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

Interim Report 2020

Growing business from solid foundations

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 2,900 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

FINANCIAL HIGHLIGHTS

	Six months ended 31 December 2019 *HK$'000* **(Unaudited)**	Six months ended 31 December 2018 *HK$'000* (Unaudited) (Restated)
Revenue	**1,058,941**	1,192,227
Gross profit	**785,848**	874,583
Gross margin (%)	**74.2%**	73.4%
Profit attributable to owners of the Company	**99,747**	120,427

	As at 31 December 2019 *HK$'000* **(Unaudited)**	As at 30 June 2019 *HK$'000* (Audited)
Total assets	**2,614,703**	2,713,859
Total liabilities	**373,082**	554,828
Equity attributable to owners of the Company	**2,203,618**	2,223,548
Average Inventory Turnover Days (days)	**243**	247
Average Trade Receivables Turnover Days (days)	**51**	54
Average Trade Payables Turnover Days (days)	**34**	39

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

During the second half of 2019, the global economy continued to experience a downward trend due to the Sino U.S. trade war which also affected the overall economy of China. As a combined result of many unfavourable factors, the revenue of Time Watch Investments Limited (the "Company" or "Time Watch") and its subsidiaries (collectively, the "Group") decreased by approximately HK$133.3 million or approximately 11.2% from approximately HK$1,192.2 million for the six months ended 31 December 2018 ("1HFY2019") to approximately HK$1,058.9 million for the six months ended 31 December 2019 ("1HFY2020"). It was primarily due to the decrease of approximately 13.1% in the retail sales of Tian Wang Watch Business, the Group's main source of revenue, for 1HFY2020 as compared to 1HFY2019 which has been affected by the weak performance of retail market in the PRC.

Tian Wang Watch Business

Revenue of Tian Wang Watch Business, which accounted for approximately 83.0% of the total revenue of the Group for 1HFY2020 (1HFY2019: approximately 81.4%) and continued to be the Group's main source of revenue, decreased by approximately HK$90.9 million or approximately 9.4% from approximately HK$970.3 million for 1HFY2019 to approximately HK$879.4 million for 1HFY2020. The retail network remained stable from 2,532 point of sales ("POS") as at 30 June 2019 to 2,499 POS as at 31 December 2019, with a net decrease of 33 POS. The retail sales recorded a decrease of approximately 13.1% as compared to 1HFY2019. Sales of watches through e-commerce channels remained stable for both 1HFY2019 and 1HFY2020.

Balco Watch Business

Revenue of Balco Watch Business, which accounted for approximately 2.5% of the total revenue of the Group for 1HFY2020 (1HFY2019: approximately 3.5%), decreased by approximately HK$15.3 million or approximately 37.0% from approximately HK$41.3 million for 1HFY2019 to approximately HK$26.0 million for 1HFY2020. Sales of Balco Watch in the PRC decreased by approximately HK$10.0 million or approximately 29.4% from approximately HK$34.0 million for 1HFY2019 to approximately HK$24.0 million for 1HFY2020. Sales of Balco Watch to multi-brand watch distributors in Hong Kong, Macau and Taiwan dropped by approximately HK$5.2 million or approximately 72.2% from approximately HK$7.2 million for 1HFY2019 to approximately HK$2.0 million for 1HFY2020.

Other Brands (PRC) Business

Retail sales of well-known brand watches other than Tian Wang and Balco Watch decreased by approximately HK$22.4 million or approximately 20.8% from approximately HK$107.7 million for 1HFY2019 to approximately HK$85.3 million for 1HFY2020, which accounted for approximately 8.1% of the total revenue of the Group for 1HFY2020 (1HFY2019: approximately 9.0%). The decrease in revenue of Other Brands (PRC) Business was mainly due to the close-down of those under-performed POS.

Watch Movements Trading Business

Revenue of Watch Movements Trading Business accounted for approximately 6.4% of the Group’s total revenue for 1HFY2020 (1HFY2019: approximately 6.1%). For 1HFY2020, revenue from trading of watch movements was approximately HK$68.3 million, representing a decrease of approximately HK$4.7 million or approximately 6.4% from approximately HK$72.9 million for 1HFY2019. The decline was primarily due to the slowdown of Watch Movements Trading Business in Hong Kong and the PRC during 1HFY2020.

Gross Profit

The Group's gross profit decreased by approximately HK$88.7 million or approximately 10.1% from approximately HK$874.6 million for 1HFY2019 to approximately HK$785.8 million for 1HFY2020. The drop was mainly due to the decrease in Tian Wang Watch Business which was in line with the decrease in its revenue. The Group's gross profit margin increased by approximately 0.8 percentage point from approximately 73.4% for 1HFY2019 to approximately 74.2% for 1HFY2020. The increase was mainly due to the contribution of the higher gross profit margin from Tian Wang Watch Business.

Other Income, Gains and Losses

The Group's other income increased by approximately HK$5.1 million or approximately 12.3% from approximately HK$41.6 million for 1HFY2019 to approximately HK$46.7 million for 1HFY2020. The increase was mainly due to increase in interest income from financial instruments and bank deposits and government subsidies of approximately HK$3.6 million and approximately HK$3.9 million respectively.

The Group's other gains and losses changed from net loss of approximately HK$25.2 million for 1HFY2019 to net loss of approximately HK$12.2 million for 1HFY2020. The decrease was mainly due to decrease in exchange loss of approximately HK$13.8 million.

Selling and Distribution Costs

The Group's selling and distribution costs decreased by approximately HK$56.0 million or approximately 8.7% from approximately HK$643.9 million for 1HFY2019 to approximately HK$588.0 million for 1HFY2020. The decline was mainly due to (i) the decrease in concessionaire fee and rental expenses as in line with the decrease in revenue and (ii) the decrease in advertising and promotion expenses.

Administrative Expenses

The Group's administrative expenses decreased by approximately HK$9.1 million or approximately 11.1% from approximately HK$82.1 million for 1HFY2019 to approximately HK$73.0 million for 1HFY2020. The decrease was mainly due to one-off expenses of approximately HK$5.8 million for celebration of 30th anniversary of Tian Wang Watch Brand in 1HFY2019 and decrease in other taxes of approximately HK$4.2 million during 1HFY2020.

Finance Costs and Income Tax

The Group's finance costs increased by approximately HK$0.3 million or approximately 136.2% from approximately HK$0.3 million for 1HFY2019 to approximately HK$0.6 million for 1HFY2020. The Group's income tax decreased by approximately HK$13.2 million or approximately 27.4% from approximately HK$48.3 million for 1HFY2019 to approximately HK$35.1 million for 1HFY2020. The decrease was primarily due to preferential tax treatment granted to the relevant PRC subsidiary in current period. The Group's effective tax rate decreased from approximately 29.3% for 1HFY2019 to approximately 22.4% for 1HFY2020.

