS 36 "Impairment of Assets" ("HKAS 36").

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Changes in the Group's interests in existing subsidiaries (cont'd)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture is incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investment in a joint venture (cont'd)

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group sells goods to customer. Revenue from sales of goods to customers is recognised when control of the products has transferred, being when the products are delivered to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products. It is the Group's policy to sell its products to the customers with a right to exchange or return faulty products to another product within reasonable period after delivery. No contract liability and right to the returned goods are recognised as insignificant amount of returns are expected based on accumulated experience.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leases (cont'd)

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from COVID-19-related rent concessions in which the Group applied the practical expedient. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leases (cont'd)

The Group as a lessee (cont'd)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities and makes a corresponding adjustment to the related right-of-use asset whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leases (cont'd)

The Group as a lessee (cont'd)

Lease modifications

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

COVID-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leases (cont'd)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currencies (cont'd)

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Exchange differences relating to the retranslation of the Group's net assets in RMB to the Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

Borrowing costs

Borrowing costs which are not eligible for capitalisation to qualifying assets are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

Retirement benefits costs

Payments to state-managed retirement benefits schemes for staff in the PRC, excluding Hong Kong, and the Mandatory Provident Fund Scheme for staff in Hong Kong are recognised as expenses when employees have rendered services entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation, as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction (other than in a business combination) that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Taxation (cont'd)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment (cont'd)

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Owned properties and car park in Hong Kong held for use for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on revaluation of owned properties and car park in Hong Kong is recognised in other comprehensive income and accumulated in properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of such owned properties is recognised in profit or loss to the extent that it exceeds the balance, if any, on the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred to accumulated profits.

Depreciation is recognised so as to write off the cost or valuation of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating units, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or the group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of warranty obligations under the relevant contracts with customers for sale of goods are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term;

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Classification and subsequent measurement of financial assets (cont'd)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income ("OCI") and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income, gains and losses" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables and deposits, certificate of deposits at amortised cost, fixed deposits, debt instruments at FVTOCI and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within twelve months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

(i) Significant increase in credit risk (cont'd)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

(iv) Write-off policy

The Group considers writing-off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

(v) *Measurement and recognition of ECL (cont'd)*

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the investment revaluation reserve in relation to accumulated loss allowance.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the assets to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities including trade payables, bills payable, other payables, bank borrowings, and other loans are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Valuation of inventories

The management of the Group reviews ageing analysis and also carries out inventory review on a product-by-product basis with reference to subsequent sales and usage of inventories and latest selling prices and writes down slow-moving inventory items identified that are no longer suitable for use in production or for sale. Where the actual net realisable values of the inventories are less than expected, further write down of inventories may arise.

During the year ended 30 June 2022, write down of inventories of approximately HK$9,100,000 (2021: HK$2,568,000) was charged to profit or loss. As at 30 June 2022, the carrying amount of the Group's inventories is approximately HK$354,420,000 (2021: HK$378,677,000).

Provision of ECL for trade receivables

The Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using provision matrix and individually assess ECL for credit-impaired trade receivables. The provision rates are based on past due aging as groupings of various debtors that have similar loss patterns and internal credit ratings of individual debtors for credit impaired balances. The provision matrix and individual assessment are based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 35 and 22 respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Estimate fair value of investment properties

Investment properties were revalued at the end of the reporting period using income approach by independent qualified professional valuer. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the valuation, management of the Group has made judgement in identifying relevant properties for comparison. The assumptions used are intended to reflect conditions existing at the end of the reporting period. Where there are any changes in the assumptions due to the market conditions in Hong Kong, the estimate of fair value of investment properties may be significantly affected. As at 30 June 2022, investment properties of approximately HK$126,840,000 (2021: HK$107,700,000) were revalued.

Impairment on the Identified PPE and the Identified ROU assets

Impairment on the Identified PPE and the Identified ROU assets (as defined below) relating to light boxes (the "Identified PPE") and right-of-use assets (the "Identified ROU assets") are carried at cost less accumulated depreciation and accumulated impairment losses, if any. In determining whether an asset is impaired, the management of the Group has to exercise judgement and make assumptions, particularly when assessing: (i) whether an event has occurred or any indicators that may affect the asset value; (ii) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in estimating the value in use included in the cash flow projections. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the assets belong, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the underlying assumptions and key inputs, including but not limited to the forecasted revenue, gross profit margins and discount rates, in the cash flow projections, could materially affect the estimated recoverable amounts. These net discounted cash flows projections, are subject to greater uncertainties with the continued travel restrictions into PRC due to the COVID-19 pandemic disrupting the Group's retail operations.

As at 30 June, 2022, the carrying amounts of the Identified PPE and the Identified ROU assets are HK$75,314,000 and HK$7,613,000, respectively. The recoverable amounts of the Identified PPE and the Identified ROU assets have been determined by the management of the Group using value in use calculations of the individual retail stores to which these assets belong. The value in use calculations are based on the discounted cash flow projections ("Forecasts") based on management's expectations on the market development and the past performance, where the key input parameters include forecasted revenue, gross profit margins and discount rates. The Group estimates the recoverable amount of the retail stores as it is not possible to estimate the recoverable amount of each of the Identified PPE and the Identified ROU assets individually. During the year ended 30 June, 2022, impairment losses on the Identified PPE and Identified ROU assets of HK$10,050,000 and HK$1,750,000, respectively, were recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

5. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue from contracts with customers

	For the year ended 30 June 2022	
Type of goods	**Watches** *HK$'000*	**Watch movements** *HK$'000*
Sales of watches		
– Tian Wang Watch	**1,196,554**	**–**
– Other brands	**131,578**	**–**
	1,328,132	**–**
Trading of watch movements	**–**	**79,960**
Total	**1,328,132**	**79,960**

Sales channel	*HK$'000*
Retail	**969,506**
E-commerce platforms	**313,180**
Wholesale	**125,406**
Total	**1,408,092**
Timing of revenue recognition	
A point in time	**1,408,092**

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Revenue (cont'd)

(i) Disaggregation of revenue from contracts with customers (cont'd) (restated)

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	–
– Other brands	192,758	–
	1,835,993	–
Trading of watch movements	–	81,974
Total	1,835,993	81,974

Sales channel	***HK$'000***
Retail	1,337,944
E-commerce platforms	466,932
Wholesale	113,091
Total	1,917,967
Timing of revenue recognition	
A point in time	1,917,967

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Revenue (cont'd)

(ii) Performance obligations for contracts with customers

Sales of watches

(a) Retail store customers:

The Group sells watches through chain of standalone retail stores and concessionaire counters located inside department stores. Revenue is recognised when control of the products has been transferred to the customers, being at the point the customers purchased and took the goods at the retail stores directly. The customers are required to pay the transaction price at the retail stores or the department stores immediately at the point the customers purchase the goods.

The Group usually grants 30 to 60-day credit period to these department stores which receive sales proceeds from the customers on behalf of us.

(b) E-commerce platforms customers (both wholesale and retail):

Retail:

The Group sells watches to retail customers through e-commerce platforms. Revenue from online sales is recognised when the product is delivered to customer. Revenue is recognised at an expected value of the transaction price adjusted for estimated returns based on historical trends. The Group estimates the sales return provision based on accumulated experience and considered that no provision is recognised as the amount of returns are immaterial. The customers are required to pay the transaction price at the e-commerce platform immediately at the point the customers purchase the goods.

The Group usually grants 30-day credit period to these e-commerce platforms.

Wholesale:

The Group sells watches to wholesaler through e-commerce platforms. Revenue is recognised when control of the products has been transferred to the customer, being at the point the Group delivered the watches. Following the delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The customers are required to pay the transaction price at the e-commerce platform immediately at the point the customers purchase the goods.

The Group usually grants 30-day credit period to these e-commerce platforms.

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Revenue (cont'd)

(ii) Performance obligations for contracts with customers (cont'd)

Sales of watch movements

The Group wholesale watch movements to corporate customers. Revenue of sales of watch movements is recognised when the products are delivered to the customer. The Group estimates the sales return provision based on accumulated experience and considered that no provision is recognised as the amount of replacement are immaterial. Credit period of 30 to 60 days are usually granted to corporate customers.

End customers are usually granted a warranty of two years for watches and the Group estimates the warranty provision based on accumulated experience and considered that no provision is recognised as the amount of the costs to be incurred during the warranty period is immaterial.

All sales contracts are for the periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

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 watches – Balco Watch and imported watches mainly of well-known brands.

In addition to the above reportable segments, Other Business included Balco Watch which was being reported as separate segments in prior years. None of the segment met the quantitative thresholds for the reportable segments in both current and prior year. Accordingly, these were grouped in "Other Brands (PRC) Business". Prior year segment disclosures have been represented to conform with the current year's presentation.

