



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

(Incorporated in the Cayman Islands with limited liability)

Stock code: 2033

A detailed illustration of a mechanical watch face. The dial is replaced by a glowing blue and white image of the Earth. The watch has various gears, cogs, and a winding crown, all rendered in a futuristic, glowing blue and purple color scheme. The background is a dark, starry space with faint Roman numerals around the perimeter of the watch face.

Interim Report
2022

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 2,500 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.



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FINANCIAL HIGHLIGHTS

	Six months ended 31 December 2021 <i>HK\$'000</i> (Unaudited)	Six months ended 31 December 2020 <i>HK\$'000</i> (Unaudited)
Revenue	770,678	963,391
Gross profit	549,414	728,134
Gross margin (%)	71.3%	75.6%
Profit attributable to owners of the Company	40,741	155,332
	As at 31 December 2021 <i>HK\$'000</i> (Unaudited)	As at 30 June 2021 <i>HK\$'000</i> (Audited)
Total assets	3,069,078	3,077,789
Total liabilities	370,789	443,995
Equity attributable to owners of the Company	2,667,511	2,601,806
Average Inventory Turnover Days (days)	312	292
Average Trade Receivables Turnover Days (days)	55	51
Average Trade Payables Turnover Days (days)	46	35

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

Since February 2020, the economy of China and retail sales have been hit by the outbreak of the COVID-19 pandemic. Revenue of Time Watch Investments Limited (the “Company” or “Time Watch”) and its subsidiaries (collectively, the “Group”) decreased by approximately HK\$192.7 million or approximately 20.0% from approximately HK\$963.4 million for the six months ended 31 December 2020 (“1HFY2021”) to approximately HK\$770.7 million for the six months ended 31 December 2021 (“1HFY2022”). The decrease in the revenue of the Group was primarily due to the decrease in revenue generated by Tian Wang Watch Business, the Group’s main source of revenue and such decrease in revenue was attributable to the recurrence of the COVID-19 pandemic and continued appearance of variant virus which affected the sales of Tian Wang Watch.

Tian Wang Watch Business

Revenue from the sales of Tian Wang watch (“Tian Wang Watch Business”), which accounted for approximately 84.6% of the total revenue of the Group for 1HFY2022 (1HFY2021: approximately 85.1%) and continued to be the Group’s main source of revenue, decreased by approximately HK\$168.0 million or approximately 20.5% from approximately HK\$820.1 million for 1HFY2021 to approximately HK\$652.1 million for 1HFY2022. The retail network for the sales of Tian Wang Watch remained stable from 2,226 point of sales (“POS”) as at 30 June 2021 to 2,214 POS as at 31 December 2021, with a net decrease of 12 POS.

Balco Watch Business

Revenue from the sales of Balco watch (“Balco Watch Business”), which accounted for approximately 1.5% of the total revenue of the Group for 1HFY2022 (1HFY2021: approximately 2.0%), decreased by approximately HK\$8.1 million or approximately 41.5% from approximately HK\$19.6 million for 1HFY2021 to approximately HK\$11.5 million for 1HFY2022.

Other Brands (PRC) Business

Retail sales of well-known brand watches other than Tian Wang and Balco Watch (“Other Brands (PRC) Business”) decreased by approximately HK\$18.9 million or approximately 23.5% from approximately HK\$80.4 million for 1HFY2021 to approximately HK\$61.5 million for 1HFY2022, which accounted for approximately 8.0% of the total revenue of the Group for 1HFY2022 (1HFY2021: approximately 8.3%). The decrease in revenue of Other Brands (PRC) Business was mainly due to the weak consumer sentiment caused by the recurrence of the COVID-19 pandemic and continued appearance of variant virus.

Watch Movements Trading Business

Revenue from trading of watch movement (“Watch Movements Trading Business”) accounted for approximately 5.9% of the Group’s total revenue for 1HFY2022 (1HFY2021: approximately 4.5%). For 1HFY2022, revenue from trading of watch movements was approximately HK\$45.7 million, representing an increase of approximately HK\$2.3 million or approximately 5.3% from approximately HK\$43.4 million for 1HFY2021.