Profit attributable to the owners of the Company

As a combined result of the factors discussed above, the profit attributable to the owners of the Company from continuing and discontinued operations for 1HFY2020 decreased by approximately HK$20.7 million or approximately 17.2% from approximately HK$120.4 million for 1HFY2019 to approximately HK$99.7 million for 1HFY2020.

Business Review

Overview

During 1HFY2020, the Group's principal business remained manufacturing, retail sales and e-commerce business of its two proprietary brands watches (namely, Tian Wang and Balco Watch), retail sales of Other Brands of watches in the PRC and its ancillary Watch Movements Trading Business.

Tian Wang Watch Business continues to be the Group's core brand business, which contributed approximately 83.0% of the total revenue of the Group in 1HFY2020. 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 nationwide POS network, the Group is able to 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. Over 67% 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 fully and directly managed sales network and sell their products through distributors.

With the development of shopping malls and the increasing popularity of online shopping platforms, the consumption channels become more diversified. To further optimise the retail network, the Group reduced the number of sales counters located in department stores and increased the number of sales counters in shopping malls across China. As at 31 December 2019, number of the Group's POS for Tian Wang Watch Business was 2,499, representing a net decrease of 33 POS as compared to the number of POS for Tian Wang Watch Business as at 30 June 2019. As at 31 December 2019, number of the Group's POS for Balco Watch Business was 340, representing a net decrease of 13 POS as compared to the number of POS for Balco Watch Business as at 30 June 2019. As at 31 December 2019, number of the Group's POS for Other Brands (PRC) Business was 66, representing a net decrease of 4 POS as compared to the number of POS for Other Brands (PRC) Business as at 30 June 2019.

Proprietary Watches of the Group

Tian Wang Watch

Revenue of Tian Wang Watch Business remained the Group's major source of revenue, which contributed approximately 83.0% of the Group's total revenue for 1HFY2020 (1HFY2019: approximately 81.4%). The retail sales of Tian Wang Watch Business for 1HFY2020 decreased by approximately 9.4% as compared to 1HFY2019. It was primarily due to shrinking retail market of traditional watches as well as competition from electronic and digital wearable devices. The uncertain domestic macroeconomic outlook affected the general consumer confidence and consumer sentiment, which has put the overall retail market under pressure. During 1HFY2020, the Group has launched not less than 40 new models of Tian Wang watches with price range from approximately RMB300 to RMB13,000 per watch for direct retail sales, e-commerce channels and corporate sales. The wide range of Tian Wang watches allowed the Group to cater for the different needs and increasing demand from customers of different income levels and age groups.

Balco Watch

Balco watches are assembled in and imported from Switzerland. For 1HFY2020, revenue from Balco Watch Business was approximately HK$26.0 million as compared with approximately HK$41.3 million for 1HFY2019, representing a decrease of approximately HK$15.3 million or approximately 37.0%. The decrease was mainly resulted from the general decline in the retail market in Hong Kong, Macau and Taiwan and the keen competition from other imported watches of similar price range. The Group continues to implement constructive business plans to improve the performance of Balco Watch Business, which includes optimising its sales and distribution channels within and outside of the PRC and launching new stylish models of Balco watches for younger generation.

Other Brands (PRC) Business

Revenue of Other Brands (PRC) Business was approximately HK$85.3 million for 1HFY2020 as compared with approximately HK$107.7 million for 1HFY2019, representing a decrease of approximately HK$22.4 million or approximately 20.8%. The decrease in revenue of Other Brands (PRC) Business was mainly due to the general decline in the retail market of watches in the PRC, especially for the imported mid-range and high-end watches and keen competition from other imported watches with similar price range.

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

The Group launched e-commerce business in 2013 and has started strategic cooperation with several major online sales platforms (including but not limited to Tmall and JD.com) since then. The watches sold through e-commerce business are exclusive and different from those selling in the Tian Wang POS in order to avoid overlapping of sales channel. Moreover, the watches available online are principally designed and targeted for younger generation in order to capture its rising consumption power. The Directors believe that a wide variety of watches enables the Group to reach out to an extensive range of customers across different age groups. For 1HFY2020, e-commence business continued as one of the main revenue drivers of the Group but owing to keen competition, the sales of watches experienced pressure on further growth. The sales from Tmall on Alibaba's "Single's Day" (November 11th) remained steady for 1HFY2020 as compared with 1HFY2019 and the Group continued to be top of the Tmall's domestic watch sales chart for seven consecutive years.

Cessation of the Other Brands (Global) Business

One of the business segments of the Group "Other Brands (Global) Business" is the global distribution of third-party licensed international brands of watches under certain license agreements, "Kenneth Cole" is one of the principal brands licensed to the Group which the brand owner had granted an exclusive worldwide license for sale and manufacture on a wholesale basis.

During 1HFY2020, the Company had resolved the termination of license of Kenneth Cole and the cessation of the Other Brands (Global) Business, which was consistent with the Group's long-term policy to focus its activities on the Group's core brand retail businesses. The assets and liabilities of "Other Brands (Global) Business" have been classified as assets held for sale and liabilities associated with assets classified as held for sale and have been separately presented in the condensed consolidated statement of financial position.

Reason for the cessation

Since the acquisition of the international licensed brand business in 2015, the Group has recorded continuing segmental losses. Although the Group has been able to narrow such loss in recent accounting period by stringent costs control, the competition from wearable devices and trade war between China and the United States still affects the global watch industry deeply. This cessation could allow the Group to focus more on the core business segment in order to maximize the return for the shareholders of the Company. The termination of the licensed brand together with the cessation of the "Other Brands (Global) Business" is expected to have no material adverse impact on the financial position and business of the Group, and the action is in the best interest of the Company and its shareholders as a whole. Please refer to the announcement of the Company dated 29 November 2019 for further details.

Inventory Control

The Group's inventory balance was approximately HK$447.1 million as at 31 December 2019, representing a decrease of approximately HK$33.6 million or approximately 7.0% as compared with approximately HK$480.7 million as at 30 June 2019. The Group's inventory turnover days improved to approximately 243 days for 1HFY2020, as compared with approximately 247 days for the year ended 30 June 2019. The Group will continue to monitor and control its inventory level vigilantly while implementing its sales network expansion plan in order to ensure 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$144.3 million and approximately HK$147.6 million as at 31 December 2019 and 30 June 2019 respectively, with corresponding provision for these inventory balances of approximately HK$91.3 million and approximately HK$92.7 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, net with bank overdraft, were approximately HK$568.0 million and approximately HK$397.9 million as at 31 December 2019 and 30 June 2019 respectively.