These operating divisions are the basis of internal reports about components which are regularly reviewed by the chief operating decision maker ("CODM"), the chief executive officer of the Company, for the purposes of resources allocation and assessing their performance. Each of the operating division represents an operating segment and reporting segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

5. REVENUE AND SEGMENT INFORMATION (cont'd)

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

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

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Segment revenue and results (cont'd)

Year ended 30 June 2021
(restated)

	Tian Wang Watch Business HK$'000	Watch Movements Trading Business HK$'000	Other Brands (PRC) Business HK$'000	Consolidated HK$'000
Revenue				
External sales	1,643,235	81,974	192,758	1,917,967
Inter-segment sales	–	17,325	–	17,325
Segment revenue	1,643,235	99,299	192,758	1,935,292
Elimination				(17,325)
Group revenue				1,917,967
Results				
Segment results	343,219	3,314	(5,750)	340,783
Interest income				54,488
Unallocated other income, gains and losses				35,950
Central administration costs				(58,203)
Finance costs				(1,027)
Profit before taxation				371,991

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

As at 30 June 2022

	Tian Wang Watch Business *HK$'000*	Watch Movements Trading Business *HK$'000*	Other Brands (PRC) Business *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	**790,624**	**17,702**	**139,441**	**947,767**
Tax recoverable				**2,642**
Bank balances and cash				**840,498**
Investment properties				**126,840**
Financial assets at fair value through profit or loss				**178,083**
Debt instruments at fair value through other comprehensive income				**256,526**
Financial assets at amortised cost				**347,906**
Deferred tax assets				**58,968**
Property, plant and equipment				**169,732**
Other assets				**8,402**
Consolidated total assets				**2,937,364**
LIABILITIES				
Segment liabilities	**139,792**	**7,861**	**18,034**	**165,687**
Tax payable				**48,973**
Other loans				**15,695**
Deferred tax liabilities				**74,818**
Other liabilities				**20,579**
Consolidated total liabilities				**325,752**

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Segment assets and liabilities (cont'd)

As at 30 June 2021
(restated)

	Tian Wang Watch Business HK$'000	Watch Movements Trading Business HK$'000	Other Brands (PRC) Business HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	903,246	12,764	213,880	1,129,890
Tax recoverable				1,891
Bank balances and cash				254,856
Investment property				107,700
Financial assets at fair value through profit or loss				429,104
Debt instruments at fair value through other comprehensive income				204,060
Financial assets at amortised cost				719,035
Deferred tax assets				55,160
Property, plant and equipment				171,507
Other assets				4,586
Consolidated total assets				3,077,789
LIABILITIES				
Segment liabilities	159,867	6,914	25,893	192,674
Tax payable				63,572
Bank borrowings				40,000
Other loans				7,766
Deferred tax liabilities				110,309
Other liabilities				29,674
Consolidated total liabilities				443,995

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments except for investment properties, debt instruments at FVTOCI, financial assets at FVTPL, financial assets at amortised cost, bank balances and cash, tax recoverable, deferred tax assets and certain corporate assets.

- all liabilities are allocated to operating segments except for tax payable, bank borrowings, other loans, deferred tax liabilities and certain corporate liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2022

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Other segment information

Year ended 30 June 2022

	Tian Wang Watch Business *HK$'000*	Watch Movements Trading Business *HK$'000*	Other Brands (PRC) Business *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or segment assets:					
Additions of property, plant and equipment	88,618	271	1,606	678	91,173
Depreciation of property, plant and equipment	58,220	23	2,385	10,771	71,399
Loss (gain) on disposal and written-off of property, plant and equipment	9,463	(109)	1,107	29	10,490
Addition of right-of-use assets	25,739	–	2,327	95	28,161
Depreciation of right-of-use assets	15,341	–	3,614	331	19,286
Deposits paid for acquisition of property, plant and equipment	844	–	–	–	844
Net allowance (reversal of allowance) for obsolete inventories	12,549	77	(3,526)	–	9,100
(Reversal of impairment losses) net impairment losses on trade receivables	(15)	39	(1,053)	–	(1,029)
Impairment losses on property, plant and equipment	10,050	–	–	–	10,050
Impairment losses on right-of-use assets	1,750	–	–	–	1,750
Provision for onerous contracts	17,141	–	–	–	17,141
Share of results of a joint venture	–	–	1,061	–	1,061

Year ended 30 June 2021 (restated)

	Tian Wang Watch Business *HK$'000*	Watch Movements Trading Business *HK$'000*	Other Brands (PRC) Business *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or segment assets:					
Additions of property, plant and equipment (including acquired on acquisition of a subsidiary and transfer from investment properties)	96,299	14	4,596	170,271	271,180
Depreciation of property, plant and equipment	57,318	3	4,714	4,128	66,163
Loss (gain) on disposal and written-off of property, plant and equipment	9,451	–	1,583	(1,168)	9,866
Addition of right-of-use assets	10,086	–	3,983	17	14,086
Depreciation of right-of-use assets	15,161	–	4,746	326	20,233
Deposits paid for acquisition of property, plant and equipment	1,925	–	–	130	2,055
(Reversal of allowance) allowance for obsolete inventories	(1,562)	203	3,927	–	2,568
Net impairment losses (reversal of impairment losses) on trade receivables	43	7	(4,073)	(1)	(4,024)
Share of results of a joint venture	–	–	2,401	–	2,401

5. REVENUE AND SEGMENT INFORMATION (cont'd)

Information about major customers

There is no single customer contributing over 10% of total revenue of the Group for the years ended 30 June 2022 and 2021.

Geographical information

The Group's operations are located in the PRC and Hong Kong. The Group's revenue from external customers based on the location of the customer and information about its non-current assets by geographical location of the assets are detailed below:

Revenue by geographical location:

	2022	2021
	HK$'000	*HK$'000*
The PRC	**1,328,101**	1,835,470
Asia Pacific (besides the PRC)	**79,991**	82,497
	1,408,092	1,917,967

Non-current assets other than deferred tax assets, financial assets at FVTPL, debt instruments at FVTOCI and financial assets at amortised cost by geographical location:

	2022	2021
	HK$'000	*HK$'000*
The PRC	**346,640**	338,937
Hong Kong	**279,232**	281,116
	625,872	620,053

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

6. DIRECTORS' REMUNERATION

Details of the remuneration paid or payable to the Company's directors were as follows:

	Executive directors				Independent non-executive directors			
	Mr. Tung Koon Ming *HK$'000* *(Note b)*	Mr. Tung Wai Kit *HK$'000*	Mr. Deng Guang Lei *HK$'000*	Mr. Tung Koon Kwok *HK$'000*	Mr. Choi Ho Yan *HK$'000*	Mr. Wong Wing Keung Meyrick *HK$'000*	Mr. Ma Ching Nam *HK$'000*	Total *HK$'000*
For the year ended 30 June 2022								
Fee	**90**	**90**	**90**	**90**	**240**	**240**	**240**	**1,080**
Salaries and allowances	**7,000**	**861**	**1,340**	**813**	**–**	**–**	**–**	**10,014**
Bonus *(Note a)*	**–**	**36**	**–**	**34**	**–**	**–**	**–**	**70**
Contributions to retirement benefit scheme	**–**	**18**	**52**	**18**	**–**	**–**	**–**	**88**
Total remuneration	**7,090**	**1,005**	**1,482**	**955**	**240**	**240**	**240**	**11,252**

	Executive directors				Independent non-executive directors			
	Mr. Tung Koon Ming *HK$'000* *(Note b)*	Mr. Tung Wai Kit *HK$'000*	Mr. Deng Guang Lei *HK$'000*	Mr. Tung Koon Kwok *HK$'000*	Mr. Choi Ho Yan *HK$'000*	Mr. Wong Wing Keung Meyrick *HK$'000*	Mr. Ma Ching Nam *HK$'000*	Total *HK$'000*
For the year ended 30 June 2021								
Fee	90	90	90	90	240	240	240	1,080
Salaries and allowances	7,000	852	1,194	813	–	–	–	9,859
Bonus *(Note a)*	10,000	36	–	51	–	–	–	10,087
Contributions to retirement benefit scheme	–	18	21	18	–	–	–	57
Total remuneration	17,090	996	1,305	972	240	240	240	21,083

Notes:

(a) Incentive performance bonuses were determined by the remuneration committee having regard to the performance of directors and the Group's operating results.

(b) Mr. Tung Koon Ming is also the chief executive officer of the Group and his emoluments disclosed above included those for services rendered by him as the chief executive officer.

The executive directors' emoluments shown above were mainly paid or payable for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly paid or payable for their services as directors of the Company.

During the years ended 30 June 2022 and 2021, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration in both years.

7. EMPLOYEES' EMOLUMENTS

The five highest paid individuals include two directors of the Company for the year ended 30 June 2022 (2021: two). The emoluments of the remaining three individuals for the year ended 30 June 2022 (2021: three) are as follows:

	2022 *HK$'000*	2021 *HK$'000*
Salaries and other benefits	**4,349**	4,354
Bonus *(Note)*	**181**	299
Contributions to retirement benefit scheme	**54**	54
	4,584	4,707

Note: Incentive performance bonuses were determined by the remuneration committee having regard to the performance of the individuals and the Group's operating results.

The emoluments of the individuals, who are not directors of the Company, with the highest emoluments are within the following bands:

	2022 Number of individuals	2021 Number of individuals
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**2**	2

During the years ended 30 June 2022 and 2021, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

8. OTHER INCOME, GAINS AND LOSSES

	2022	2021
	HK$'000	*HK$'000*
Other income:		
Bank interest income	**8,062**	2,189
Interest income on financial assets measured at FVTPL	**6,620**	29,449
Interest income on debt instruments at 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 *(Note)*	**13,773**	21,628
Rental income	**3,889**	3,591
Others	**6,020**	9,388
	79,188	94,640
Other gains and losses:		
Loss on disposal and write-off of property, plant and equipment	**(10,490)**	(9,866)
Gain on disposal of debt instruments 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 an investment properties	**736**	17,700
Net exchange (loss) gain	**(11,669)**	13,742
	(23,007)	18,836
	56,181	113,476

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 PRC.

