



Time Watch Investments Limited
時計寶投資有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 2033



Interim Report
2023

Who We Are

We are the leading manufacturer, brand-owner and retailer of domestic watches in the People's Republic of China (the "PRC").

Established in 1988, the Group's core proprietary brand, Tian Wang (天王), has been developed into a well-known and one of the top national watch brands in the PRC, positioning for the mass market. Another proprietary brand of the Group, Balco, which was initially registered in Switzerland in 1986 by an independent third party and was acquired by the Group in 2002, offers Swiss-made watches targeting younger middle-income consumers in the PRC.

With long brand heritage and reputation in the PRC, we operate an extensive offline sales network of approximately 2,100 directly managed and controlled points of sales together with sales channels in various major e-commerce platforms.

Mission

We continue to improve our efficiency in production and store operation through strategically expanding sales network and devote greater effort on e-commerce, enhancing the Group's overall competitiveness.

We will continue to focus on achieving good financial performance to deliver stable returns and long term value to our shareholders.

We deliver quality experience to our customers through provision of excellence pre-sale and aftersale service.

We hire talents who participate in the success of the Company and will invest in the development of all our employees.

Vision

We strive to provide stylish and high-quality watches with reasonable price to customers, strengthen our leading position in the market, deliver sustainable shareholder value to our shareholders and help our employees to grow and share the success of the Company.

Contents

- 2** Financial Highlights
- 3** Management Discussion and Analysis
- 18** Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 20** Condensed Consolidated Statement of Financial Position
- 22** Condensed Consolidated Statement of Changes in Equity
- 23** Condensed Consolidated Statement of Cash Flows
- 24** Notes to the Condensed Consolidated Financial Statements
- 52** Additional Information
- 58** Corporate Information

FINANCIAL HIGHLIGHTS

	Six months ended 31 December 2022 HK\$'000 (Unaudited)	Six months ended 31 December 2021 HK\$'000 (Unaudited)
Revenue	465,666	770,678
Gross profit	327,167	549,414
Gross margin (%)	70.3%	71.3%
(Loss)/profit attributable to owners of the Company	(44,900)	40,741
	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Total assets	2,611,550	2,937,364
Total liabilities	276,639	325,752
Equity attributable to owners of the Company	2,328,809	2,582,805
Average Inventory Turnover Days (days)	418	347
Average Trade Receivables Turnover Days (days)	62	61
Average Trade Payables Turnover Days (days)	54	49

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

During the second half of 2022, the economy of China and retail sales have continued to be affected by the COVID-19 pandemic and related control measures. Revenue of Time Watch Investments Limited (the “Company” or “Time Watch”) and its subsidiaries (collectively, the “Group”) decreased by approximately HK\$305.0 million or approximately 39.6% from approximately HK\$770.7 million for the six months ended 31 December 2021 (“1HFY2022”) to approximately HK\$465.7 million for the six months ended 31 December 2022 (“1HFY2023”). The decrease in the revenue of the Group was primarily due to the decrease in revenue generated by the sales of Tian Wang watch (“Tian Wang Watch Business”), being the Group’s main source of revenue, which was mainly attributable to the resurgence of the COVID-19 pandemic and continued appearance of coronavirus variant.

Tian Wang Watch Business

Revenue from the Tian Wang Watch Business, which accounted for approximately 82.2% of the total revenue of the Group for 1HFY2023 (1HFY2022: approximately 84.6%) and continued to be the Group’s main source of revenue, decreased by approximately HK\$269.3 million or approximately 41.3% from approximately HK\$652.1 million for 1HFY2022 to approximately HK\$382.8 million for 1HFY2023. Due to the ongoing COVID-19 pandemic, the retail network for the sales of Tian Wang Watch shrank from 2,086 point of sales (“POS”) as at 30 June 2022 to 1,894 POS as at 31 December 2022, with a net decrease of 192 POS.

Other Brands (PRC) Business

Revenue from the sales of other well-known brand watches other than Tian Wang Watch (“Other Brands (PRC) Business”) decreased by approximately HK\$26.6 million or approximately 36.4% from approximately HK\$73.0 million for 1HFY2022 to approximately HK\$46.4 million for 1HFY2023, which accounted for approximately 10.0% of the total revenue of the Group for 1HFY2023 (1HFY2022: approximately 9.5%). The decrease in revenue of Other Brands (PRC) Business was mainly due to the weak consumer sentiment caused by the recurrence of the COVID-19 pandemic and continued appearance of variant virus.

Starting from 2022, the sale 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 7.8% of the Group’s total revenue for 1HFY2023 (1HFY2022: approximately 5.9%). For 1HFY2023, revenue from trading of watch movements was approximately HK\$36.5 million, representing a decrease of approximately HK\$9.1 million or approximately 20.0% from approximately HK\$45.7 million for 1HFY2022.

Gross Profit

The Group's overall gross profit decreased by approximately HK\$222.2 million or approximately 40.5% from approximately HK\$549.4 million for 1HFY2022 to approximately HK\$327.2 million for 1HFY2023. The drop was mainly due to the decrease in gross profit from the Tian Wang Watch Business which was in line with the decrease in its revenue. The Group's overall gross profit margin decreased by approximately 1.0 percentage point from approximately 71.3% for 1HFY2022 to approximately 70.3% for 1HFY2023, which remained stable for both periods.

Other Income, Gains and Losses

The Group has recorded a net loss of approximately HK\$1.9 million in other income, gain and losses for 1HFY2023, comparing to a net gain of approximately HK\$51.5 million for 1HFY2022. The loss was mainly due to exchange loss of HK\$45.8 million arising from the exchange of RMB deposits into USD and HKD deposits and Renminbi depreciated against USD and HKD during the period.

Selling and Distribution Costs

The Group's selling and distribution costs decreased by approximately HK\$168.7 million or approximately 34.2% from approximately HK\$492.6 million for 1HFY2022 to approximately HK\$323.9 million for 1HFY2023. The decrease was mainly due to (i) decrease in concessionaire fee and rental expenses which were in line with the decrease in revenue; (ii) reduction of salaries for sales personnel, and (iii) tightened control in advertising and promotion expenditures of the Group.

Administrative Expenses

The Group's administrative expenses decreased by approximately HK\$7.6 million or approximately 13.3% from approximately HK\$56.7 million for 1HFY2022 to approximately HK\$49.2 million for 1HFY2023. The decrease was mainly due to the decrease in staff costs and reduction in audit, legal and professional fee.