The Group's net cash generated from operating activities for 1HFY2020 was approximately HK$200.1 million, representing a decrease of approximately HK$36.4 million from approximately HK$236.5 million for 1HFY2019. The amount was primarily attributable to profit before taxation from continuing operations and discontinued operation of approximately HK$114.5 million from the Group's operations adjusted for non-cash items of approximately HK$47.5 million, increase of working capital balances of approximately HK$50.5 million, income taxes paid of approximately HK$35.9 million and interest received of approximately HK$23.5 million.

The Group's net cash from investing activities for 1HFY2020 was approximately HK$91.6 million, which was mainly attributable to purchase of property, plant and equipment of approximately HK$72.9 million, increase in fixed deposit of approximately HK$55.7 million and net cash inflow from financial assets at fair value through profit or loss ("FVTPL") of approximately HK$224.0 million.

The Group's net cash used in financing activities for 1HFY2020 was approximately HK$136.8 million, which was mainly attributable to the combined effect of net decrease in bank borrowings and overdraft and other loans of approximately HK$35.8 million and dividends paid of approximately HK$89.4 million. The Group had a net cash position as at 31 December 2019 and 30 June 2019. As at 31 December 2019, the Group's total equity was approximately HK$2,241.6 million, representing an increase of approximately HK$82.6 million from approximately HK$2,159.0 million as at 30 June 2019. The Group's working capital was approximately HK$1,285.7 million as at 31 December 2019, representing an increase of approximately HK$83.5 million as compared with approximately HK$1,202.2 million as at 30 June 2019.

As at 31 December 2019, the Group's bank balances and cash were mainly denominated in Renminbi and Hong Kong dollar. As at 31 December 2019, all the Group's bank borrowings were short-term bank borrowings that were principally denominated in Hong Kong dollar, Renminbi and United States dollar, were subject to variable and fixed interest rates and were repayable within one year.

The gearing ratio being calculated as total debt over total equity was approximately 2.1% and approximately 9.5% as at 31 December 2019 and 30 June 2019 respectively.

Charge on Group Assets

There was no material charge on the Group's assets as at 31 December 2019 and 30 June 2019.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2019 and 30 June 2019.

Capital Commitments

Set out below is the breakdown of capital commitment of the Group as at 31 December 2019 and 30 June 2019:

	As at 31 December 2019 *HK$'000*	As at 30 June 2019 *HK$'000*
Capital commitments in respect of life insurance contract *(note 13)*	**8,000**	8,000
Capital commitments in respect of property, plant and equipment	**13,771**	49,277
	21,771	57,277

Foreign Currency Exposure

The Group has foreign currency sales, which exposed itself to foreign currency risk. In addition, financial assets at FVTOCI, certain trade and other receivables, pledged bank deposits, short-term deposits, bank balances, other payables and accrued charges, and bank borrowings and overdraft 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 2019, the Group employed a total of approximately 5,100 full time employees from continuing operations (30 June 2019: approximately 5,200). The staff costs incurred during 1HFY2020 was approximately HK$223.1 million (1HFY2019: approximately HK$226.7 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 regularly every year. Apart from provident fund scheme and medical insurance, discretionary bonuses are also awarded to employees according to the assessment of individual performance.

Social Responsibility

The Group's charitable and other donations for 1HFY2020 amounted to approximately HK$5.5 million (1HFY2019: approximately HK$3.4 million). No donations were made to political parties.

Prospects and Strategies

The China-United States trade war showed signs of abating after the two countries signed the phase one trade deal in January 2020 in the bilateral negotiation on resolving their trade disputes. This can bode well for the Chinese economy whose growth had already decelerated to 6.1% in 2019, the slowest since 1990, amid the trade conflicts. Unfortunately, what could have been a brighter prospect was darkened by the outbreak of novel coronavirus in Wuhan, the capital of Hubei province, China in December 2019. The disease has since developed into a pandemic in January and February of 2020. This outbreak is casting an adverse impact to the country with social and economic activities mostly halted in the seriously affected cities which can aggravate the slowing economy of China. The business environment can be very challenging in 2020 even though the Chinese government may step up its economic stimulus plan.

Since local governments required closure of shopping malls and department stores during the period of epidemic where the points of sales of the Group were located at, the Group has temporarily suspended the operation of various shops in China. The Group initially expects that most retail stores in China (except for those located in Hubei province) would gradually resume normal operations by the end of February 2020.

In view of the current situation, the Group would prudently review the performance of its POS for the business of Tian Wang Watch in all regions in the PRC. It will cautiously invest in new stores in shopping malls which are targeted at the younger generation instead of retail outlets at traditional department stores in second-, third- and fourth-tier cities. The Group will continue to closely monitor and assess the performance of all existing POS regularly and to optimise the network of POS in order to achieve the best market coverage and increase its profitability.

In addition, the Group's e-commerce business is expected to encounter very keen competition. As more and more new and existing brands are offering different models of watches in varied styles in the online market, it can be challenging to conduct sales and attract customers through the internet. Growth in the e-commerce business is expected to be moderate or slow. However, the Group will continue to allocate additional resources and put more efforts in order to maintain its market share of the online market for watches. Especially during such period of epidemic when retail stores and other offline sales channels are temporarily closed, the Group would proactively shift sales to e-commerce platform and strengthen online marketing support.

In the light of the recent challenging retail environment and economic condition facing the Group, the directors are of the view that the Group's performance and financial position will inevitably be affected to certain extent in this and next financial year. Maintaining liquidity and adequate working capital will be the key to business survival at this difficult moment.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2019

	Notes	Six months ended 31 December 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited) (Restated)
Continuing operations			
Revenue	3	**1,058,941**	1,192,227
Cost of sales		**(273,093)**	(317,644)
Gross profit		**785,848**	874,583
Other income	4	**46,705**	41,598
Other gains and losses	5	**(13,022)**	(25,218)
(Loss) reversal on impairment of trade receivables		**(2,375)**	141
Selling and distribution costs		**(587,950)**	(643,930)
Administrative expenses		**(72,994)**	(82,109)
Finance costs		**(600)**	(254)
Share of results of a joint venture		**844**	–
Profit before taxation		**156,456**	164,811
Income tax	6	**(35,090)**	(48,325)
Profit for the period from continuing operations	7	**121,366**	116,486
Discontinued operation			
(Loss) profit for the period from discontinued operation	8	**(41,969)**	8,758
Profit for the period		**79,397**	125,244
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of leasehold land and buildings		**254**	245
Exchange differences arising on translation		**(34,579)**	(79,645)
Items that may be reclassified subsequently to profit or loss:			
Fair value change on debt instruments at fair value through other comprehensive income		**2,897**	243
Total comprehensive income for the period		**47,969**	46,087