During the year ended 30 June 2021, the Group obtained government grants of approximately HK$2,700,000 in respect of COVID-19-related subsidies which relates to Employment Support Scheme provided by the Hong Kong government.

9. FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
Interest expenses on lease liabilities	**845**	1,027
Interest expenses on bank borrowings	**5**	–
	850	1,027

10. INCOME TAX (CREDIT) CHARGE

	2022	2021
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**102**	146
PRC Enterprise Income Tax	**(3,670)**	76,642
PRC withholding tax	**36,496**	488
	32,928	77,276
Overprovision in prior years:		
PRC Enterprise Income Tax	**(244)**	(855)
	32,684	76,421
Deferred taxation *(Note 28)*	**(40,611)**	27,043
	(7,927)	103,464

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of EIT Law, the Enterprise Income Tax rate is 25%. Subject to certain preferential tax treatment, the applicable tax rate of the PRC subsidiaries is ranging from 15% to 25% for both years. On 23 December 2021, a subsidiary, Tian Wang Electronics (Shenzhen) Company Limited ("Tian Wang Shenzhen"), obtained an approval notice from relevant authority, which approved Tian Wang Shenzhen's application of qualification as a high and new technology enterprise, which is valid for the three calendar years ending 31 December 2023. Hence, Tian Wang Shenzhen is subject to the preferential tax treatment and the applicable tax rate for the calendar year ended 31 December 2022 and 2021 was 15%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

10. INCOME TAX (CREDIT) CHARGE (cont'd)

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Dividends distributed from the PRC subsidiaries are subject to withholding tax at 5%. Deferred tax in relation to withholding income tax for the undistributed profits of the PRC subsidiaries have been provided. Details of the movement of the deferred tax recognised in respect to withholding income tax for the undistributed profits are set out in note 28.

The tax (credit) charge for the year can be reconciled to the profit before taxation as follows:

	2022 ***HK$'000***	2021 *HK$'000*
Profit before taxation	**23,706**	371,991
Tax at the PRC Enterprise Income Tax rate of 25%	**5,927**	92,998
Tax effect of expenses not deductible for tax purpose	**13,227**	12,287
Tax effect of income not taxable for tax purpose	**(6,620)**	(14,827)
Income tax on concession and preferential tax rates	**(21,310)**	(17,791)
Tax effect of tax loss not recognised	**6,500**	5,427
Utilisation of tax loss previously not recognised	**(1,756)**	(3,269)
Overprovision in prior years	**(244)**	(855)
Additional tax benefit to the Group *(Note)*	**(5,183)**	(202)
Withholding tax for distributable earnings of PRC subsidiaries	**931**	29,771
Effect of different tax rates of subsidiaries operating in other jurisdictions	**601**	(75)
Tax (credit) charge for the year	**(7,927)**	103,464

Note: Pursuant to the relevant tax rules and regulation, expenses in research nature are deductible at 200% (2021: ranging from 175% to 200%) of the cost incurred. The related tax benefit amounted to approximately HK$5,183,000 for the year ended 30 June 2022 (2021: HK$202,000).

11. PROFIT FOR THE YEAR

	2022	2021
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**3,010**	2,780
Directors' remuneration *(Note 6)*		
Fees	**1,080**	1,080
Other emoluments	**10,084**	19,946
Retirement benefit scheme contributions	**88**	57
	11,252	21,083
Other staff costs	**325,253**	360,629
Retirement benefit scheme contributions	**61,497**	36,735
Total staff costs	**398,002**	418,447
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 *(Note)*	**212,279**	294,734

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

12. 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.

13. 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 ***HK$'000***	2021 *HK$'000*
Earnings:		
Earnings for the purposes of calculating basic earnings per share – profit for the year attributable to owners of the Company	**33,020**	259,103
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,074,586**	2,079,878

No diluted earnings per share for the years ended 30 June 2022 and 2021 were presented as there were no potential ordinary shares in issue for both years.

14. PROPERTY, PLANT AND EQUIPMENT

	Owned properties – Hong Kong HK$'000	Owned factory building – PRC HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Light boxes HK$'000	Yacht HK$'000	Car park HK$'000	Construction in progress HK$'000	Total HK$'000
COST OR VALUATION												
At 1 July 2020	14,720	27,777	27,189	10,714	5,752	23,866	26,438	309,924	12,284	–	101,984	560,648
Exchange adjustments	–	2,669	2,398	1,059	501	2,124	1,541	30,439	–	–	10,927	51,658
Additions	–	–	836	1,008	916	1,909	1,690	62,361	43,000	–	32,962	144,682
Acquired on acquisition of a subsidiary (Note 33)	123,600	–	462	–	436	–	–	–	–	–	–	124,498
Transfer from investment properties	–	–	–	–	–	–	–	–	–	2,000	–	2,000
Reclassified as held for sale (Note)	(14,720)	–	–	–	–	–	–	–	–	–	–	(14,720)
Surplus on valuation	–	–	–	–	–	–	–	–	–	400	–	400
Disposals and write-off	–	–	(377)	–	(202)	(596)	(1,175)	(43,025)	(12,250)	–	–	(57,625)
At 30 June 2021	123,600	30,446	30,508	12,781	7,403	27,303	28,494	359,699	43,034	2,400	145,873	811,541
Exchange adjustments	–	(177)	(227)	(81)	(62)	(274)	(34)	(2,895)	–	–	(4,409)	(8,159)
Additions	–	–	–	723	922	5,005	732	64,659	–	–	19,132	91,173
Transfer to investment properties (Note 16)	–	(17,949)	–	–	–	–	–	–	–	–	–	(17,949)
Surplus on valuation	3,200	–	–	–	–	–	–	–	–	300	–	3,500
Disposals and write-off	–	–	(16,917)	(8,007)	(2,924)	(15,976)	(13,189)	(253,127)	–	–	–	(310,140)
At 30 June 2022	126,800	12,320	13,364	5,416	5,339	16,058	16,003	168,336	43,034	2,700	160,596	569,966
Comprising:												
At cost	–	12,320	13,364	5,416	5,339	16,058	16,003	168,336	43,034	–	160,596	440,466
At valuation	126,800	–	–	–	–	–	–	–	–	2,700	–	129,500
	126,800	12,320	13,364	5,416	5,339	16,058	16,003	168,336	43,034	2,700	160,596	569,966
DEPRECIATION												
At 1 July 2020	–	882	24,161	7,904	4,340	21,070	19,263	226,558	7,155	–	–	311,333
Exchange adjustments	–	115	2,289	798	413	1,884	1,254	22,492	–	–	–	29,245
Provided for the year	526	884	1,083	1,257	619	1,693	2,106	55,043	2,870	82	–	66,163
Eliminated on disposals and write-off	–	–	(207)	–	(150)	(587)	(1,134)	(32,200)	(7,146)	–	–	(41,424)
Elimination on revaluation	(526)	–	–	–	–	–	–	–	–	(82)	–	(608)
At 30 June 2021	–	1,881	27,326	9,959	5,222	24,060	21,489	271,893	2,879	–	–	364,709
Exchange adjustments	–	(24)	(226)	(23)	(54)	(96)	19	(939)	–	–	–	(1,343)
Provided for the year	4,755	472	976	1,059	549	2,113	1,875	55,205	4,303	92	–	71,399
Impairment loss recognised	–	–	–	–	–	–	–	10,050	–	–	–	10,050
Eliminated on disposals and write-off	–	–	(15,427)	(7,927)	(2,546)	(15,855)	(12,690)	(244,151)	–	–	–	(298,596)
Transfer to investment properties (Note 16)	–	(1,198)	–	–	–	–	–	–	–	–	–	(1,198)
Elimination on revaluation	(4,755)	–	–	–	–	–	–	–	–	(92)	–	(4,847)
At 30 June 2022	–	1,131	12,649	3,068	3,171	10,222	10,693	92,058	7,182	–	–	140,174
CARRYING VALUES												
At 30 June 2022	126,800	11,189	715	2,348	2,168	5,836	5,310	76,278	35,852	2,700	160,596	429,792
At 30 June 2021	**123,600**	**28,565**	**3,182**	**2,822**	**2,181**	**3,243**	**7,005**	**87,806**	**40,155**	**2,400**	**145,873**	**446,832**

Note: 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. The disposal was completed in July 2021.

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14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Depreciation is charged to write off the cost of property, plant and equipment less residual value, if any, on a straight-line basis, at the following rates per annum:

Owned properties	Shorter of 3% and over the lease terms
Leasehold improvements	Shorter of 10% – 20% and over the lease terms
Machinery	10% – 20%
Owned factory building	3%
Furniture and fixtures	10% – 33%
Computer equipment	33%
Motor vehicles	10% – 33%
Light boxes	33%
Yacht	10%
Car park	4%

The Group's interests in owned properties that are situated in Hong Kong. The leasehold interest in land located in Hong Kong cannot be allocated reliably between the land and buildings elements and is entirely accounted for as property, plant and equipment.

Fair value measurement of the Group's owned properties and car park in Hong Kong

At 30 June 2022 and 2021, the fair value of the Group's owned properties in Hong Kong was valued by LCH (Asia Pacific) surveyors Limited ("LCH"), an independent qualified professional valuer not connected to the Group using direct comparison method. The valuation committee works closely with LCH to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer of the Company ("CFO") reports the findings to the board of directors of the Company at the end of the reporting period to explain the cause of fluctuations in the fair value of the owned properties.