Finance Costs and Income Tax

The Group's finance costs remained stable for both 1HFY2022 and 1HFY2023. The Group recorded an income tax credit of approximately HK\$3.5 million for 1HFY2023, comparing to an income tax cost of approximately HK\$13.6 million for 1HFY2022. The income tax credit for 1HFY2023 was due to the loss before taxation to the Group during the period.

Loss attributable to the owners of the Company

The loss attributable to the owners of the Company for 1HFY2023 was approximately HK\$44.9 million for 1HFY2023, as compared to the profit attributable to the owners of the Company of approximately HK\$40.7 million for 1HFY2022. The loss was mainly attributable to the weak consumer sentiment and partial suspension of Group's sales outlets in various cities in China caused by resurgence of the COVID-19 pandemic and continued appearance of variant virus, the revenue from PRC subsidiaries dropped significantly, and the exchange loss arising from the depreciation of Renminbi during the period.

Business Review

Overview

During 1HFY2023, the Group's principal business remained to be the manufacturing, retail sales and e-commerce business of its two proprietary brands watches (namely, Tian Wang and Balco watch), Other Brands (PRC) Business and its ancillary Watch Movements Trading Business.

Tian Wang Watch Business continued to be the Group's core (PRC) Business, which contributed approximately 82.2% of the total revenue of the Group in 1HFY2023. 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 different age group of the customers.

Retail Network

The Group's retail network principally comprises sales counters located in department stores and shopping malls which are directly managed and controlled by the Group. During 1HFY2023, over 66% of the Group's sales of Tian Wang and Balco Watch were made through the Group's directly managed POS. Since the Group sells most of its watches to its retail customers directly, the Group has been able to obtain first hand market information and direct feedback from customers through its frontline sales staff. The Group considers that this is a competitive advantage over its competitors, which generally do not have direct self-managed sales network and sell their products through distributors.

As at 31 December 2022, the number of the Group's POS for Tian Wang Watch Business was 1,894, representing a net decrease of 192 POS as compared to the number of POS for Tian Wang Watch Business as at 30 June 2022. As at 31 December 2022, the number of the Group's POS for sales of other brands watches was 192, representing a net decrease of 41 POS as compared to that of as at 30 June 2022.

Proprietary Watches of the Group

Tian Wang Watch

Revenue of Tian Wang Watch Business, which contributed approximately 82.2% of the Group's total revenue for 1HFY2023 (1HFY2022: approximately 84.6%) remained the Group's major source of revenue. The offline retail sales of Tian Wang Watch Business for 1HFY2023 decreased by approximately 43.6% as compared to 1HFY2022. It was primarily due to shrinking retail market of traditional watches as well as competition from electronic and digital wearable devices. The recurrence of the COVID-19 pandemic also affected the general consumer confidence and consumer sentiment. This has even put the overall offline retail market under pressure. During 1HFY2023, the Group has launched not less than 28 new models of Tian Wang watches with prices ranging from approximately RMB200 to RMB4,980 per watch for direct offline retail sales, e-commerce channels and corporate sales. The wide range of Tian Wang watches allows the Group to cater for the different needs and increasing demand from customers of different income levels and age groups.

Other Brands (PRC) Business

Since the PRC market was still affected by the COVID-19 pandemic, 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 of the Group generated from Other Brands (PRC) Business by approximately HK\$26.6 million or 36.4% from approximately HK\$73.0 million for 1HFY2022 to approximately HK\$46.4 million for 1HFY2023. 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 1HFY2023, the Group had closed down some of the under-performing POS so as to optimise its sales network.

Watch Movements Trading Business

The Directors consider that the in-house watch movements procurement and trading arm of the Group is an integral segment of the Group's overall business operation for providing reliable and stable supply of watch movements for the assembly of its Tian Wang watches and generating revenue to the Group through its Watch Movements Trading Business with other watch manufacturers and distributors when there is a surplus of watch movements which are not used for the Group's manufacture of watches for Tian Wang Watch Business.

E-commerce Business

Since 2013, the Group has been engaging in the e-commerce business and selling its products on several major online sales platform such as those of Tmall and JD.com. In order to capture the growing consumption power of the younger generation in the PRC, the Group launched some models of Tian Wang and Balco watches which are more affordable and feature fast fashion style through the online sales channel. The Directors also believe that a wide variety of watches enables the Group to reach out to more diverse customers, including those of different age groups. For 1HFY2023, the e-commerce business continued to be one of the major channels to the Group's revenue. For 1HFY2023, the sales of watches on e-commerce platforms had decreased by approximately HK\$61.9 million to approximately HK\$115.0 million for 1HFY2023 from approximately HK\$176.9 million for 1HFY2022, because of the intense competition among players in the market.

Inventory Control

The Group's inventory balance was approximately HK\$280.3 million as at 31 December 2022, representing a decrease of approximately HK\$74.1 million or approximately 20.9% as compared with approximately HK\$354.4 million as at 30 June 2022. The Group's inventory turnover days increased to approximately 418 days for 1HFY2023, as compared with approximately 347 days for the year ended 30 June 2022. The Group will continue to monitor and control its inventory level vigilantly in accommodating with its sales network review and adjustment plan.

The inventory aged over two years were approximately HK\$146.8 million and approximately HK\$162.9 million as at 31 December 2022 and 30 June 2022 respectively, with corresponding provision for these inventory balances of approximately HK\$112.0 million and approximately HK\$112.6 million respectively. The management of the Group regularly monitors the age, quality and quantity of inventory so as to make sure that the stocks are kept at their best value and optimal level that are most favorable for our business operation. It also assesses and reviews the inventory ageing analysis at the end of each reporting period and identifies the slow moving inventory items that are no longer suitable for use in production or sales. At the end of each reporting period, the management of the Group will make necessary provision if the net realisable value of the inventory is estimated to be below the cost.

Liquidity, Financial Resources and Capital Structure

The Group adopts a conservative treasury policy. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by 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\$637.6 million and approximately HK\$840.5 million as at 31 December 2022 and 30 June 2022 respectively.

The Group's net cash generated from operating activities for 1HFY2023 was approximately HK\$39.9 million, representing a decrease of approximately HK\$116.0 million from approximately HK\$155.9 million for 1HFY2022. The amount was primarily attributable to loss before taxation of approximately HK\$48.7 million from the Group's operations adjusted for non-cash items of approximately HK\$19.3 million, increase of working capital balances of approximately HK\$61.7 million, income taxes paid of approximately HK\$18.5 million and interest received of approximately HK\$26.1 million.