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

For the six months ended 31 December 2019

	Notes	Six months ended 31 December 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited) (Restated)
Profit (loss) for the period attributable to owners of the Company			
– from continuing operations		**120,964**	115,657
– from discontinued operation		**(21,217)**	4,770
		99,747	120,427
Profit (loss) for the period attributable to non-controlling interest			
– from continuing operations		**402**	829
– from discontinued operation		**(20,752)**	3,988
		(20,350)	4,817
Total comprehensive income (expense) attributable to:			
Owners of the Company		**69,508**	42,062
Non-controlling interests		**(21,539)**	4,025
		47,969	46,087
From continuing and discontinued operations			
Earnings per share – basic *(HK cents)*	*10*	**4.8**	5.8
From continuing operations			
Earnings per share – basic *(HK cents)*	*10*	**5.8**	5.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	**As at 31 December 2019 HK$'000 (Unaudited)**	As at 30 June 2019 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	*11*	**259,675**	231,713
Right-of-use assets	*11*	**58,064**	–
Prepaid lease payments		**–**	34,708
Investment property	*12*	**113,900**	113,900
Interest in a joint venture		**10,308**	9,481
Deposits paid for acquisition of property, plant and equipment		**4,071**	1,919
Financial assets at fair value through profit or loss	*13*	**284,717**	383,918
Debt instruments at fair value through other comprehensive income	*14*	**203,529**	200,298
Financial asset at amortised cost		**55,650**	–
Deferred tax assets	*21*	**54,325**	48,863
		1,044,239	1,024,800
Current assets			
Inventories	*15*	**447,073**	480,665
Prepaid lease payments		**–**	1,306
Trade receivables	*16*	**273,479**	370,046
Other receivables, deposits and prepayments		**83,595**	113,384
Tax recoverable		**1,415**	20
Financial assets at fair value through profit or loss	*13*	**134,700**	274,656

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

At 31 December 2019

	Notes	**As at 31 December 2019 HK$'000 (Unaudited)**	As at 30 June 2019 HK$'000 (Audited)
Debt instrument at fair value through other comprehensive income	14	**19,529**	19,441
Pledged bank deposits		**2,000**	7,793
Bank balances and cash		**575,538**	421,748
		1,537,329	1,689,059
Assets classified as held for sale	8	**33,135**	–
		1,570,464	1,689,059
Current liabilities			
Trade payables and bills payable	17	**50,740**	79,228
Other payables and accrued charges		**135,064**	163,831
Contract liabilities		**–**	182
Tax liabilities		**35,439**	37,754
Bank borrowings and overdraft	18	**38,433**	62,542
Other loans		**7,828**	143,333
Lease liabilities	11	**10,065**	–
		277,569	486,870
Liabilities associated with assets classified as held for sale	8	**7,184**	–
		284,753	486,870
Net current assets		**1,285,711**	1,202,189
Total assets less current liabilities		**2,329,950**	2,226,989

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

At 31 December 2019

	Notes	As at 31 December 2019 HK$'000 (Unaudited)	As at 30 June 2019 HK$'000 (Audited)
Capital and reserves			
Share capital	19	**207,995**	207,995
Reserves		**1,995,623**	2,015,553
Equity attributable to owners of the Company		**2,203,618**	2,223,548
Non-controlling interests		**38,003**	(64,517)
Total equity		**2,241,621**	2,159,031
Non-current liabilities			
Lease liabilities	11	**13,376**	–
Deferred tax liabilities	20	**74,953**	67,958
		88,329	67,958
		2,329,950	2,226,989

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2019

	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 reserves *HK$'000* *(Note b)*	Accumulated profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 July 2019	207,995	511,101	(230,147)	(67,257)	4,360	4,880	72,557	1,720,059	2,223,548	(64,517)	2,159,031
Profit (loss) for the period	–	–	–	–	–	–	–	99,747	99,747	(20,350)	79,397
Exchange differences arising on translation	–	–	–	(33,390)	–	–	–	–	(33,390)	(1,189)	(34,579)
Gain on revaluation of leasehold land and buildings	–	–	–	–	–	254	–	–	254	–	254
Fair value gain on debt instruments at fair value through other comprehensive income	–	–	–	–	2,897	–	–	–	2,897	–	2,897
Total comprehensive (expense) income for the period	–	–	–	(33,390)	2,897	254	–	99,747	69,508	(21,539)	47,969
Appropriation to reserve	–	–	–	–	–	–	–	–	–	–	–
Dividends recognised as distribution during the period *(Note 9)*	–	–	–	–	–	–	–	(89,438)	(89,438)	–	(89,438)
Capitalisation of loan from non-controlling interest of a subsidiary *(Note c)*	–	–	–	–	–	–	–	–	–	124,059	124,059
At 31 December 2019 (unaudited)	207,995	511,101	(230,147)	(100,647)	7,257	5,134	72,557	1,730,368	2,203,618	38,003	2,241,621
At 1 July 2018	207,995	511,101	(230,147)	(1,858)	(2,326)	4,389	71,687	1,533,854	2,094,695	(47,601)	2,047,094
Profit for the period	–	–	–	–	–	–	–	120,427	120,427	4,817	125,244
Exchange differences arising on translation	–	–	–	(78,853)	–	–	–	–	(78,853)	(792)	(79,645)
Gain on revaluation of leasehold land and buildings	–	–	–	–	–	245	–	–	245	–	245
Fair value gain on debt instruments at fair value through other comprehensive income	–	–	–	–	243	–	–	–	243	–	243
Total comprehensive (expense) income for the period	–	–	–	(78,853)	243	245	–	120,427	42,062	4,025	46,087
Appropriation to reserve	–	–	–	–	–	–	126	(126)	–	–	–
Dividends recognised as distribution during the period *(Note 9)*	–	–	–	–	–	–	–	(77,998)	(77,998)	–	(77,998)
Dividend declared by a subsidiary to a non-controlling interest	–	–	–	–	–	–	–	–	–	(2,753)	(2,753)
Contribution from a non-controlling interest	–	–	–	–	–	–	–	–	–	2,159	2,159
At 31 December 2018 (unaudited)	207,995	511,101	(230,147)	(80,711)	(2,083)	4,634	71,813	1,576,157	2,058,759	(44,170)	2,014,589

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)

For the six months ended 31 December 2019

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").

(c) During the current period, the Group and a minority shareholder of a non-wholly owned subsidiary of the Group capitalised their loan to this entity in proportion with their respective shareholding. After this capitalisation of shareholder loans, the Group's and the minority shareholder's interests in this entity remain unchanged. The loan from minority shareholder of a non-wholly owned subsidiary of approximately HK$124.1 million was transferred to non-controlling interests as a result of this transaction.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2019

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	**200,338**	236,466
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**91,596**	(599,121)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(136,829)**	177,834
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**155,105**	(184,821)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**421,748**	762,162
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,315)**	(6,794)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by		
Bank balances and cash	**575,538**	570,547
Bank overdraft	**(7,491)**	(7,760)
	568,047	562,787

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

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 property 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 2019 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 30 June 2019.