During the year ended 30 June 2021, certain portion of an investment property of the Group was arranged for own use and served as car park of the Group. Accordingly, investment property with fair value of HK$2,000,000 was transferred to property, plant and equipment. At 30 June 2021, the fair value of the Group's car park was valued by the directors using direct comparison method. As at 30 June 2022 and 2021, in determining the fair value of the car park, a valuation committee, which is headed up by the CFO, is responsible to determine the appropriate valuation techniques and inputs for fair value measurements. The CFO reports the findings to the board of directors of the Company at the end of the reporting period to explain the cause of fluctuations in the fair value of the car park.

The fair value of the owned properties and car park located in Hong Kong has been determined based on the direct comparison approach that reflects recent transaction prices for similar properties, adjusted for differences in the location and conditions of the properties under review. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The Group's owned properties and car park located in Hong Kong at revalued amounts are categorised into Level 3 of the fair value hierarchy.

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Fair value measurement of the Group's owned properties and car park in Hong Kong (cont'd)

The following table shows the valuation techniques used in the determination of fair values and unobservable inputs used in the valuation models.

Description	Fair value		Valuation technique	Significant unobservable input	Significant input	Relationship of inputs to fair value
	2022	2021				
	HK$'000	*HK$'000*				
Owned properties in Hong Kong	**126,800**	123,600	Direct comparison approach	Adjusted price per square feet	Adjusted price of HK$8,900 (2021: HK$8,700) per square feet in average	A significant increase in adjusted price would result in a significant increase in fair value, and vice versa
Car park in Hong Kong	**2,700**	2,400	Direct comparison approach	Adjusted price	Adjusted price of HK$2,700,000 (2021: HK$2,400,000) per unit in average	A significant increase in adjusted price would result in a significant increase in fair value, and vice versa

Had the owned properties and car park at 30 June 2022 been carried at cost less accumulated depreciation, its carrying value would have been approximately HK$118,845,000 (2021: HK$123,600,000) and HK$1,835,000 (2021: HK$1,918,000) respectively.

There were no transfer into or out of Level 3 during both years.

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14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

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-generating unit represents the Group's retail stores in 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 the Identified PPE and the Identified ROU assets, as disclosed in this note and note 15, and 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.

15. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Leased properties HK$'000	Total HK$'000
As at 30 June 2022			
Carrying amount	33,039	23,890	56,929
As at 30 June 2021			
Carrying amount	35,293	16,162	51,455
For the year ended 30 June 2022			
Depreciation charge	1,391	17,895	19,286
Impairment losses recognised	–	1,750	1,750
For the year ended 30 June 2021			
Depreciation charge	1,334	18,899	20,233

	2022 HK$'000	2021 HK$'000
Expenses relating to short-term leases	**62,068**	85,389
Total cash outflow for lease	**80,935**	105,126
Additions to right-of-use assets	**28,161**	14,086

For both years, the Group leases various offices premises, factories, shops, shop counters and leasehold land for its operations. The lease terms of leasehold land used for owned factory building ranged from 30 to 50 years. A lease for a piece of land used for warehouse was negotiated for a term of 40 years. The lease terms of factory premises were negotiated for terms of three years. Lease for office premises, warehouse and staff quarters are entered into for fixed term of two to five years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and condition. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year ended 30 June 2022, impairment of HK$1,750,000 was recognised to Identified ROU assets and details please refer to note 14.

16. INVESTMENT PROPERTIES

	HK$'000
Fair value	
At 1 July 2020	92,000
Increase in fair value recognised in profit or loss	17,700
Transfer to property, plant and equipment	(2,000)
At 30 June 2021	107,700
Transfer from property, plant and equipment (Note)	19,021
Increase in fair value recognised in profit or loss	736
Exchange realignment	(617)
At 30 June 2022	126,840

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.

The Group leases out office units under operating leases with rentals payable monthly. The leases typically run for an initial period of two to ten years (2021: two years), with unilateral rights to extend the lease beyond initial period held by lessees only.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

The fair value of the Group's investment properties has been arrived at on the basis of a valuation carried out by LCH.

The Group engages independent qualified professional valuers to perform the valuation. The valuation committee works closely with LCH to establish the appropriate valuation techniques and inputs to the model. The CFO reports the findings to the board of directors of the Company at the end of the reporting period to explain the cause of fluctuations in the fair value of the properties.

In estimating the fair value of the properties, the highest and best use of the property is their current use.

16. INVESTMENT PROPERTIES (cont'd)

The valuation was arrived at by using income approach taking into account the current rent receivable from existing tenancy agreements and the reversionary potential of property interests. Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 3	**Fair value as at 30 June 2022**
	HK$'000	***HK$'000***
Office units located in Hong Kong	**108,800**	**108,800**
Factory units located in the PRC	**18,040**	**18,040**
	126,840	**126,840**

	Level 3	Fair value as at 30 June 2021
	HK$'000	*HK$'000*
Office units located in Hong Kong	107,700	107,700

	Valuation technique	**Significant input(s)**	**Sensitivity**
Office units and car park located in Hong Kong	Income approach (2021: Income approach)	Based on: (i) estimated rental value per square feet per month at HK$24 – HK$26 (2021: HK$23 – HK$26); and (ii) capitalised at the rate of 2.8% (2021: 2.8%) per annum.	(i) Slightly higher the market rent, slightly higher the fair value. (ii) Slightly higher the capitalisation rate, slightly lower the fair value.
Factory units located in the PRC	Income approach	Based on: (i) estimated rental value per square feet per month at HK$17 – HK$27; and (ii) capitalised at the rate of 7.0% per annum.	(i) Slightly higher the market rent, slightly higher the fair value. (ii) Slightly higher the capitalisation rate, slightly lower the fair value.

There were no transfer into or out of Level 3 during the year.

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17. INTEREST IN A JOINT VENTURE

	2022 HK$'000	2021 HK$'000
Cost of investment in a joint venture	**8,946**	9,012
Share of post-acquisition profits and other comprehensive income	**2,521**	2,999
	11,467	12,011

Details of the Group's joint venture at the end of the reporting period are as follow:

Name of entity	Country of incorporation/ business	Proportion of ownership interest held by the Group 2022	2021	Principal activity
上海唯時鐘錶有限公司 ("SH Weishi")	The PRC	**51%**	51%	Trading of watches

During the year ended 30 June 2019, the Group through its non-wholly owned subsidiary, Suzhou Paragon Watch Company Limited ("Suzhou Paragon"), entered into shareholder agreements with an independent third party to incorporate the SH Weishi. Suzhou Paragon has 51% interest in SH Weishi. Pursuant to the agreements, the directors of the Company are of the opinion that the Group has joint control over the relevant activities of SH Weishi as the decisions to be made at shareholders meeting required mutual consent of the Group and the other investor.

Summarised financial information of the joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial information prepared in accordance with HKFRSs.

The joint venture is accounted for using equity method in these consolidated financial statements.

	2022 HK$'000	2021 HK$'000
Current assets	**39,519**	38,494
Non-current assets	**–**	183
Current liabilities	**(5,294)**	(6,048)
Non-current liabilities	**(11,741)**	(9,078)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**7,578**	5,853

17. INTEREST IN A JOINT VENTURE (cont'd)

	2022 *HK$'000*	2021 *HK$'000*
Revenue	**66,421**	74,581
Profit for the year	**2,080**	4,707
Total comprehensive income for the year	**2,080**	4,707
Dividend paid from SH Weishi during the year	**(3,018)**	(2,673)

Reconciliation of the above summarised financial information to the carrying amount of the interest in SH Weishi recognised in the consolidated financial statements:

	2022 *HK$'000*	2021 *HK$'000*
Net assets of SH Weishi	**22,484**	23,551
Proportion of the Group's ownership interest in SH Weishi	**51%**	51%
Carrying amount of the Group's interest in SH Weishi	**11,467**	12,011

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (cont'd)

Notes:

(a) As at 30 June 2022 and 2021, amount included certificate of deposits issued by a bank in the PRC with interest payable monthly at a fixed rate ranging from 3.40% to 3.90% (2021: 3.40% to 4.18%) per annum. These certificates are transferrable but not early redeemable. The maturity dates of the certificates are from March 2023 to March 2024 (2021: December 2021 to March 2023).

(b) As at 30 June 2021, the amount included a wealth management product issued by a bank in the PRC. The product is redeemable on demand and not principal-protected. The return of the product is determined by the performance of the underlying investments which are mainly fixed income and debt instruments.

(c) As at 30 June 2022 and 2021, the amount included a life insurance scheme of an executive director of the Company with an insurance company, an independent third party. Pursuant to the scheme, the Company is the holder and the beneficiary of the scheme. The total premium to be paid by the Company is HK$10,000,000, which should be settled by five consecutive annual installments of HK$2,000,000. As at 30 June 2022, the Company paid HK$8,000,000 (2021: HK$6,000,000).

As at 30 June 2022 and 2021, the Company had another life insurance scheme of an executive director of the Company with an insurance company, an independent third party. Pursuant to the scheme, the Company is the holder and the beneficiary of the scheme. The total premium paid by the Company is USD643,500 (equivalent to approximately HK$5,000,000).

As at 30 June 2022 and 2021, the fair value of these investments, except wealth management product as disclosed in note(b), are determined by LCH. Details of fair value measurement are set out in note 35.

19. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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% (2021: 4.90% to 6.25%) payable semi-annually and will be matured perpetuity (2021: August 2021 to perpetuity).

The amount are denominated in USD which is not the functional currency of the relevant group entity.

Details of impairment assessment are set out in note 35.