The Group's net cash used in investing activities for 1HFY2023 was approximately HK\$126.6 million, which was mainly attributable to purchase of property, plant and equipment of approximately HK\$53.1 million, net cash outflow from purchase of financial assets at amortised cost of approximately HK\$85.0 million.

The Group's net cash used in financing activities for 1HFY2023 was approximately HK\$108.0 million, which was mainly attributable to the dividend paid of approximately HK\$109.7 million. The Group had a net cash position as at 31 December 2022 and 30 June 2022. As at 31 December 2022, the Group's total equity was approximately HK\$2,334.9 million, representing a decrease of approximately HK\$276.7 million as compared with approximately HK\$2,611.6 million as at 30 June 2022. The Group's working capital was approximately HK\$1,115.7 million as at 31 December 2022, representing a decrease of approximately HK\$247.9 million as compared with approximately HK\$1,363.6 million as at 30 June 2022.

As at 31 December 2022, the Group's bank balances and cash were mainly denominated in US dollars, Renminbi and Hong Kong dollar.

The gearing ratio being calculated as total debt over total equity was approximately 1.5% and approximately 1.6% as at 31 December 2022 and 30 June 2022 respectively.

Charge on Group Assets

There was no material charge on the Group's assets as at 31 December 2022 and 30 June 2022.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2022 and 30 June 2022.

Capital Commitments

Set out below is the breakdown of capital commitment of the Group as at 31 December 2022 and 30 June 2022:

	As at 31 December 2022 HK\$'000	As at 30 June 2022 HK\$'000
Capital commitments in respect of life insurance contract	2,000	2,000
Capital commitments in respect of property, plant and equipment	13,892	16,603
	15,892	18,603

Foreign Currency Exposure

The Group has foreign currency sales, which exposed itself to foreign currency risk. In addition, financial assets such as 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 of the Group and 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, 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 31 December 2022, the Group employed a total of approximately 3,500 full time employees (30 June 2022: approximately 4,100). The staff costs incurred during 1HFY2023 was approximately HK\$163.6 million (1HFY2022: approximately HK\$210.6 million). The Group's emolument policies are formulated on the performance of individual employees and the salary rate in different regions, which will be reviewed regularly every year. Apart from provident fund scheme and medical insurance offered to the full time employees of the Group, discretionary bonuses are also awarded to employees according to the assessment of individual performance.

Social Responsibility

The Group's charitable and other donations for 1HFY2023 amounted to approximately HK\$0.2 million (1HFY2022: approximately HK\$0.1 million). No donations were made to political parties.

FINANCIAL ASSETS AT AMORTISED COST

As at 31 December 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 31 December 2022 and the comparative figures as at 30 June 2022:

Issuer	Product type	Principal business	Investment cost as at		Fair value as at		Interest income from these product for 1HFY2023 (HKD'000)	Realised interest income for 1HFY2023 (HKD'000)	Unrealised gain or loss and interest income during 1HFY2023 (HKD'000)	Size relative to the Company's total asset as at 31 December 2022 (HKD'000)
			31 December 2022 (RMB'000)	30 June 2022 (RMB'000)	31 December 2022 (HKD'000)	30 June 2022 (HKD'000)				
Agricultural Bank of China	Certificate of deposits (大額存款證)	Banking services	N/A	50,000	N/A	58,570	1,169	7,012	333	0.0% (Note 1)
Agricultural Bank of China	Fixed deposit	Banking services	96,000	96,000	105,715	112,454	2,055	-	2,072	4.0%
Huaxia Bank	Fixed deposit	Banking services	125,000	100,000	137,650	117,140	1,941	-	1,957	5.3%
Bank of Ningbo	Fixed deposit	Banking services	51,000	51,000	56,161	59,741	1,011	-	1,020	2.2%
China Guangfa Bank	Fixed deposit	Banking services	100,000	N/A	110,120	N/A	1,000	-	1,088	4.2%
Total					409,646	347,906				

Note 1: Such product has reached maturity before 31 December 2022. As such, the size relative to the Company's total assets as at 31 December 2022 is not applicable.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2022, financial assets at fair value through profit or loss represented unlisted financial products purchased from commercial banks and insurance companies. The table below sets out a summary of the financial assets at fair value through profit or loss of the Group as at 31 December 2022 and the comparative figures as at 30 June 2022:

Issuer	Product type	Principal business	Investment cost as at		Fair value as at		Interest income from these product for 1HFY2023 (HKD'000)	Realised gain/interest income for 1HFY2023 (HKD'000)	Unrealised gain/(loss) for 1HFY2023 (Note 2) (HKD'000)	Size relative to the Company's total asset as at 31 December 2022
			31 December 2022 ('000)	30 June 2022 ('000)	31 December 2022 (HKD'000)	30 June 2022 (HKD'000)				
China Guangfa Bank	Certificates of deposit (大額存款證)	Banking services	RMB110,000	RMB110,000	125,427	133,422	2,426	1,326	1,109	4.6%
Huaxia Bank	Certificates of deposit (大額存款證)	Life services	RMB30,000	RMB30,000	35,128	37,368	578	N/A	583	1.3%
PWD Life insurance Company (Bermuda) Limited	Life insurance	Life services	HKD8,000	HKD8,000	4,860	4,860	N/A	N/A	N/A	0.3%
Manulife (International) Limited	Universal life insurance	Banking services	HKD5,000	HKD5,000	2,433	2,433	N/A	N/A	N/A	0.2%
Total					167,848	178,083				

DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2022, debt instruments at fair value through other comprehensive income represented corporate bonds issued by Hong Kong listed companies. The table below sets out a summary of the debt instruments at fair value through other comprehensive income of the Group as at 31 December 2022 and the comparative figures as at 30 June 2022:

Issuer	Product type	Principal business	Investment cost as at		Fair value as at		Interest income from these product for 1HFY2023	Realised gain/interest income for 1HFY2023	Unrealised gain/(loss) for 1HFY2023	Size relative to the Company's total asset as at 31 December 2022
			31 December 2022	30 June 2022	31 December 2022	30 June 2022				
			(USD '000)	(USD '000)	(HKD '000)	(HKD '000)	('000)	('000)	('000)	
HSBC Holdings Plc	Corporate bonds	Banking services	9,964	9,964	76,492	77,689	4,904	4,904	544	2.9%
Bank of China (Hong Kong) Limited	Corporate bonds	Banking services	10,353	10,353	78,393	80,436	4,629	4,629	(245)	3.0%
Nan Fung Treasury (III) Limited	Corporate bonds	Property development	6,720	6,720	40,697	48,519	2,746	2,746	(6,713)	1.6%
NWD Finance (BV) Limited	Corporate bonds	Property development	6,500	6,500	40,691	49,882	3,432	3,432	(7,834)	1.6%
Total					236,273	256,526				

During 1HFY2023, the Group had adopted a conservative approach in deploying its surplus fund, such as investment in fixed deposits, certificate of deposits, low risk and high credit rating products issued by 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.