The Group has applied the following new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA for the first time in the current period:

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

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Except as described below, 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.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

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

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

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, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be assessed unless the terms and conditions of the contract are subsequently changed.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (cont'd)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (cont'd)

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to lease of approximately HK$27,540,000 that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets of approximately HK$1,420,000. Lease payments or short-term leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset 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;

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, 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 as a separate line item on the condensed consolidated statement of financial position.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (cont'd)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (cont'd)

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;

- variable lease payments that depend on an index or a rate;

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 on which the event or condition that triggers the payment occurs.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (cont'd)

2.1.1 *Key changes in accounting policies resulting from application of HKFRS 16 (cont'd)*

As a lessee (cont'd)

Lease liabilities (cont'd)

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 assets) 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 market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

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.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (cont'd)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (cont'd)

As a lessee (cont'd)

Lease modifications (cont'd)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability 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.

Taxation

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 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (cont'd)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

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

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

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 July 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

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

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (cont'd)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (cont'd)

As a lessee (cont'd)

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the People's Republic of China (the "PRC") and equipment in Hong Kong was determined on a portfolio basis; and

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

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities and right-of-use assets of approximately HK$27,247,000 as at 1 July 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities ranging from 4.69% to 4.91%.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (cont'd)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (cont'd)

As a lessee (cont'd)

	As at 1 July 2019
	HK$'000
Operating lease commitments disclosed as at 30 June 2019	**58,390**
Less: Recognition exemption – short-term leases	**(27,540)**
Recognition exemption – low value assets	**(1,420)**
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	**29,430**
Lease liabilities discounted at relevant incremental borrowing rates	**(2,183)**
Lease liabilities as at 1 July 2019	**27,247**
Analysed as	
Current	**10,208**
Non-current	**17,039**
	27,247

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (cont'd)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (cont'd)

As a lessee (cont'd)

The carrying amount of right-of-use assets as at 1 July 2019 comprises the following:

	Right-of-use assets *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	27,247
Prepaid lease payments	36,014
	63,261

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 July 2019. Line items that were not affected by the changes have not been included.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (cont'd)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (cont'd)

As a lessee (cont'd)

	Carrying amounts previously reported at 30 June 2019	Adjustments	Carrying amounts under HKFRS 16 as at 1 July 2019
	HK$'000	*HK$'000*	*HK$'000*
Non-current Assets			
Right-of-use assets	–	63,261	63,261
Prepaid lease payments	34,708	(34,708)	–
Current Assets			
Prepaid lease payments	1,306	(1,306)	–
Current Liabilities			
Lease liabilities	–	10,208	10,208
Non-current Liabilities			
Lease liabilities	–	17,039	17,039

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

2.2 New principal accounting policies

Non-current assets held for sale

Non-current assets and disposal groups 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 (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) 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.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell which continue to be measured in accordance with the accounting policies as set out in respective sections.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

2.3 New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2022

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 July 2020.

Except for the new and amendments to HKFRSs mentioned below, the Directors 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)

2.3 New and amendments to HKFRSs in issue but not yet effective (cont'd)

Amendments to HKFRS 3 "Definition of a Business"

The amendments clarify the definition of a business and provide additional guidance with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. Furthermore, an optional concentration test is introduced to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments will be mandatorily effective to the Group prospectively for acquisition transactions completed on or after 1 July 2020.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 July 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

An operating segment regarding the "Other Brands (Global) Business" (being the Group's global distribution of owned and licensed international brands of watches business) was discontinued in the current period. The segment information reported on the next pages does not include any amounts for this discontinued operation, which are described in more detail in note 8.

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

3. REVENUE AND SEGMENT INFORMATION (cont'd)

During the six months ended 31 December 2019, the Group's revenue was recognised at a point in time.

Six months ended 31 December 2019 (Unaudited)

Continuing operations

	Tian Wang Watch Business *HK$'000*	Balco Watch Business *HK$'000*	Watch Movements Trading Business *HK$'000*	Other Brands (PRC) Business *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	879,401	25,989	68,293	85,258	1,058,941
Inter-segment sales	–	–	10,767	–	10,767
Segment revenue	879,401	25,989	79,060	85,258	1,069,708
Elimination					(10,767)
Group revenue					1,058,941
Results					
Segment results	169,172	(12,351)	6,161	(3,093)	159,889
Interest income					23,470
Unallocated other income, gains and losses					(2,768)
Central administration costs					(23,535)
Finance costs					(600)
Profit before taxation from continuing operations					156,456

3. REVENUE AND SEGMENT INFORMATION (cont'd)

Six months ended 31 December 2018 (Unaudited)

Continuing operations

	Tian Wang Watch Business *HK$'000*	Balco Watch Business *HK$'000*	Watch Movements Trading Business *HK$'000*	Other Brands (PRC) Business *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	970,348	41,253	72,947	107,679	1,192,227
Inter-segment sales	–	–	18,246	–	18,246
Segment revenue	970,348	41,253	91,193	107,679	1,210,473
Elimination					(18,246)
Group revenue					1,192,227
Results					
Segment results	190,241	(15,713)	5,032	2,545	182,105
Interest income					19,885
Unallocated other income, gains and losses					(14,075)
Central administration costs					(22,850)
Finance costs					(254)
Profit before taxation from continuing operations					164,811

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

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Other income:		
Bank interest income	**3,234**	1,617
Interest income on financial assets measured at fair value through profit or loss	**14,661**	17,169
Interest income from debt instruments at fair value through other comprehensive income	**5,575**	1,099
Watch repair and maintenance services income	**2,805**	3,531
Government subsidies *(Note)*	**10,622**	6,731
Rental income	**2,043**	2,043
Others	**7,765**	9,408
	46,705	41,598

Note: The amount represents (i) government subsidies from local finance bureau which are calculated by reference to the amount of tax paid and certain conditions in accordance with the rules and regulations issued by the local government; and (ii) unconditional government grants for the reimbursement of expenses incurred for research and development activities in the PRC.

5. OTHER GAINS AND LOSSES

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Loss on disposal and written-off of property, plant and equipment	**(4,887)**	(4,766)
Loss from changes in fair value of financial assets measured at fair value through profit or loss	**(1,508)**	–
Net exchange loss	**(6,627)**	(20,452)
	(13,022)	(25,218)

6. INCOME TAX

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Current tax:		
Hong Kong Profits Tax	**2,257**	724
PRC Enterprise Income Tax	**31,452**	44,337
PRC withholding tax	**177**	29,370
	33,886	74,431
(Overprovision) underprovision in prior years:		
PRC Enterprise Income Tax	**(312)**	(400)
Hong Kong Profits Tax	**–**	473
	33,574	74,504
Deferred taxation	**1,516**	(26,179)
	35,090	48,325

6. INCOME TAX (cont'd)

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 16 October 2018, Tian Wang Electronics (Shenzhen) Company Limited ("Tian Wang Shenzhen"), a wholly owned subsidiary of the Company, was granted a qualification as high technology and new technology enterprise by relevant authority for a 3-year period ending 31 December 2020. Tian Wang Shenzhen obtained the official certificate of this qualification in early 2019. With this qualification, Tian Wang Shenzhen is entitled to a preferential tax treatment and the applicable tax rate for the calendar year ended 31 December 2019 was 15%.