20. FINANCIAL ASSETS AT AMORTISED COST

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

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).

21. INVENTORIES

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

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22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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.

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd)

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:

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

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:

	2022	2021
	HK$'000	*HK$'000*
0 to 60 days	**610**	451

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for customer. Credit limits attributable to customers are reviewed regularly. The Group has policy for assessment of the provision of ECL, which is based on an evaluation of the collectability and age analysis of accounts grouped based on past due characteristics and on management's judgement including creditworthiness, the past collection history and forward-looking information.

As at 30 June 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$35,289,000 (2021: HK$31,271,000) which are past due as of the reporting date. Out of the past due balances, HK$8,466,000 (2021: HK$10,552,000) has been past due more than 90 days and was not considered as in default. The Group rebutted the presumption of default under expected credit losses model for trade receivables past due over 90 days based on no significant change in credit quality after understood these customers' background as well as the good payment records of and continuous business relationship with those customers and were adjusted for forward-looking information for example, the economic growth rates and unemployment rate which reflect the general economic conditions in which the debtors operate that was available without undue cost or effect.

Details of impairment of trade receivables and other receivables and deposits were set out in note 35.

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22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd)

The trade and other receivables that are denominated in foreign currencies of the relevant group entities are set out below:

	2022 *HK$'000*	2021 *HK$'000*
HK$	**4,954**	3,705

23. BANK BALANCES AND CASH

Bank balances and cash comprise cash and short-term deposits with original maturity of three months or less and carrying interest at average market rates of 2.71% (2021: 1.22%) per annum.

At 30 June 2022, the bank balances and cash of approximately HK$741,069,000 (2021: HK$167,500,000) are denominated in RMB, which are not freely convertible into other currencies.

Bank balances and cash that are denominated in foreign currencies of the relevant group entities are set out below:

	2022 *HK$'000*	2021 *HK$'000*
HK$	**38,642**	56,182
RMB	**84**	135
Swiss Franc ("CHF")	**1,212**	141
USD	**10,974**	5,153
Japanese Yen ("JPY")	**20,291**	–

24. TRADE PAYABLES, BILLS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

	2022 HK$'000	2021 HK$'000
Trade payables and bills payable:		
Trade payables to third parties	**43,597**	54,830
Bills payable to third parties	**2,192**	2,071
	45,789	56,901
Other payables and accrued charges:		
Other tax payables	**14,986**	24,041
Accrued directors' remuneration	**360**	10,360
Accrued advertising expenses	**15,029**	22,810
Accrued staff related costs	**16,413**	27,219
Advance payment from third parties related to daily operation	**16,850**	18,163
Other payables and accrued charges	**24,766**	36,602
Amounts due to non-controlling interests of subsidiaries	**10,042**	10,045
Provision for onerous contracts	**16,560**	–
	115,006	149,240
	160,795	206,141

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 HK$'000	2021 HK$'000
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	**2,506**	6,254
	43,597	54,830

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24. TRADE PAYABLES, BILLS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES (cont'd)

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

Amounts due to non-controlling interests of subsidiaries are non-trade in nature and the amounts are unsecured, interest-free and repayable on demand.

The following are the provision for onerous contracts recognised and movement during the current year:

	2022 ***HK\$'000***
At 1 July 2021	–
Provided for the year	**17,141**
Exchange realignment	**(581)**
At 30 June 2022	**16,560**

The provision for onerous contracts represents the unavoidable cost of running retail stores under short term lease.

25. BANK BORROWINGS

	2022 ***HK\$'000***	2021 *HK\$'000*
Bank loans – unsecured	–	40,000
	–	40,000

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.

26. LEASE LIABILITIES

	2022 *HK$'000*	2021 *HK$'000*
Lease liabilities payable:		
Within one year	**10,816**	11,320
More than one year but not exceeding two years	**5,101**	3,620
More than two years but not exceeding five years	**9,554**	1,267
	25,471	16,207
Less: Amount due for settlement with twelve months shown under current liabilities	**(10,816)**	(11,320)
Amount due for settlement after twelve months shown under non-current liabilities	**14,655**	4,887

The weighted average incremental borrowing rates applied to lease liabilities range from 2.34% to 5.46% (2021: from 3.07% to 5.46%).

27. SHARE CAPITAL

	Number of shares *'000*	**Share capital** *HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 July 2020, 30 June 2021 and 2022	100,000,000	10,000,000
Issued:		
At 1 July 2020	2,079,946	207,995
Share repurchased and cancelled	(3,570)	(357)
At 30 June 2021	2,076,376	207,638
Share repurchased and cancelled	(18,308)	(1,831)
At 30 June 2022	2,058,068	205,807

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For the year ended 30 June 2022

27. SHARE CAPITAL (cont'd)

During the year ended 30 June 2022 and 2021, the Company repurchased its own ordinary shares through The Stock Exchange of Hong Kong Limited as follows:

For the year ended 30 June 2022

Month of repurchase	No. of ordinary shares of HK$0.1 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$'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	10,000,000	0.45	0.42	4,375
	18,308,000			9,441

The above ordinary shares were cancelled during the year ended 30 June 2022. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

All the shares issued rank pari passu with the existing shares in all respects.

For the year ended 30 June 2021

Month of repurchase	No. of ordinary shares of HK$0.1 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
January 2021	3,496,000	0.75	0.71	2,562
May 2021	74,000	0.75	0.75	56
	3,570,000			2,618

The above ordinary shares were cancelled during the year ended 30 June 2021. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

All the shares issued rank pari passu with the existing shares in all respects.

28. DEFERRED TAXATION

The following are the major deferred tax (assets) liabilities recognised and movements during the year:

	Allowance for obsolete inventories HK$'000	Allowance for credit losses HK$'000	Unrealised profit HK$'000	Accelerated tax depreciation HK$'000	Revaluation of a property HK$'000	Withholding tax arising from PRC subsidiaries HK$'000	Impairment, provision and other temporary differences HK$'000	Total HK$'000
At 1 July 2020	(29,172)	(7,771)	(11,703)	2,049	–	74,703	–	28,106
Charged (credited) to profit or loss	282	446	(7,242)	4,274	–	29,283	–	27,043
At 30 June 2021	(28,890)	(7,325)	(18,945)	6,323	–	103,986	–	55,149
(Credited) charged to profit or loss	(2,046)	151	5,322	(454)	(784)	(35,565)	(7,235)	(40,611)
Charged to other comprehensive income	–	–	–	–	1,312	–	–	1,312
At 30 June 2022	(30,936)	(7,174)	(13,623)	5,869	528	68,421	(7,235)	15,850

For the purpose of presentation in the consolidated statement of financial position, the following is the analysis of the deferred taxation.

	2022 **HK$'000**	2021 HK$'000
Deferred tax assets	**58,968**	55,160
Deferred tax liabilities	**74,818**	110,309

The Group had unused tax losses of approximately HK$122,372,000 as at 30 June 2022 (2021: HK$125,501,000). No deferred tax assets have been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses for certain subsidiaries operating in the PRC of approximately HK$47,460,000 (2021: HK$60,464,000) that will expire in 2026 (2021: 2025) and the remaining tax losses in Hong Kong can be carried forward indefinitely.

29. OTHER LOANS

	2022 **HK$'000**	2021 HK$'000
Loans from a non-controlling interest of a subsidiary	**15,695**	7,766
Amounts due within one year shown under current liabilities	**15,695**	7,766

The loans from a non-controlling interest of a subsidiary represented two loans of USD1,000,000 each (equivalent to approximately HK$15,695,000 in aggregate) (2021: a loan of USD1,000,000 (equivalent to approximately HK$7,766,000)), which are interest-free, unsecured and repayable on demand.

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For the year ended 30 June 2022

30. COMMITMENTS

a. Operating lease arrangements

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2022	2021
	HK$'000	*HK$'000*
Within one year	**2,587**	3,381
Second year	**190**	758
Third year	**206**	–
Fourth year	**208**	–
Fifth year	**226**	–
Over five years	**1,051**	–
	4,468	4,139

b. Concessionaire fee commitments

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. In the opinion of the directors of the Company, as the future sales of these shop counters could not be estimated reliably, the concessionaire fee commitments has not been quantified and presented.

c. Capital commitments

	2022	2021
	HK$'000	*HK$'000*
Capital commitments in respect of life insurance contract *(Note 18)*	**2,000**	4,000
Capital commitments in respect of property, plant and equipment	**16,603**	24,463
	18,603	28,463

31. RETIREMENT BENEFIT SCHEMES

The Group participates defined contribution retirement benefits plans for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The Group's subsidiaries in the PRC and Swiss are required to make contributions to the state-managed retirement schemes and pension schemes operated by respective local governments and private sectors based on certain percentage of the monthly salaries of their current employees to fund the benefits. The only obligation of these subsidiaries with respect to the retirement benefit schemes is to make the specified contributions.

The total expense recognised in profit or loss of approximately HK$61,585,000 (2021: HK$36,792,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 30 June 2022 and 2021, there were no outstanding contributions payable to the schemes.

32. SHARE OPTION SCHEME

On 11 January 2013, the Company conditionally adopted a share option scheme pursuant to a resolution passed by its then sole shareholder on 11 January 2013, where eligible employees and directors of the Group, among others, may be granted options entitling them to subscribe for the Company's shares. The adoption of the share option scheme became unconditional upon the listing of the Company on 5 February 2013. No share option has been granted since the adoption of the scheme.

33. 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 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 announcement of the Company dated 30 June 2021.