Saved as disclosed above, the Group did not have other significant investment as at 31 December 2022.

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, FY2021 and FY2022. For 1HFY2023, 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 2022 (HK\$'m)	Amount of net proceeds utilised for 1HFY2023 (HK\$'m)	Balance as at 31 December 2022 (HK\$'m)	Actual business progress up to 31 December 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.
	<u>36.5</u>	<u>–</u>	<u>36.5</u>	

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

Prospect and Strategies

Throughout the past six months, the resurgence of the COVID-19 pandemic adversely affected the Group's sales performance. During the period, coronavirus variants appeared continuously in China. There were temporary suspension of business of some of the Group's sales outlets in various cities of China. The consumer sentiment remained weak. The Group experienced difficulties in resuming all regional operation to normal.

Nevertheless, China government had started to loosen the COVID-19 restriction policies from early December 2022. It is expected that the economy in China will be gradually recovered in the medium term. In view of the current situation, the Group will continue to adopt a prudent approach on reviewing the performance of its POS and developing the retail network of Tian Wang Watch. Potential new shop opening will be carefully evaluated by senior management team. At the same time, performance of existing POS will be closely monitored so that Tian Wang's sales network can be optimized to achieve the best geographical market coverage. Moreover, the Group will continue to provide a wide range of fashionable watch to cope with the fast-changing retail arena while injecting new elements in difference series and potential co-operation projects.

For e-commerce business, the Group expects that the future growth for this division will be challenging because of the increasing competition among the players in the market. However, the Group will continue to improve the operation capabilities of its online business by adopting precise marketing campaigns to capture new customers through live-streaming, short video clips and other emerging media channels. All these initiatives are expected to achieve low-cost and wide-reaching marketing which could maximize marketing outcomes.

The Group's other business segments, including Balco Watch Business and Other Brands (PRC) Business, are still experiencing difficulties and affected by current market conditions. The Group will press ahead with its plan for improving business performance so as to enhance the overall operational efficiency for both segments as a near target.

In light of the extremely challenging retail environment together with the unstable economic condition, the Group has been taking a conservative approach to deal with the crisis by focusing on cash management. As a result, the financial position of the Group remains strong despite a period of turmoil. The Group believes that maintaining sufficient liquidity and adequate working capital as the Group's treasury management policy will be the key to business survival as well as the foundation for long term success during this extreme operating environment.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2022

		Six months ended 31 December	
	Notes	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	465,666	770,678
Cost of sales		(138,499)	(221,264)
Gross profit		327,167	549,414
Other income, gains and losses	4	(1,866)	51,452
Net (impairment losses) reversal of impairment losses on trade receivables		(495)	752
Selling and distribution costs		(323,921)	(492,614)
Administrative expenses		(49,175)	(56,729)
Finance costs		(437)	(432)
Share of results of a joint venture		–	303
(Loss) profit before taxation		(48,727)	52,146
Income tax credit (charge)	5	3,509	(13,566)
(Loss) profit for the period	6	(45,218)	38,580
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of leasehold land and buildings		54	46
Exchange differences arising on translation		(85,355)	31,559
Items that may be reclassified subsequently to profit or loss:			
Fair value change on debt instruments at fair value through other comprehensive income		(18,866)	(2,136)
Reclassification adjustment relating to debt instruments at fair value through other comprehensive income disposed of during the period		–	(1,574)
Total comprehensive (expense) income for the period		(149,385)	66,475

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (cont'd)

For the six months ended 31 December 2022 (cont'd)

	Six months ended	
	31 December	
	2022	2021
Notes	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) profit for the period attributable to:		
– Owners of the Company	(44,900)	40,741
– Non-controlling interests	(318)	(2,161)
	(45,218)	38,580
Total comprehensive (expense) income attributable to:		
– Owners of the Company	(146,822)	67,685
– Non-controlling interests	(2,563)	(1,210)
	(149,385)	66,475
(Loss) earnings per share – basic (HK cents)	8	2.0
	(2.2)	2.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	430,832	429,792
Right-of-use assets	9	47,684	56,929
Investment properties	10	125,759	126,840
Deposits paid for acquisition of property, plant and equipment		1,199	844
Interest in a joint venture		–	11,467
Financial assets at fair value through profit or loss	11	100,785	106,745
Debt instruments at fair value through other comprehensive income	12	159,781	256,526
Financial assets at amortised cost	13	299,526	289,336
Deferred tax assets	18	58,478	58,968
		1,224,044	1,337,447
Current assets			
Inventories	14	280,304	354,420
Trade receivables	15	129,379	187,669
Other receivables, deposits and prepayments		85,227	84,780
Tax recoverable		1,351	2,642
Financial assets at fair value through profit or loss	11	67,063	71,338
Debt instruments at fair value through other comprehensive income	12	76,492	–
Financial assets at amortised cost	13	110,120	58,570
Bank balances and cash		637,570	840,498
		1,387,506	1,599,917

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

At 31 December 2022 (cont'd)

		As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
	<i>Notes</i>		
Current liabilities			
Trade payables and bills payable	16	35,829	45,789
Other payables and accrued charges		109,566	115,006
Tax payable		26,862	48,973
Lease liabilities	9	7,492	10,816
Other loans		15,610	15,695
		195,359	236,279
Net current assets		1,192,147	1,363,638
Total assets less current liabilities		2,416,191	2,701,085
Capital and reserves			
Share capital	17	205,807	205,807
Reserves		2,123,002	2,376,998
Equity attributable to owners of the Company		2,328,809	2,582,805
Non-controlling interests		6,102	28,807
Total equity		2,334,911	2,611,612
Non-current liabilities			
Deferred tax liabilities	18	69,898	74,818
Lease liabilities	9	11,382	14,655
		81,280	89,473
		2,416,191	2,701,085