Federal and State tax rate in the USA are calculated at 21% and ranging from 0% to 12% for both periods. No provision of tax has been made for both periods since this subsidiary incurred tax loss during both periods.

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% to 10%. 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 20.

7. PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Profit for the period from continuing operations has been arrived at after charging:		
Staff costs (including Directors' remuneration)	**195,486**	197,099
Retirement benefits scheme contributions (including Directors' remuneration)	**27,579**	29,601
Total staff costs	**223,065**	226,700
Depreciation of property, plant and equipment	**35,175**	34,788
Depreciation of right-of-use assets	**6,878**	–
Short-term lease payments	**41,333**	–
Allowance for obsolete inventories recognised as cost of sales	**962**	1,592
Concessionaire fee *(Note)*	**159,194**	219,466

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.

8. (LOSS) PROFIT FROM DISCONTINUED OPERATION/ASSETS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

During the current period, the directors of the Company had resolved the termination of license of Kenneth Cole and the cessation of the Other Brands (Global) Business. The Group had entered into a termination letter with the brand owner to terminate the license agreement for the grant of the Kenneth Cole license. The cessation of business is consistent with the Group's long-term policy to focus its activities on the Group's other businesses. Since then, the Group has started negotiations with interested parties for the disposal of assets and liabilities. The assets and liabilities attributable to Other Brands (Global) Business that are expected to be sold within twelve months from the end of the current interim reporting period have been classified as assets classified as held for sale and liabilities associated with assets held for sale respectively and are separately presented in the condensed consolidated statement of financial position.

The (loss) profit for the period from the discontinued operation (i.e. Other Brands (Global) Business) is set out below. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the Other Brands (Global) Business as a discontinued operation.

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	**91,041**	176,184
Cost of sales	**(76,865)**	(87,716)
Other income	**6,414**	4,647
Other gains and losses	**(434)**	(56)
Reversal (loss) on impairment of trade receivables	**4,582**	(5)
Selling and distribution costs	**(37,687)**	(57,533)
Administrative expenses	**(26,928)**	(23,090)
Finance costs	**(2,075)**	(3,557)
(Loss) profit before tax	**(41,952)**	8,874
Income tax expense	**(17)**	(116)
(Loss) profit for the period	**(41,969)**	8,758

8. (LOSS) PROFIT FROM DISCONTINUED OPERATION/ASSETS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE (cont'd)

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) profit for the period from discontinued operation had been arrived at after charging (crediting):		
Staff costs	**12,326**	26,069
Retirement benefits scheme contributions	**98**	170
Total staff costs	**12,424**	26,239
Depreciation of property, plant and equipment	**213**	210
Short-term lease payments	**6,974**	–
Operating lease payment in respect of office premises	**–**	7,016
Cash flows from discontinued operation:		
Net cash flows used in operating activities	**(28,776)**	(19,719)
Net cash flows (used in) from investing activities	**(208)**	999
Net cash flows from financing activities	**39,802**	20,880
Net cash flows	**10,818**	2,160

8. (LOSS) PROFIT FROM DISCONTINUED OPERATION/ASSETS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE (cont'd)

Major classes of assets and liabilities of the Other Brands (Global) Business as at the end of the current interim period are as follows:

	As at 31 December 2019 ***HK$'000*** **(Unaudited)**
Inventories	**23,503**
Prepayments	**118**
Pledged bank deposits	**5,806**
Bank balances and cash	**3,708**
Assets classified as held for sale	**33,135**
Trade and other payables	**7,184**
Liabilities associated with assets classified as held for sale	**7,184**

9. DIVIDENDS

	Six months ended 31 December	
	2019 ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Unaudited) (Restated)
Dividends recognised as distribution during the period:		
2019 Final – HK4.3 cents per share	**89,438**	–
2018 Final – HK3.75 cents per share	**–**	77,998
	89,438	77,998

The board did not recommend a payment of interim dividend for the six months ended 31 December 2019 (six months ended 31 December 2018: HK2 cents per share).

10. EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per share from continuing and discontinued operations – profit for the period attributable to owners of the Company	**99,747**	120,427
	'000	*'000*
Numbers of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,079,946**	2,079,946

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

10. EARNINGS PER SHARE (cont'd)

From continuing operations

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

Earnings figures are calculated as follows:

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to the owners of the Company	**99,747**	120,427
Less: Loss (profit) for the period attributable to the owners of the Company from discontinued operation	**21,217**	(4,770)
Earnings for the purpose of basic earnings per share from continuing operations	**120,964**	115,657

From discontinued operation

Basic loss per share from discontinued operation is HK1.0 cents per share (2018: basic earnings per share of HK0.2 cent per share from discontinued operation), based on the loss attributable to the owners of the Company for the period from discontinued operation of approximately HK$21.2 million (2018: profit for the period attributable to the owners of the Company of approximately HK$4.8 million) and the denominators detailed above for basic earnings per share.

11. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 31 December 2019, the Group purchased property, plant and equipment of approximately HK$72,947,000 (six months ended 31 December 2018: approximately HK$62,032,000).

During the six months ended 31 December 2019, the Group entered into new lease agreements for the use of shops counters and office premises ranging from 1 to 4 years. The Group is required to make fixed monthly payments and additional variable payments depending on the usage of the asset during the contract period. On lease commencement, the Group recognised approximately HK$3,053,000 of right-of-use assets and approximately HK$3,053,000 lease liabilities.

12. INVESTMENT PROPERTY

	HK$'000
Fair value	
At 1 July 2018	111,000
Increase in fair value recognised in profit or loss	2,900
At 30 June 2019 and 31 December 2019	113,900

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.

As at 30 June 2019, the fair value of the Group's investment property located in Hong Kong has been arrived at on the basis of a valuation carried out by LCH (Asia-Pacific) Surveyors Limited, 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 property as at 31 December 2019 compared to 30 June 2019.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2019 *HK$'000* **(Unaudited)**	As at 30 June 2019 *HK$'000* (Audited)
Certificates of deposit (a)	**282,257**	288,597
Investment in a trust (b)	**45,660**	92,861
Structured deposits (c)	**89,040**	274,656
Life insurance (d)	**2,460**	2,460
	419,417	658,574
Analysed for reporting purposes as:		
Non-current assets	**284,717**	383,918
Current assets	**134,700**	274,656
	419,417	658,574

(a) As at 31 December 2019, financial assets at FVTPL included certificates of deposit issued by a bank in the PRC with interest payable monthly at a fixed rate of 4.18% per annum. These certificates are transferrable subject to market conditions. The maturity date of the certificates is in December 2021 and early redemption is not acceptable. The fair value is quoted by the bank and expected to be at par value.