Consideration transferred:

	HK$'000
Cash consideration	84,696

33. ACQUISITION OF A SUBSIDIARY (cont'd)

Assets acquired and liabilities of Winning Asia recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	124,498
Other deposits and prepayments	207
Bank balances and cash	282
Other payables and accrued charges	(291)
Bank borrowings	(40,000)
	84,696

Net cash outflow on acquisition of Winning Asia during the year ended 30 June 2021:

	HK$'000
Cash consideration paid	84,696
Less: cash and cash equivalents balances acquired	(282)
	84,414

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes bank borrowings, and other loans, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares, payment of dividends, and the raise of bank borrowings or the repayment of the existing bank borrowings and other loans.

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at FVTPL	**178,083**	429,104
Debt instruments at FVTOCI	**256,526**	204,060
Financial assets at amortised cost	**1,454,004**	1,338,417
Financial liabilities		
Amortised cost	**103,618**	155,354

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at amortised cost, financial assets at FVTPL, debt instruments at FVTOCI, trade receivables, other receivables and deposits, bank balances and cash, trade payables and bills payable, other payables, bank borrowings and other loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group has foreign currency sales, which expose itself to foreign currency risk. In addition, debt instruments at FVTOCI, certain trade and other receivables, bank balances, other payables, bank borrowings, other loans and intra-group balances are denominated in foreign currencies of the relevant group entities.

The currency risk of the Group is mainly arising from exchange rate of RMB against HK$, RMB against USD, RMB against JPY, USD against HK$, JPY against HK$ and CHF against HK$.

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For the year ended 30 June 2022

35. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Currency risk (cont'd)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**48,456**	65,887	**–**	–
USD	**269,932**	214,338	**–**	–
JPY	**20,291**	–	**–**	–
RMB	**84**	135	**–**	–
CHF	**1,212**	141	**–**	–

For entities with a USD functional currency holding monetary assets and liabilities denominated in HK$, the directors of the Company considered that, as HK$ is pegged to USD, the Group is not subject to significant foreign currency risk from change in foreign exchange rate of USD against HK$.

Other than above, several subsidiaries of the Group have the following intra-group receivables/payables denominated in HK$, USD, JPY, CHF and RMB, which are foreign currencies of the relevant group entities.

	Amounts due from group entities		Amounts due to group entities	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**925,751**	871,692	**649,876**	639,174
USD	**191,471**	191,718	**–**	–
RMB	**6,096**	6,246	**19,377**	20,547
CHF	**889**	1,013	**–**	–

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

35. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Currency risk (cont'd)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HK$, RMB against USD, RMB against JPY, JPY against HK$ and CHF against HK$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as well as amounts due from and to group entities where the denomination of the balance is in a foreign currency of the group entity. A positive number below indicates an increase in post-tax profit for the year where the HK$ and USD strengthen 5% against RMB, JPY and CHF. For a 5% weakening of the HK$ and USD against RMB, JPY and CHF, there would be an equal and opposite impact on the post-tax profit for the year.

	2022	2021
	HK$'000	*HK$'000*
Increase in post-tax profit for the year	**29,817**	25,933

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

Interest rate risk

The Group's fair value interest rate risk relates primarily to the fixed rate debt instruments at FVTOCI, financial assets at amortised cost, financial assets at FVTPL and lease liabilities. The Group's cash flow interest rate risk relates to the bank balances (2021: bank balances and bank borrowings). The bank borrowings were mainly exposed to fluctuation of Hong Kong Composite Interest Rate.

The Group has not used any interest rate swaps in order to mitigate its exposure associated with fluctuations relating to cash flows interest rate risk. However, the management of the Group will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

In the opinion of management of the Group, the expected change in interest rate on bank balances (2021: bank balances and bank borrowings) will not be significant in the near future, hence sensitivity analysis is not presented.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the financial assets (including debt instruments at FVTOCI) whose carrying amounts best represent the maximum exposure to credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

35. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk and impairment assessment (cont'd)

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assesses the potential customer's credit quality and define credit limits for customer. Credit limits attributed to customers are reviewed regularly. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In addition, the Group has policy for assessment of the provision of ECL, which is based on an evaluation of the collectability and age analysis of accounts grouped based on past due characteristics and on management's judgement including creditworthiness, the past collection history and forward-looking information. The Group performs impairment assessment under ECL model on trade receivables with credit-impaired individually. Except for trade receivables with credit-impaired, which are assessed for impairment individually, the remaining trade receivables are grouped based on aging of outstanding balances. Net reversal of impairment of HK$1,029,000 (2021: HK$4,024,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

The concentration of credit risk is limited due to the customer base being large and unrelated.

Other receivables and deposits

The management of the Group makes individual assessment for debtors with significant balances on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable, supportive and forward looking information that is available. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables. ECL on deposits and other receivables is insignificant at 30 June 2022 and 2021 as the exposure of deposits and other receivables is insignificant.

Debt instruments at FVTOCI

The Group only invests in debt securities with low credit risk. The Group's debt instruments at FVTOCI mainly comprise listed bonds that are graded in the top investment grade as per globally understood definitions and therefore are considered to be low credit risk investments. During the year ended 30 June 2022 and 2021, ECL on debt instruments at FVTOCI is insignificant.

35. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk and impairment assessment (cont'd)

Bank balances

The credit risks on bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. No loss allowance provision for bank balances was recognised as the amount is insignificant. The Group has limited exposure to any single financial institution.

Certificate of deposits at amortised cost

The credit risks on certificate of deposits at amortised cost are limited because the counterparty is a bank with high credit rating assigned by international credit-rating agencies. No loss allowance provision for certificate of deposits at amortised cost was recognised as the amount is insignificant.

Fixed deposits

The credit risks on fixed deposits are limited because the counterparties are banks with high credit rating assigned by international credit-rating agencies. No loss allowance provision for fixed deposits at amortised cost was recognised as the amount is insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL (not credit-impaired)	12m ECL
Medium risk	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL (not credit-impaired)	12m ECL
High risk	Debtor frequently repays after 90 days after due date	Lifetime ECL (not credit-impaired)	Lifetime ECL (not credit-impaired)
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL (credit-impaired)	Lifetime ECL (credit-impaired)
Write-off	There is evidence indicating the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery or trade receivables are over two years past due	Amount is written-off	Amount is written-off

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For the year ended 30 June 2022

35. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk and impairment assessment (cont'd)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amounts 2022 HK$'000	2021 HK$'000
Debt instruments at FVTOCI						
Investments in listed bonds	*19*	Aa1 (2021: Aa1)	N/A	12m ECL	**256,526**	204,060
Financial assets at amortised cost						
Trade receivables	*22*	N/A	*(note i)*	Lifetime ECL	**191,861**	289,674
		N/A	Loss *(note i)*	Lifetime ECL (credit-impaired)	**25,392**	27,019
Other receivables and deposits	*22*	N/A	*(note ii)*	12m ECL	**77,931**	79,578
Bank balances	*23*	Aaa to Baa3 (2021: Aa1 to Baa3) *(note iii)*	N/A	12m ECL	**839,377**	254,152
Certificate of deposits at amortised cost	*20*	A1 (2021: A1) *(note iii)*	N/A	12m ECL	**58,570**	60,120
Fixed deposits	*20*	A1 to Ba1 *(note iii)*	N/A	12m ECL	**289,336**	658,915

Notes:

(i) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL.

As part of the Group's credit risk management, the Group uses debtors' past due ageing to assess the impairment for its customers in relation to its operation because the customers of the Group consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables from customers which are assessed collectively as at 30 June 2022 within lifetime ECL (not credit-impaired). Debtors with credit-impaired balances with gross carrying amounts of approximately HK$25,392,000 as at 30 June 2022 (2021: HK$27,019,000) were assessed individually.

35. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk and impairment assessment (cont'd)

Notes: (cont'd)

(i) (cont'd)

For the year ended 30 June 2022

Gross carrying amount

	Average loss rate	Trade receivables past due *HK$'000*
Current (not past due)	1.1%	154,033
1-30 days past due	1.2%	13,097
31-60 days past due	2.6%	8,759
61-90 days past due	3.3%	5,519
More than 90 days past due	21.0%	10,453
		191,861

For the year ended 30 June 2021

Gross carrying amount

	Average loss rate	Trade receivables past due *HK$'000*
Current (not past due)	0.1%	253,842
1-30 days past due	0.2%	11,472
31-60 days past due	0.4%	8,433
61-90 days past due	1.4%	2,515
More than 90 days past due	37.0%	13,412
		289,674

During the year ended 30 June 2022, the Group reversed HK$371,000 (2021 reversed: HK$2,126,000) impairment allowance for trade receivables, based on the provision matrix. Impairment allowance of HK$658,000 (2021: HK$1,899,000 were reversed) were reversed on credit impaired debtors.

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For the year ended 30 June 2022

35. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk and impairment assessment (cont'd)

Notes: (cont'd)

(i) (cont'd)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Trade receivables HK$'000
As at 1 July 2020	6,401	30,132	36,533
Changes due to financial instruments recognised as at 1 July:			
– Reversal of impairment losses	(5,533)	(2,613)	(8,146)
– Transfer to credit-impaired	(88)	88	–
– Write-offs	–	(3,432)	(3,432)
New financial assets originated	3,407	714	4,121
Exchange realignment	539	2,130	2,669
As at 30 June 2021	4,726	27,019	31,745
Changes due to financial instruments recognised as at 1 July:			
– Reversal of impairment losses	(4,527)	(803)	(5,330)
– Transfer to credit-impaired	(56)	56	–
– Write-offs	–	(480)	(480)
New financial assets originated	4,156	145	4,301
Exchange realignment	(107)	(545)	(652)
As at 30 June 2022	4,192	25,392	29,584

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. Trade receivable of HK$480,000 (2021: HK$3,432,000) was written off by the Group during the year ended 30 June 2022.

35. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk and impairment assessment (cont'd)

Notes: (cont'd)

(i) (cont'd)

Changes in the loss allowance for trade receivables are mainly due to:

	2022		2021	
	Decrease in lifetime ECL (not credit-impairment) ***HK$'000***	**Decrease in lifetime ECL (credit-impaired)** ***HK$'000***	Decrease in lifetime ECL (not credit-impairment) *HK$'000*	Decrease in lifetime ECL (credit-impaired) *HK$'000*
Repayment from: – trade receivables with gross carrying amount of HK$279,051,000 (2021: HK$244,004,000)	**(4,527)**	**(803)**	(5,533)	(2,613)
Write-off of: – trade receivables with gross carrying amount of HK$480,000 (2021: HK$3,432,000)	**–**	**(480)**	–	(3,432)

(ii) For the purpose of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

Deposits and other receivables, amount due from a joint venture, fund deposits to e-payment platforms and interest receivables do not have fixed repayment terms or are not past due as at 30 June 2022 and 2021.

(iii) External credit ratings are from international credit-rating agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

35. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Liquidity risk

In the management of the liquidity risk, 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 following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment dates. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK$'000	3 months to 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 30 June 2022							
Non-derivative financial liabilities							
Trade payables and bills payable	**N/A**	**45,789**	**–**	**–**	**–**	**45,789**	**45,789**
Other payables	**N/A**	**42,134**	**–**	**–**	**–**	**42,134**	**42,134**
Other loans	**N/A**	**15,695**	**–**	**–**	**–**	**15,695**	**15,695**
Lease liabilities	**4.56**	**3,606**	**8,121**	**5,623**	**10,280**	**27,630**	**25,471**
		107,224	**8,121**	**5,623**	**10,280**	**131,248**	**129,089**
As at 30 June 2021							
Non-derivative financial liabilities							
Trade payables and bills payable	N/A	56,901	–	–	–	56,901	56,901
Other payables	N/A	50,687	–	–	–	50,687	50,687
Bank borrowings	1.22	40,005	–	–	–	40,005	40,000
Other loans	N/A	7,766	–	–	–	7,766	7,766
Lease liabilities	4.80	3,801	8,005	3,757	1,310	16,873	16,207
		159,160	8,005	3,757	1,310	172,232	171,561

35. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

Bank borrowings with a repayment on demand clause are included in the "Repayment on demand or less than 3 months" time band in the above maturity analysis. As at 30 June 2021, the aggregate carrying amount of these bank loans of amounted to approximately HK$40,000,000.

For the purpose of managing liquidity risk, management reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements. Details as at 30 June 2021 were as set out in the table below:

	Weighted average effective interest rate	Repayable less than 3 months	3 – 6 months	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings:					
As at 30 June 2021	1.22	40,005	–	40,005	40,000

Other price risk

The Group is exposed to debt price risk through its investments in debt instruments at FVTOCI. Management of the Group manages this exposure by maintaining a portfolio of investments with different risks. The Group's debt price risk is mainly concentrated on debt instruments listed in the Stock Exchange and Singapore Exchange Limited. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to debt price risk at the reporting date. If the prices of the respective debt instruments had been 10% (2021: 10%) higher/lower, other comprehensive income for the year ended 30 June 2022 would increase/decrease by approximately HK$25,653,000 (2021: HK$20,406,000) as a result of the changes in fair value of debt instruments measured at FVTOCI.

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35. FINANCIAL INSTRUMENTS (cont'd)

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent qualified valuers to perform the valuation. The CFO works closely with the independent qualified valuers to establish the appropriate valuation techniques and inputs to the model. The CFO reports the findings to the board of directors of the Company every six months to explain the cause of fluctuations in the fair value of the assets and liabilities.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	**Fair value as at 30 June**		**Fair value hierarchy**	**Valuation technique and key input**	**Significant unobservable input**
	2022 ***HK$'000***	2021 *HK$'000*			
Debts instruments at FVTOCI					
– Listed corporate bonds	**256,526**	204,060	Level 1	Quoted bid prices	N/A
Financial assets at FVTPL					
– Certificate of deposits	**170,790**	413,145	Level 3	Discounted cash flow approach	Discount rate ranging from 2.12% to 2.61% (2021: 2.60% to 3.41%) *(Note 1)*
– Wealth management product	**–**	4,833	Level 3	Quoted prices from financial institutions	Valuation of underlying investment portfolio

35. FINANCIAL INSTRUMENTS (cont'd)

Fair value measurements of financial instruments (cont'd)

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (cont'd)

Financial assets (cont'd)	Fair value as at 30 June		Fair value hierarchy	Valuation technique and key input	Significant unobservable input
	2022 ***HK$'000***	2021 *HK$'000*			
Financial assets at FVTPL (cont'd)					
– Life insurance	**7,293**	11,126	Level 3	Discounted cash flow approach	1. Discount rate ranging from 4.00% to 6.42% (2021: 0.90% to 5.43%) *(Note 2)* 2. Marginal death rate ranging from 0.00% to 4.57% (2021: 0.00% to 4.08%) *(Note 2)*

Note 1: A 5% increase/decrease in the discount rate used in isolation would result in a decrease/increase of HK$267,000/HK$267,000 (2021: HK$541,000/HK$543,000) in the fair value measure of the certificate of deposits as at 30 June 2022.

Note 2: The key inputs of valuation of life insurance at fair value included (i) discount rate and (ii) marginal death rate. A 5% increase/decrease in the discount rate holding all other variables constant would decrease/increase the fair value on life insurance by HK$1,119,000/HK$1,319,000 (2021: HK$2,410,000/HK$345,000). A 5% increase/decrease in the marginal death rate holding all other variables constant would increase the fair value on life insurance by HK$1,508,000/HK$777,000 (2021: HK$1,806,000/HK$804,000).

There were no transfers between Level 1 and 2 in the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

35. FINANCIAL INSTRUMENTS (cont'd)

Fair value measurements of financial instruments (cont'd)

(ii) Reconciliation of Level 3 fair value measurements of financial assets

	Financial assets at FVTPL *HK$'000*
At 1 July 2020	368,128
Additions	441,813
Disposals	(413,695)
Fair value change to profit or loss	(2,740)
Exchange realignment	35,598
At 30 June 2021	429,104
Additions	62,625
Disposals	(307,975)
Fair value change to profit or loss	(3,243)
Exchange realignment	(2,428)
At 30 June 2022	178,083

Of the total loss for the year included in profit or loss, HK$552,000 (2021: HK$6,000) relates to financial assets at FVTPL held at the end of the current reporting period. Fair value gains or losses on financial assets at FVTPL is included in "Other gains and losses".

(iii) Fair value of the Group's financial assets that are not measured at fair value on a recurring basis

Management of the Group considers that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payables *HK$'000*	Bank borrowings *HK$'000*	Other loans *HK$'000*	Lease liabilities *HK$'000*	Total *HK$'000*
At 1 July 2020	–	–	7,750	21,072	28,822
Financing cash flows	(5,337)	–	–	(19,737)	(25,074)
Acquisition of a subsidiary *(Note 33)*	–	40,000	–	–	40,000
Interest expense	–	–	–	1,027	1,027
Dividends declared by subsidiaries to non-controlling interests	5,337	–	–	–	5,337
New leases entered	–	–	–	14,086	14,086
Termination of leases	–	–	–	(1,921)	(1,921)
Foreign exchange translation	–	–	16	1,680	1,696
At 30 June 2021	–	40,000	7,766	16,207	63,973
Financing cash flows	(197)	(40,005)	7,797	(18,867)	(51,272)
Interest expense	–	5	–	845	850
Dividends declared by subsidiaries to non-controlling interests	197	–	–	–	197
New leases entered	–	–	–	28,161	28,161
Termination of leases	–	–	–	(126)	(126)
Foreign exchange translation	–	–	132	(749)	(617)
At 30 June 2022	–	–	15,695	25,471	41,166

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

37. RELATED PARTY TRANSACTIONS

Other than the balances of and transactions with related parties disclosed in relevant disclosure notes, the Group had the following related party transactions during the year:

	2022	2021
	HK$'000	*HK$'000*
Sales to entities related to a non-controlling interest of subsidiaries *(Note a)*	**6,754**	3,093
Short-term lease payment to related companies *(Note b)*	**472**	5,180
Refund of service fee received/receivable from non-controlling interests of subsidiaries	**–**	411
Royalty income received/receivable from a non-controlling interest of a subsidiary	**–**	1,135

Notes:

(a) These transactions are also defined as continuing connected transactions under the Listing Rules.

(b) The related companies are wholly owned and controlled by Mr. Tung. These transactions are also defined as connected transactions under the Listing Rules.