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2022

	Attributable to owners of the Company									Non-controlling interests HK\$'000	Total equity HK\$'000
	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 reserves HK\$'000 (Note b)	Accumulated profits HK\$'000	Total HK\$'000		
At 1 July 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
Loss for the period	-	-	-	-	-	-	-	(44,900)	(44,900)	(318)	(45,218)
Exchange differences arising on translation	-	-	-	(83,110)	-	-	-	-	(83,110)	(2,245)	(85,355)
Gain on revaluation of leasehold land and buildings	-	-	-	-	-	54	-	-	54	-	54
Fair value change on debt instruments at fair value through other comprehensive income	-	-	-	-	(18,866)	-	-	-	(18,866)	-	(18,866)
Total comprehensive (expense) income for the period	-	-	-	(83,110)	(18,866)	54	-	(44,900)	(146,622)	(2,563)	(149,385)
Appropriation to reserve	-	-	-	(57)	-	-	(4,214)	-	(4,271)	(13,343)	(17,614)
Dividends recognised as distribution during the period	-	-	-	-	-	-	-	(102,903)	(102,903)	-	(102,903)
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(6,799)	(6,799)
At 31 December 2022 (unaudited)	205,807	501,230	(230,147)	(72,975)	(25,545)	9,840	69,562	1,871,037	2,328,809	6,102	2,334,911
At 1 July 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 period	-	-	-	-	-	-	-	40,741	40,741	(2,161)	38,580
Exchange differences arising on translation	-	-	-	30,608	-	-	-	-	30,608	951	31,559
Gain on revaluation of leasehold land and buildings	-	-	-	-	-	46	-	-	46	-	46
Realisation on disposal of leasehold land and buildings	-	-	-	-	-	(5,913)	-	5,913	-	-	-
Fair value change on debt instruments at fair value through other comprehensive income	-	-	-	-	(2,136)	-	-	-	(2,136)	-	(2,136)
Reclassification adjustment relating to debt instruments at fair value through other comprehensive income disposed during the period	-	-	-	-	(1,574)	-	-	-	(1,574)	-	(1,574)
Total comprehensive income (expense) for the period	-	-	-	30,608	(3,710)	(5,867)	-	46,654	67,685	(1,210)	66,475
Appropriation to reserve	-	-	-	-	-	-	359	(359)	-	-	-
Repurchase and cancellation of shares	(281)	(1,699)	-	-	-	-	-	-	(1,980)	-	(1,980)
At 31 December 2021 (unaudited)	207,357	507,141	(230,147)	76,074	6,220	529	73,342	2,026,995	2,667,511	30,778	2,698,289

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 interest 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 ("PRC").

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2022

	Six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH FROM		
OPERATING ACTIVITIES	39,937	155,918
NET CASH (USED IN)/GENERATED FROM		
INVESTING ACTIVITIES	(126,606)	521,300
NET CASH USED IN FINANCING ACTIVITIES	(107,955)	(42,038)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(194,624)	635,180
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	840,498	254,856
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(8,304)	254
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by Bank balances and cash	637,570	890,290



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the condensed consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical basis except for leasehold land and buildings, investment properties and certain financial instruments, which are measured at revalued amounts and fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and the new principal accounting policies as set out below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2022 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 30 June 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 July 2022 for the preparation of the condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Application of amendments to HKFRSs (cont'd)

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or 1 January 2024.

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

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - i. the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - ii. if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2022 and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the amendments will not result in reclassification of the Group's liabilities.

3. REVENUE AND SEGMENT INFORMATION

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

- 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 period. Accordingly, these were grouped in “Other Brands (PRC) Business”. Prior period segment disclosures have been represented to conform with the current period’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.

3. REVENUE AND SEGMENT INFORMATION (cont'd)

The following is an analysis of the Group's revenue and results by reportable and operating segments, which were recognised at a point in time:

Six months ended 31 December 2022 (Unaudited)

	Tian Wang Watch Business <i>HK\$'000</i>	Watch Movements Trading Business <i>HK\$'000</i>	Other Brands (PRC) Business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue				
External sales	382,766	36,511	46,389	465,666
Inter-segment sales	–	4,631	–	4,631
Segment revenue	<u>382,766</u>	<u>41,142</u>	<u>46,389</u>	470,297
Elimination				<u>(4,631)</u>
Group revenue				<u>465,666</u>
Results				
Segment results	<u>(5,400)</u>	<u>(962)</u>	<u>(6,642)</u>	(13,004)
Interest income				26,144
Unallocated other income, gains and losses				(41,993)
Central administration costs				(19,437)
Finance costs				<u>(437)</u>
Loss before taxation				<u>(48,727)</u>

3. REVENUE AND SEGMENT INFORMATION (cont'd)

Six months ended 31 December 2021 (Unaudited)

	Tian Wang Watch Business <i>HK\$'000</i>	Watch Movements Trading Business <i>HK\$'000</i>	Other Brands (PRC) Business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue				
External sales	652,051	45,667	72,960	770,678
Inter-segment sales	–	10,249	–	10,249
Segment revenue	<u>652,051</u>	<u>55,916</u>	<u>72,960</u>	<u>780,927</u>
Elimination				<u>(10,249)</u>
Group revenue				<u>770,678</u>
Results				
Segment results	<u>39,790</u>	<u>(1,003)</u>	<u>(9,771)</u>	29,016
Interest income				29,295
Unallocated other income, gains and losses				15,556
Central administration costs				(21,316)
Finance costs				<u>(405)</u>
Profit before taxation				<u>52,146</u>

Segment results represent the results of each segment without allocation of corporate items, including interest income, certain other income, gains and losses, central administration costs and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Other income:</i>		
Bank interest income	2,154	334
Interest income on financial assets measured at fair value through profit or loss (FVTPL)	3,314	10,317
Interest income from debt instruments at fair value through other comprehensive income (FVTOCI)	7,889	5,074
Interest income on financial assets at amortised cost	12,787	13,570
Watch repair and maintenance services income	1,358	4,199
Government subsidies (<i>Note (a)</i>)	14,703	9,039
Rental income	2,045	1,924
Others	2,796	1,082
	47,046	45,539
<i>Other gains and losses:</i>		
Gain on disposal of subsidiary (<i>Note (b)</i>)	1,977	–
Loss on disposal and written-off of property, plant and equipment	(5,054)	(5,812)
Loss from changes in fair value of financial assets measured at FVTPL	–	(2,680)
Gain on disposal of a debt instrument at FVTOCI	–	1,659
Net exchange (loss) gain	(45,835)	12,746
	(48,912)	5,913
	(1,866)	51,452

4. OTHER INCOME, GAINS AND LOSSES (cont'd)

Notes:

- (a) The amount includes mainly (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; (ii) unconditional government subsidies for creative design, innovation and technology in the PRC.
- (b) In August and September 2022, the Group has entered into agreements to dispose of the entire issued share capital of its joint venture, 上海唯時鐘錶有限公司 and entire issued share capital of its 51% owned subsidiary, Suzhou Paragon Watch Company Limited for a consideration of RMB7,650,000 and RMB13,737,000 respectively and gain on disposals was recorded accordingly.