(b) As at 31 December 2019, financial assets at FVTPL included certain subordinated units of a trust in PRC. The assets of the trust are loan and interest receivables. The trust is transferrable and redeemable. The maturity date of the trust is 15 July 2020. Based on the terms of the trust, the Company is entitled to receive the principal of its investments after the privileged investor in the same trust received all of their investment principals and returns. The principal of the Group's investments are not guaranteed.

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

(c) The structured deposits are principal protected deposits entered into with a bank in the PRC which will mature within one year. The counterparty bank guaranteed 100% of the invested capital and the returns of which were determined by reference to the exchange rate of Hong Kong dollar against US dollar or the fluctuation of share index price of China Securities Index 500 ("CSI 500").

(d) As at 31 December 2019, financial assets at FVTPL 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 31 December 2019, the Company paid HK$2,000,000.

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.

14. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December 2019 *HK$'000* **(Unaudited)**	As at 30 June 2019 *HK$'000* (Audited)
Debt instruments	**223,058**	219,739
Analysed for reporting purposes as:		
Non-current assets	**203,529**	200,298
Current assets	**19,529**	19,441
	223,058	219,739

15. INVENTORIES

	As at 31 December 2019 HK$'000 (Unaudited)	As at 30 June 2019 HK$'000 (Audited)
Raw materials and consumables	**63,429**	71,887
Work in progress	**7,573**	5,227
Finished goods	**376,071**	403,551
	447,073	480,665

16. TRADE RECEIVABLES

	As at 31 December 2019 HK$'000 (Unaudited)	As at 30 June 2019 HK$'000 (Audited)
Trade receivables from third parties	**312,131**	409,691
Trade receivables from related companies	**1,126**	2,844
Less: allowance for doubtful debts	**(39,778)**	(42,489)
	273,479	370,046

Trade receivables from third parties mainly represent receivables from department stores in relation to the collection of sales proceeds from concessionaire sales of merchandise to customers. The average credit period granted to the department stores is 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.

16. TRADE RECEIVABLES (cont'd)

The following is an ageing analysis of trade receivables from third parties net of allowance for doubtful debts presented based on the date of delivery of goods which approximates to the respective date of revenue recognition, as at 31 December 2019 and 30 June 2019:

	As at 31 December 2019 ***HK$'000*** **(Unaudited)**	As at 30 June 2019 *HK$'000* (Audited)
0 to 60 days	**222,672**	310,481
61 to 120 days	**31,990**	39,785
121 to 180 days	**10,172**	7,872
Over 180 days	**7,519**	9,064
	272,353	367,202

The following is an ageing analysis of trade receivables from a related company, including 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 2019 and 30 June 2019:

	As at 31 December 2019 ***HK$'000*** **(Unaudited)**	As at 30 June 2019 *HK$'000* (Audited)
0 to 60 days	**1,126**	2,844

17. TRADE PAYABLES AND BILLS PAYABLE

	As at 31 December 2019	As at 30 June 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**44,540**	70,146
Bills payable	**6,200**	5,860
Trade payables to related companies	**–**	3,222
	50,740	79,228

The average credit period on purchases of goods is 30 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date as at 31 December 2019 and 30 June 2019:

	As at 31 December 2019	As at 30 June 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**28,171**	43,254
31 to 60 days	**9,261**	9,075
61 to 90 days	**3,430**	10,933
Over 90 days	**3,678**	6,884
	44,540	70,146

17. TRADE PAYABLES AND BILLS PAYABLE (cont'd)

The related companies, including companies in which entities owned by non-controlling interests of subsidiaries, did not have a specified credit period policy granting to the Group and the Group normally settled trade payables within three months. The following is an ageing analysis of trade payables to related companies based on the invoice date as at 31 December 2019 and 30 June 2019:

	As at 31 December 2019 ***HK$'000*** **(Unaudited)**	As at 30 June 2019 *HK$'000* (Audited)
Over 90 days	–	3,222
	–	3,222

Bills payable as at 31 December 2019 and 30 June 2019 is aged within 30 days based on goods receipt date.

18. BANK BORROWINGS AND OVERDRAFT

	As at 31 December 2019 *HK$'000* **(Unaudited)**	As at 30 June 2019 *HK$'000* (Audited)
Bank overdraft – secured	**7,491**	23,815
Trust receipts loans – secured	**30,942**	38,727
	38,433	62,542

As at 31 December 2019, the Group's secured bank borrowings of approximately HK$38,433,000 (30 June 2019: approximately HK$62,542,000) were secured by pledged bank deposits of approximately HK$2,000,000 (30 June 2019: approximately HK$7,793,000) for short-term bank borrowings.

The bank borrowings and overdraft are repayable on demand and within one year.

Bank overdraft and trust receipt loans are arranged at floating rates at Hong Kong Prime rate minus 2.25% (30 June 2019: Hong Kong Prime rate minus 2.25%) and LIBOR plus 1.75% (30 June 2019: LIBOR plus 1.50% to 1.75%), respectively. The weighted average market interest rate of these borrowings is approximately 3.67% per annum as at 31 December 2019 (30 June 2019: approximately 3.96% per annum). Thus the Group exposes to interest rate risk.

18. BANK BORROWINGS AND OVERDRAFT (cont'd)

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

	As at 31 December 2019 HK$'000 (Unaudited)	As at 30 June 2019 HK$'000 (Audited)
HK$	**7,491**	23,815

19. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.1 each		
Issued and fully paid:		
At 1 July 2018 (audited) and 31 December 2018 (unaudited)	2,079,946,000	207,995
At 1 July 2019 (audited) and 31 December 2019 (unaudited)	2,079,946,000	207,995

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

20. 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	Withholding tax arising from PRC subsidiaries	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2019 (audited)	(27,817)	(7,523)	(13,523)	2,049	65,909	19,095
(Credit) charge to profit or loss	204	(796)	(4,870)	–	6,995	1,533
At 31 December 2019 (unaudited)	(27,613)	(8,319)	(18,393)	2,049	72,904	20,628

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 2019	As at 30 June 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Deferred tax assets	**54,325**	48,863
Deferred tax liabilities	**74,953**	67,958

The Group had unused tax losses of approximately HK$667,707,000 and approximately HK$625,187,000 as at 31 December 2019 and 30 June 2019 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.