Key management personnel

The remuneration of directors and other members of key management were as follows:

	2022	2021
	HK$'000	*HK$'000*
Short-term benefits	**16,417**	26,438
Post-employment benefits	**193**	132
	16,610	26,570

The remuneration of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Country/ place of incorporation/ establishment	Country/ Place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group As at 30 June		Principal activities
				2022	2021	
Directly:						
Immense Ocean	BVI	Hong Kong	1 share of USD1	**100%**	100%	Investment holding
Indirectly:						
Win Source Trading Limited 偉鑫貿易有限公司	Hong Kong	Hong Kong	1 share of HK$1	**100%**	100%	Trading of watch movements
Win Sun International Limited 捷新國際有限公司	Hong Kong	Hong Kong	1 share of HK$1	**100%**	100%	Trading of watches
Gold Joy Investments Limited 金愉投資有限公司	Hong Kong	Hong Kong	1 share of HK$1	**100%**	100%	Investment holding
Sky Sun Investments Limited 天新投資有限公司	Hong Kong	Hong Kong	1 share of HK$1	**100%**	100%	Investment holding
Gold Reach Investments Limited 金達投資有限公司	Hong Kong	Hong Kong	1 share of HK$1	**100%**	100%	Investment holding
Ye Guang Li Electronics (Meizhou) Company Limited[1] 業廣利電子(梅州)有限公司	PRC	PRC	HK$3,880,000	**100%**	100%	Assembling and trading of watches
Suzhou Paragon[2] 蘇州寶利辰表行有限公司	PRC	PRC	RMB24,000,000	**51%**	51%	Sales of watches
Tian Wang Shenzhen[1] 天王電子(深圳)有限公司	PRC	PRC	HK$99,000,000	**100%**	100%	Assembling and trading of own branded watches
Balco Switzerland SAGL	Switzerland	Switzerland	20 shares of CHF1,000 each	**100%**	100%	Sales of watches
Shenzhen Time Watch Management Consulting Limited[3] 深圳時計寶管理諮詢有限公司	PRC	PRC	RMB6,000,000	**100%**	100%	Marketing and consulting
Time Watch (Sichuan) Company Limited[2] 時計寶(四川)鐘表有限公司	PRC	PRC	RMB20,000,000	**51%**	51%	Sales of watches

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Country/ place of incorporation/ establishment	Country/ Place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group As at 30 June		Principal activities
				2022	2021	
Shenzhen Time Watch Trading Company Limited[3] 深圳市時計寶商貿有限公司	PRC	PRC	RMB5,000,000	**70%**	70%	Sales of watches
Shenzhen Half Hour Trade and Commercial Limited[3] 深圳市半小時商貿有限公司	PRC	PRC	RMB1,000,000	**70%**	70%	Sales of watches
Shenzhen Yi Cun Jin Technology Co., Limited[3] 深圳市壹寸金科技有限公司	PRC	PRC	RMB1,000,000	**70%**	70%	Sales of watches
TWB	Hong Kong	Hong Kong	HK$200	**51%**	51%	Design and sales of watches
時計梅州	PRC	PRC	RMB1,000,000	**51%**	51%	Design and sales of watches
Strong Goal Investments Limited 強高投資有限公司	BVI	Hong Kong	1 share of USD1	**100%**	100%	Property investment
天王（深圳）營運發展有限公司[3]	PRC	PRC	RMB1,000,000	**100%**	100%	Sales of watches
深圳市聖緹斯科技有限公司[3]	PRC	PRC	RMB5,000,000	**70%**	70%	Sales of watches
深圳時計寶控股有限公司[3]	PRC	PRC	RMB30,000,000	**70%**	70%	Sales of watches
深圳市天唯雅科技有限公司[3]	PRC	PRC	RMB2,000,000	**70%**	70%	Sales of watches
深圳市釉銘電子有限公司[3]	PRC	PRC	RMB2,000,000	**70%**	70%	Sales of watches
時寶商貿有限公司[3]	PRC	PRC	RMB500,000	**100%**	100%	Assembling and trading of watches
Winning Asia	BVI	Hong Kong	USD10,000	**100%**	100%	Property holding

1 Established in the PRC in the form of wholly foreign-owned enterprise.
2 Established in the PRC in the form of sino-foreign equity joint venture.
3 Established in the PRC in the form of domestic-invested enterprise.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year. In the opinion of the directors of the Company, a complete list of the particulars of subsidiaries will be of excessive length and therefore the above list contains only the particulars of those subsidiaries which materially contribute to the net income of the Group or hold a material portion of the assets and liabilities of the Group.

At the end of the reporting period, there is no non-wholly owned subsidiary that has material non-controlling interest individually.

39. 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 entired issued share capital of its joint venture, SH Weishi and entired issued share capital of its 51% owned subsidiary, Suzhou Paragon 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.

40. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022	2021
	HK$'000	*HK$'000*
Non-current assets		
Unlisted investments in subsidiaries, at cost	**224,343**	226,043
Amounts due from subsidiaries	**1,012,447**	789,731
Financial assets at fair value through profit or loss	**7,293**	11,126
Debt instruments at fair value through other comprehensive income	**256,526**	166,094
	1,500,609	1,192,994
Current assets		
Other receivables	**4,785**	3,713
Debt instruments at fair value through other comprehensive income	**–**	37,966
Amounts due from subsidiaries	**229,096**	141,325
Tax recoverable	**622**	–
Bank balances	**255,512**	59,577
	490,015	242,581
Current liabilities		
Accrued charges	**3,298**	13,353
Amounts due to subsidiaries	**1,911**	-
	5,209	13,353
Net current assets	**484,806**	229,228
Total assets less current liabilities	**1,985,415**	1,422,222
Capital and reserves		
Share capital	**205,807**	207,638
Reserves	**1,779,608**	1,214,584
Total equity	**1,985,415**	1,422,222

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

40. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (cont'd)

Reserves of the Company

	Share premium *HK$'000*	Investment revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*
At 1 July 2020	511,101	2,137	(133,128)	804,458	1,184,568
Repurchase and cancellation of shares	(2,261)	–	–	–	(2,261)
Total comprehensive income (expense) for the year	–	7,793	118,635	(94,151)	32,277
At 30 June 2021	508,840	9,930	(14,493)	710,307	1,214,584
Repurchase and cancellation of shares	**(7,610)**	**–**	**–**	**–**	**(7,610)**
Total comprehensive (expense) income for the year	**–**	**(16,609)**	**(55,577)**	**644,820**	**572,634**
At 30 June 2022	**501,230**	**(6,679)**	**(70,070)**	**1,355,127**	**1,779,608**

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years, as extracted from the published audited financial information and consolidated financial statements, is set out below.

	For the year ended 30 June				
	2022	2021	2020	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note 1)	*(restated)*	
			(Note 3)	*(Note 2)*	
Results					
Revenue	**1,408,092**	1,917,967	1,726,432	2,377,914	2,962,262
Profit for the year attributable to owners of the Company	**33,020**	259,103	140,720	318,043	291,447

	At 30 June				
	2022	2021	2020	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities					
Total assets	**2,937,364**	3,077,789	2,496,106	2,713,859	2,669,756
Total liabilities	**(325,752)**	(443,995)	(302,917)	(554,828)	(616,662)
	2,611,612	2,633,794	2,193,189	2,159,031	2,053,094
Equity attributable to the owners of the Company	**2,582,805**	2,601,806	2,169,460	2,223,548	2,100,695
Non-controlling interests	**28,807**	31,988	23,729	(64,517)	(47,601)
	2,611,612	2,633,794	2,193,189	2,159,031	2,053,094

Notes:

1. In 2020, the Group has applied HKFRS 16. Accordingly, certain comparative information for the years ended 30 June 2018 and 2019 may not be comparable to the year ended 30 June 2020 as such comparative information was prepared under HKAS 17.

2. In 2019, the Group has applied HKFRS 15, HKFRS 9 and other amendments to HKFRSs. Accordingly, certain comparative information for the year ended 30 June 2018 may not be comparable to the year ended 30 June 2019 as such comparative information was prepared under HKAS 18 and HKAS 39.

3. The results for the years ended 30 June 2019 and 2020 only represent result from continuing operations. Accordingly, the results for the year ended 30 June 2018 may not be comparable to the years ended 30 June 2019, 2020, 2021 and 2022 as Other Brands (Global) Business was discontinued during the year ended 30 June 2020.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tung Koon Ming
(Chairman and chief executive officer)
Mr. Tung Koon Kwok Dennis
Mr. Tung Wai Kit
Mr. Deng Guanglei

Independent non-executive Directors

Mr. Ma Ching Nam
Mr. Wong Wing Keung Meyrick
Mr. Choi Ho Yan

AUDIT COMMITTEE

Mr. Choi Ho Yan *(Chairman)*
Mr. Ma Ching Nam
Mr. Wong Wing Keung Meyrick

NOMINATION COMMITTEE

Mr. Tung Koon Ming *(Chairman)*
Mr. Ma Ching Nam
Mr. Wong Wing Keung Meyrick

REMUNERATION COMMITTEE

Mr. Wong Wing Keung Meyrick *(Chairman)*
Mr. Choi Ho Yan
Mr. Ma Ching Nam

CORPORATE GOVERNANCE COMMITTEE

Mr. Ma Ching Nam *(Chairman)*
Mr. Choi Ho Yan
Mr. Wong Wing Keung Meyrick

COMPANY SECRETARY

Ms. Hui Wai Man, Shirley

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
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LEGAL ADVISERS

Chiu & Partners (as to Hong Kong laws)
Jingtian & Gongcheng (as to PRC laws)

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STOCK CODE ON THE HONG KONG STOCK EXCHANGE

2033

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WEBSITE

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CORPORATE CALENDAR

Annual general meeting	24 November 2022
Announcement of interim results for six months ending 31 December 2022	February 2023
Announcement of final results for year ending 30 June 2023	September 2023