5. INCOME TAX (CREDIT) CHARGE

	Six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	–	203
PRC Enterprise Income Tax	737	13,748
PRC withholding tax	184	36,369
	921	50,320
Deferred taxation	(4,430)	(36,754)
	(3,509)	13,566

Under the two-tiered Hong Kong Profits Tax Rates Regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

5. INCOME TAX (cont'd)

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the condensed consolidation financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

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 periods. 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. With this qualification, Tian Wang Shenzhen was entitled to a preferential tax treatment and the applicable tax rate for the calendar years ended 31 December 2022 and 2023 was 15%.

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.

6. (LOSS) PROFIT FOR THE PERIOD

Six months ended	
31 December	
2022	2021
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

(Loss) profit for the period has been arrived at after charging:

Staff costs (including Directors' remuneration)	136,554	179,610
Retirement benefits scheme contributions (including Directors' remuneration)	27,052	30,959
Total staff costs	163,606	210,569
Depreciation of property, plant and equipment	30,533	33,661
Depreciation of right-of-use assets	6,588	9,397
Allowance for obsolete inventories recognised as cost of sales	4,661	11,888
Concessionaire fee (<i>Note</i>)	72,394	114,580

Note: Being variable lease payment, 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.

7. DIVIDENDS

	Six months ended	
	31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period:		
2022 Final – HK0.7 cents per share	14,406	–
2022 Special – HK4.3 cents per share	88,497	–
	102,903	–

The board did not recommend a payment of interim dividend for the six months ended 31 December 2022 (six months ended 31 December 2021: nil).

8. (LOSS) EARNINGS PER SHARE

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

	Six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

Earnings:

Earnings for the purpose of calculating basic (loss) earnings per share		
– (Loss)/profit for the period attributable to owners of the Company	(44,900)	40,741
	'000	'000

Numbers of shares:

Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,074,586	2,076,361
--	------------------	-----------

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

9. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

During the six months ended 31 December 2022, the Group purchased property, plant and equipment of approximately HK\$53,067,000 (six months ended 31 December 2021: approximately HK\$43,084,000).

During the current interim period, the Group entered into several new lease agreements with lease terms ranged from 1 year to 5 years (1HFY2022: ranged from 1 year to 5 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. On lease commitment, the Group recognised right-of-use assets of approximately HK\$1.0 million and lease liabilities of approximately HK\$1.0 million (1HFY2022: right-of-use assets of approximately HK\$7.3 million and lease liabilities of approximately HK\$7.3 million).

During the last interim period, due to the outbreak of COVID-19, lessors of the relevant retail stores and offices provided rent concessions to the Group through rent reductions over three to six months.

The rent concession occurred as a direct consequence of COVID-19 pandemic and met all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient under HKFRS 16.46A.

10. INVESTMENT PROPERTIES

HK\$'000

Fair value

At 1 July 2021	107,700
Transfer from property, plant and equipment (<i>Note</i>)	19,021
Increase in fair value recognised in profit or loss	736
Exchange realignment	<u>(617)</u>
At 30 June 2022	126,840
Exchange realignment	<u>(1,081)</u>
At 31 December 2022	<u>125,759</u>

Note: During the year ended 30 June 2022, the management of the Group changed in use of certain commercial units under property, plant and equipment from own use to lease them out for rentals. Accordingly, property, plant and equipment with carrying amount of 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.



10. INVESTMENT PROPERTIES (cont'd)

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 rental payable monthly. The leases typically run for an initial period of two to ten years (30 June 2022: two to ten years), with unilateral rights to extend the lease beyond initial period held by lessees only. The lease contracts contain market review clauses in the event the lessee exercises the option to extend.

As at 30 June 2022, the fair value of the Group's investment property has been arrived at on the basis of a valuation carried out by an independent qualified professional valuers not connected to the Group.

In the opinion of directors, there is no significant change of fair value of the investment properties as at 31 December 2022, except for the change of fair value due to exchange realignment for the Group's investment property located in the PRC.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Certificate of deposits (a)	160,555	170,790
Life insurance (b)	7,293	7,293
	167,848	178,083
Analysed for reporting purposes as:		
Non-current assets	100,785	106,745
Current assets	67,063	71,338
	167,848	178,083

- (a) As at 31 December 2022 and 30 June 2022, amount included certificate of deposits issued by banks in the PRC with interest payable monthly at a fixed rate ranging from 3.40% to 3.90% (30 June 2022: 3.40% to 3.90%) per annum. These certificates are transferrable but not early redeemable. The maturity dates of the certificates are from March 2023 to March 2024 (30 June 2022: March 2023 to March 2024).
- (b) As at 31 December 2022 and 30 June 2022, such financial asset included two life insurance schemes for an executive director of the Company issued by two separate insurance companies, both of which are the independent third parties. The Company is the holder and the beneficiary of the schemes. Pursuant to the first scheme, the total premium to be paid by the Company is HK\$10,000,000, which should be settled by five consecutive annual instalments of HK\$2,000,000. As at 31 December 2022, the Company paid HK\$8,000,000 (30 June 2022: HK\$8,000,000). Pursuant to the second 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).

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

The management of the Group considers that the carrying amounts of financial assets as at 31 December 2022 recorded in the condensed consolidated statement of financial position approximate their fair values.

12. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Debt instruments	236,273	256,526
Analysed for reporting purposes as:		
Non-current assets	159,781	256,526
Current assets	76,492	–
	236,273	256,526

The debts instruments represent the Group's investments in corporate bonds. These corporate bonds are measured at fair value which are quoted bid prices by banks. One of the corporate bonds will be matured on 23 March 2023 which carry coupon rate at 6.25%. The corporate bonds will be matured perpetuity (30 June 2022: perpetuity), carrying coupon rates ranging from 5.00% to 6.25% (30 June 2022: 5.00% to 6.25%) and payable semi-annually.

13. FINANCIAL ASSETS AT AMORTISED COST

	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Certificate of deposits	–	58,570
Fixed deposits	409,646	289,336
	409,646	347,906
Analysed for reporting purposes as:		
Non-current assets	299,526	289,336
Current assets	110,120	58,570
	409,646	347,906

Note: As at 31 December 2022 and 30 June 2022, financial assets at amortised cost included certificate of deposits and fixed deposits by various banks in the PRC with interest at fixed rate ranging from 2.90% to 3.85% (30 June 2022: 3.50% to 4.13%) per annum at maturity. These certificates are nontransferable and not early redeemable. The maturity date of the certificates of deposit and fixed deposits are from January 2023 to December 2025 (30 June 2022: August 2022 to November 2024).

14. INVENTORIES

	As at	As at
	31 December	30 June
	2022	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Raw materials and consumables	73,814	81,465
Work in progress	6,295	4,163
Finished goods	200,195	268,792
	280,304	354,420

15. TRADE RECEIVABLES

	As at	As at
	31 December	30 June
	2022	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables from third parties	157,579	216,643
Trade receivables from related companies	353	610
Less: allowance for credit losses	(28,553)	(29,584)
	129,379	187,669

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 movements 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.

15. TRADE RECEIVABLES (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, as at 31 December 2022 and 30 June 2022:

	As at	As at
	31 December	30 June
	2022	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 to 60 days	80,023	151,770
61 to 120 days	31,730	21,479
121 to 180 days	16,652	7,270
Over 180 days	621	6,540
	129,026	187,059

The following is an ageing analysis of trade receivables from a related company, representing an entity related to non-controlling interests of a subsidiary, presented based on the date of delivery of goods, which approximates to the date of revenue recognition, as at 31 December 2022 and 30 June 2022:

	As at	As at
	31 December	30 June
	2022	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 to 60 days	353	610

16. TRADE PAYABLES AND BILLS PAYABLE

	As at 31 December 2022 <i>HK\$'000</i> (Unaudited)	As at 30 June 2022 <i>HK\$'000</i> (Audited)
Trade payables to third parties	32,948	43,597
Bills payable to third parties	2,881	2,192
	35,829	45,789

The average 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 as at 31 December 2022 and 30 June 2022:

	As at 31 December 2022 <i>HK\$'000</i> (Unaudited)	As at 30 June 2022 <i>HK\$'000</i> (Audited)
0 to 30 days	19,620	29,465
31 to 60 days	10,833	10,132
61 to 90 days	516	1,494
Over 90 days	1,979	2,506
	32,948	43,597

Bills payable as at 31 December 2022 and 30 June 2022 is aged within 30 days based on issuance date of the bills.

17. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
<i>Ordinary shares of HK\$0.1 each</i>		
<i>Authorised:</i>		
At 1 July 2021, 30 June 2022 and 31 December 2022	100,000,000	100,000,000
<i>Issued:</i>		
At 1 July 2021	2,076,376	207,638
Share repurchased and cancelled	(18,308)	(1,831)
At 30 June 2022 and 31 December 2022	2,058,068	205,807

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

18. DEFERRED TAXATION

The following are the major deferred tax (assets) liabilities recognised and movement during the period:

	Allowance for obsolete inventories	Allowance for bad debt expenses	Unrealised profit	Accelerated tax depreciation	Revaluation of a property	Withholding tax arising from PRC subsidiaries	Impairment, provision and other temporary differences	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2022	(30,936)	(7,174)	(13,623)	5,869	528	68,421	(7,235)	15,850
(Credited) charged to profit or loss	(903)	160	1,233	-	-	(4,920)	-	(4,430)
At 31 December 2022 (unaudited)	(31,839)	(7,014)	(12,390)	5,869	528	63,501	(7,235)	11,420

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

	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Deferred tax assets	58,478	58,968
Deferred tax liabilities	69,898	74,818

The Group had unused tax losses of approximately HK\$135,952,000 and approximately HK\$122,372,000 as at 31 December 2022 and 30 June 2022 respectively. No deferred tax assets have been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

19. COMMITMENTS

a. Operating lease commitments

The Group as lessor

At 31 December 2022 and 30 June 2022, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Within one year	2,608	2,587
Second year	2,016	190
Third year	209	206
Fourth year	215	208
Fifth year	230	226
Over five years	936	1,051
	6,214	4,468

b. Capital commitments

	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Capital commitments in respect of life insurance contract (<i>note 11</i>)	2,000	2,000
Capital commitments in respect of property, plant and equipment	13,892	16,603
	15,892	18,603

20. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following related party transactions during the period:

	Six months ended	
	31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sales to entities related to a non-controlling interest of a subsidiary (<i>Note b</i>)	<u>1,788</u>	3,209
Short-term lease payment to related companies (<i>Note a</i>)	<u>220</u>	235
Dividend paid/payable to a non-controlling interest of a subsidiary	<u>6,799</u>	–

20. RELATED PARTY TRANSACTIONS (cont'd)

Notes:

- (a) The related companies are wholly owned and controlled by Mr. Tung Koon Ming, an executive Director. These transactions are also defined as connected transactions under the Listing Rules.
- (b) These transactions are also defined as continuing connected transactions under the Listing Rules.

Compensation of key management personnel

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

	Six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	7,379	7,515
Post-employment benefits	88	86
	7,467	7,601

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

- (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 and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (cont'd)

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key input	Significant unobservable input
	31 December 2022 HK\$'000 (unaudited)	30 June 2022 HK\$'000 (audited)			
Debts instruments at FVTOCI					
– Corporate bonds	236,273	256,526	Level 1	Quoted bid prices	NA
Financial assets at FVTPL					
– Certificate of deposits	160,555	170,790	Level 3	Discounted cash flow approach	Discount rate (<i>Note 1</i>)
– Life insurance	7,293	7,293	Level 3	Discounted cash flow approach	1. Discount rate (<i>Note 1</i>) 2. Marginal Death Rate (<i>Note 2</i>)

Note 1: The higher the discount rate, the lower the fair value.