21. COMMITMENTS

a. Operating lease commitments

The Group as lessor

At 31 December 2019 and 30 June 2019, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31 December 2019 *HK$'000* (Unaudited)	As at 30 June 2019 *HK$'000* (Audited)
Within one year	**4,083**	8,511
In the second to fifth year inclusive	**227**	1,137
	4,310	9,648

b. Capital commitments

	As at 31 December 2019 *HK$'000*	As at 30 June 2019 *HK$'000*
Capital commitments in respect of life insurance contract *(note 13)*	**8,000**	8,000
Capital commitments in respect of property, plant and equipment	**13,771**	49,277
	21,771	57,277

22. 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales to an entity owned by a related party	**–**	384
Sales to entities related to a non-controlling interest of a subsidiary *(Note b)*	**5,524**	4,685
Sales commission paid/payable to an entity related to a non-controlling interest of subsidiaries *(Note b)*	**–**	70
Rental expenses paid/payable to related companies *(Notes a & b)*	**2,582**	2,475
Refund of service fee received/receivable from a non-controlling interest of a subsidiary	**334**	347
Service fee paid/payable to an entity related to a non-controlling interest of a subsidiary *(Note b)*	**948**	882
Dividend paid/payable to a non-controlling interest of a subsidiary	**–**	2,753
Interest expense paid/payable to a related party *(Note c)*	**–**	949
Imputed interest expense paid/payable to a non-controlling interest of a subsidiary	**35**	940
Interest expense paid/payable to a non-controlling interest of a subsidiary	**–**	237
Interest expense paid/payable to a director	**–**	261
Purchase from an entity owned by a related party *(Notes b & c)*	**–**	8,523

22. RELATED PARTY TRANSACTIONS (cont'd)

Notes:

(a) The related company is wholly owned and controlled by Mr. Tung Koon Ming, an executive Director.

(b) The related party transactions are also defined as continuing connected transactions under the Listing Rules.

(c) The related party, who resigned as a director in April 2019, was a director of a non-wholly owned subsidiary of the Group.

Compensation of key management personnel

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

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**8,148**	8,900
Post-employment benefits	**80**	71
	8,228	8,971

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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).

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

Financial assets	Fair value as at 31 December 2019 *HK$'000* (unaudited)	Fair value as at 30 June 2019 *HK$'000* (audited)	Fair value hierarchy	Valuation techniques and key input	Significant unobservable input
Debts instruments at FVTOCI					
– Corporate bonds traded in inter-bank market	**223,058**	219,739	Level 1	Quoted bid prices from inter-bank market	N/A
Financial assets at FVTPL					
– Structured deposits	**89,040**	274,656	Level 3	Discounted cash flow approach	1. Discount rate *(Note 1)* 2. Expected interest rate *(Note 2)*
– Certificates of deposit	**282,257**	288,597	Level 3	Discounted cash flow approach	Discount rate *(Note 1)*
– Investment in a trust	**45,660**	92,861	Level 3	Discounted cash flow approach	Discount rate *(Note 1)*
– Life insurance	**2,460**	2,460	Level 3	Discounted cash flow approach	1. Discount rate *(Note 1)* 2. Marginal Death Rate *(Note 3)*

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

Note 2: If the linked USD LIBOR rate or the exchange rate of USD against HK$ within a specific range, the higher the interest rate for expected return, then the higher the fair value.

Note 3: The higher the marginal death rate, the higher the fair value.

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

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.

24. NON-CASH TRANSACTION

During the current period, the Group and a minority shareholder of a non-wholly owned subsidiary of the Group capitalised their loan to this entity in proportion with their respective shareholding. The loan from minority shareholder of a non-wholly owned subsidiary of approximately HK$124.1 million was transferred to non-controlling interests as a result of this transaction.

25. EVENT AFTER THE REPORTING PERIOD

There was a general outbreak of the novel coronavirus in the PRC subsequent to 31 December 2019 and since January 2020 which has affected the operation of the Group's POS across China. Management is of the view that the Group's businesses due to this epidemic will inevitably be affected. Management will closely and continuously monitor the situation and assess the financial impact to the Group.

ADDITIONAL INFORMATION

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during 1HFY2020.

Material Acquisition and Disposal of Subsidiaries and Associated Companies

During 1HFY2020, 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 1HFY2020, the Company had complied with the code provisions of the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Taking into account of Mr. Tung 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 1HFY2020.

Audit Committee

The audit committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Company for 1HFY2020 and discussed the financial related matters with the management of the Group.

Interim Dividend

The board did not recommend a payment of interim dividend for the six months ended 31 December 2019 (six months ended 31 December 2018: HK2 cents per share).

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 2019, 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 *(Note 1)*	Approximate percentage of shareholding
Mr. Tung Koon Ming ("Mr. Tung")	Company	Interest of corporation controlled *(Note 2)*	1,456,277,000 Shares (L)	70.02%
		Beneficial owner	9,092,000 Shares (L)	0.44%
Mr. Tung Koon Kwok Dennis	Company	Beneficial owner	16,778,000 Shares (L)	0.81%

Notes:

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

2. These Company's 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.

Save as disclosed above, as at 31 December 2019, 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 2019, 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
Red Glory	Beneficial owner	1,456,277,000 Shares (L)	70.02%
Ms. Tam Fun Hung ("Ms. Tam")	Interest of spouse *(Note 2)*	1,465,369,000 Shares (L)	70.45%
Areo Holdings Limited	Interest of a controlled corporation *(Note 3)*	180,594,000 Shares (L)	8.68%
Lam Lai Ming	Interest of a controlled corporation *(Note 3)*	180,594,000 Shares (L)	8.68%
Li Gabriel	Interest in a controlled corporation *(Note 3)*	180,594,000 Shares (L)	8.68%

Name of shareholders	Capacity/nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding
Orchid Asia V, L.P.	Beneficial owner *(Note 3)*	175,486,000 Shares (L)	8.44%
OAV Holdings, L.P.	Interest of a controlled corporation *(Note 3)*	175,486,000 Shares (L)	8.44%
Orchid Asia V GP, Limited	Interest of a controlled corporation *(Note 3)*	175,486,000 Shares (L)	8.44%
Orchid Asia V Group Management, Limited	Interest of a controlled corporation *(Note 3)*	175,486,000 Shares (L)	8.44%
Orchid Asia V Group, Limited	Interest of a controlled corporation *(Note 3)*	175,486,000 Shares (L)	8.44%

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 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.

3. So far as the Directors are aware of, these Shares were beneficial owned as to 175,486,000 Shares by Orchid Asia V, L.P. and 5,108,000 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.

Save as disclosed above, as at 31 December 2019, 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.

Disclosure of Changes in Information of Director

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' information since the date of the Annual Report 2019 is set out below:

Mr. Ma Ching Nam, the independent non-executive Director, has been appointed as an independent non-executive director of JY Grandmark Holdings Limited (stock code: 2231) with effect from 13 November 2019.

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
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
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
Level 54, Hopewell Centre,
183 Queen's Road East
Hong Kong

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

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STOCK CODE ON THE HONG KONG STOCK EXCHANGE

2033

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