Note 2: The higher the marginal death rate, the higher the fair value.

There were no transfer between Level 1 and 2 in the period.

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

The management of the Group considers that the carrying amounts of financial assets recorded at amortised cost in the condensed consolidated statement of financial position approximate their fair values.



ADDITIONAL INFORMATION

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during 1HFY2023.

Material Acquisition and Disposal of Subsidiaries and Associated Companies

During 1HFY2023, the Group did not have material acquisition or disposal of subsidiaries or associated companies.

Corporate Governance Practices

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules as its code of corporate governance practices. Save as disclosed below, during 1HFY2023, the Company had complied with the code provisions of the CG Code.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Taking into account of Mr. Tung Koon Ming'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 Koon Ming enables more effective and efficient overall business planning, decision making and implementation thereof by the Group. In order to maintain good corporate governance and fully comply with code provisions of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). 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 1HFY2023.

Audit Committee

The audit committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Company for 1HFY2023 and discussed with the management of the Group with respect to the accounting treatment and internal control measures adopted by the Company.

Interim Dividend

The board did not recommend a payment of an interim dividend for the six months ended 31 December 2022 (six months ended 31 December 2021: nil).

Share Option Scheme

A share option scheme (the "Scheme") of the Company was adopted pursuant to a written resolution of the sole shareholder of the Company passed on 11 January 2013. No options have been granted, exercised or cancelled since the adoption of the Scheme up to the date of this interim report.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 December 2022, the interests and short positions of the Directors and 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 were as follows:

Name of Director	Name of Group member/ associated corporation	Capacity/ nature of interest	Number and class of securities <i>(Note 1)</i>	Approximate percentage of shareholding
Mr. Tung Koon Ming ("Mr. Tung")	Company	Beneficiary of a trust <i>(Note 2)</i>	1,465,369,000 Shares (L)	71.20%
Mr. Tung Koon Kwok Dennis	Company	Beneficial owner	16,778,000 Shares (L)	0.81%

Notes:

- The letter "L" denotes a long position in the shares of the Company or the relevant associated corporation.
- These Shares as to 9,092,000 Shares were held by Tung Koon Ming Family (PTC) Limited and as to 1,456,277,000 Shares were held by Red Glory Investments Limited ("Red Glory"), which was wholly owned by Tung Koon Ming Family (PTC) Limited. Tung Koon Ming Family (PTC) Limited is a trust of which Mr. Tung is the settlor and a beneficiary. Accordingly, Mr. Tung was deemed to be interested in all the Shares held by Tung Koon Ming Family (PTC) Limited and Red Glory by virtue of the SFO.

Save as disclosed above, as at 31 December 2022, none of the Directors or 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

As at 31 December 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 the SFO were as follows:

Name of shareholders	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Tung Koon Ming Family (PTC) Limited (Note 2)	Interest of a controlled corporation	1,456,277,000	70.76%
	Beneficial owner	9,092,000	0.44%
Red Glory	Beneficial owner	1,456,277,000 Shares (L)	70.76%
Ms. Tam Fun Hung ("Ms. Tam")	Interest of spouse (Note 3)	1,465,369,000 Shares (L)	71.20%
Areo Holdings Limited	Interest of a controlled corporation (Note 4)	180,292,000 Shares (L)	8.96%
Lam Lai Ming	Interest of a controlled corporation (Note 4)	180,292,000 Shares (L)	8.96%

Name of shareholders	Capacity/nature of interest	Number and class of securities <i>(Note 1)</i>	Approximate percentage of shareholding
Li Gabriel	Interest in a controlled corporation <i>(Note 4)</i>	180,292,000 Shares (L)	8.96%
Orchid Asia V, L.P.	Beneficial owner <i>(Note 4)</i>	180,946,000 Shares (L)	8.70%
OAV Holdings, L.P.	Interest of a controlled corporation <i>(Note 4)</i>	180,946,000 Shares (L)	8.70%
Orchid Asia V GP, Limited	Interest of a controlled corporation <i>(Note 4)</i>	180,946,000 Shares (L)	8.70%
Orchid Asia V Group Management, Limited	Interest of a controlled corporation <i>(Note 4)</i>	180,946,000 Shares (L)	8.70%
Orchid Asia V Group, Limited	Interest of a controlled corporation <i>(Note 4)</i>	180,946,000 Shares (L)	8.70%
Webb David Michael	Interest of a controlled corporation <i>(Note 5)</i>	63,354,320 Shares (L)	3.06%
	Beneficial owner	41,217,680 Shares (L)	1.99%

1. The letter "L" denotes a person's long position in the Shares or underlying Shares of the Company.
2. Tung Koon Ming Family (PTC) Limited was deemed to be interested in all these Shares by virtue of the SFO. Details of the interests in all these Shares are disclosed in note 2 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 interim report.

3. 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 section 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 interim report.

4. 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.

5. 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 31 December 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.



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. Wong Wing Keung Meyrick

Mr. Choi Ho Yan

Ms. Law Stacey Man Yee

AUDIT COMMITTEE

Mr. Choi Ho Yan (*Chairman*)

Mr. Wong Wing Keung Meyrick

Ms. Law Stacey Man Yee

NOMINATION COMMITTEE

Mr. Tung Koon Ming (*Chairman*)

Mr. Wong Wing Keung Meyrick

Ms. Law Stacey Man Yee

REMUNERATION COMMITTEE

Mr. Wong Wing Keung Meyrick (*Chairman*)

Mr. Choi Ho Yan

Ms. Law Stacey Man Yee

CORPORATE GOVERNANCE COMMITTEE

Mr. Wong Wing Keung Meyrick (*Chairman*)

Mr. Choi Ho Yan

Ms. Law Stacey Man Yee

COMPANY SECRETARY

Ms. Hui Wai Man, Shirley

AUDITOR

Baker Tilly Hong Kong Limited
2nd Floor, Foyer, 625 King's Road
North Point
Hong Kong

LEGAL ADVISERS

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

27th Floor, CEO Tower,
77 Wing Hong Street,
Cheung Sha Wan,
Kowloon, Hong Kong

STOCK CODE ON THE HONG KONG STOCK EXCHANGE

2033

INVESTOR INFORMATION

For more information about the Group,
please contact the Investor Relations Department at:

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

Tel: (852) 2945 0703
Email: ir@timewatch.com.hk

WEBSITE

www.timewatch.com.hk