Gross Profit

The Group's overall gross profit decreased by approximately HK\$178.7 million or approximately 24.5% from approximately HK\$728.1 million for 1HFY2021 to approximately HK\$549.4 million for 1HFY2022. The drop was mainly due to the decrease in gross profit from the Tian Wang Watch Business which was in line with the decrease in its revenue. The Group's overall gross profit margin decreased by approximately 4.3 percentage point from approximately 75.6% for 1HFY2021 to approximately 71.3% for 1HFY2022. The decrease was mainly due to a lower gross profit margin from Tian Wang Watch Business.

Other Income, Gains and Losses

The Group's other income, gains and losses decreased by approximately HK\$11.7 million or approximately 18.5% from approximately HK\$63.2 million for 1HFY2021 to approximately HK\$51.5 million for 1HFY2022. The decrease was due to (i) gain from change in fair value of an investment property of approximately HK\$10.4 million in 1HFY2021 but not in 1HFY2022, (ii) loss from changes in fair value of financial assets at fair value through profit or loss of approximately HK\$2.7 million which offset with, (iii) the increase in net exchange gain of approximately HK\$2.8 million due to the appreciation of Renminbi ("RMB").

Selling and Distribution Costs

The Group's selling and distribution costs decreased by approximately HK\$18.7 million or approximately 3.7% from approximately HK\$511.3 million for 1HFY2021 to approximately HK\$492.6 million for 1HFY2022. The decrease was mainly due to the combined effect of (i) the decrease in concessionaire fee and rental expenses as in line with the decrease in revenue; and (ii) the increase in staff costs as no temporary deduction and exemption of social insurance premiums in the PRC in 1HFY2022 as compared with significant deduction and exemption in 1HFY2021.

Administrative Expenses

The Group's administrative expenses decreased by approximately HK\$7.5 million or approximately 11.7% from approximately HK\$64.2 million for 1HFY2021 to approximately HK\$56.7 million for 1HFY2022. The decrease was mainly due to the decrease in staff costs and decrease in rental expenses as a result of the acquisition by the Group of the existing office premise from a connected party of the Company in June 2021.

Finance Costs and Income Tax

The Group's finance costs remained stable for both 1HFY2021 and 1HFY2022. The Group's income tax decreased by approximately HK\$39.9 million or approximately 74.6% from approximately HK\$53.4 million for 1HFY2021 to approximately HK\$13.6 million for 1HFY2022. The decrease was mainly attributable to the decrease in enterprise income tax and withholding tax of the Group's PRC subsidiaries. The Group's effective tax rate increased from approximately 25.1% for 1HFY2021 to approximately 26.0% for 1HFY2022.

Profit attributable to the owners of the Company

The profit attributable to the owners of the Company for 1HFY2022 decreased by approximately HK\$114.6 million or approximately 73.8% from approximately HK\$155.3 million for 1HFY2021 to approximately HK\$40.7 million for 1HFY2022. The decrease was mainly attributable to the weak consumer sentiment caused by recurrence of the COVID-19 pandemic and continued appearance of variant virus, the revenue from PRC subsidiaries dropped significantly.

Business Review

Overview

During 1HFY2022, 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), Other Brands (PRC) Business and its ancillary Watch Movements Trading Business.

Tian Wang Watch Business continued to be the Group's core (PRC) Business, which contributed approximately 84.6% of the total revenue of the Group in 1HFY2022. Its over-30-years-long brand heritage and reputation of delivering high quality, precise and stylish watches are key factors of the success of Tian Wang Watch Business and widespread brand recognition. Based on the information gathered from customers through the Group's national wide POS network, the Group can strive to cater for increasing demand for high quality and trendy watches from different age group of the customers.

Retail Network

The Group's retail network principally comprises sales counters located in department stores and shopping malls which are directly managed and controlled by the Group. During 1HFY2022, over 69% of the Group's sales of Tian Wang and Balco Watch were made through the Group's directly managed POS. Since the Group sells most of its watches to its retail customers directly, the Group has been able to obtain first hand market information and direct feedback from customers through its frontline sales staff. The Group considers that this is a competitive advantage over its competitors, which generally do not have direct self-managed sales network and sell their products through distributors.

With 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 2021, the number of the Group's POS for Tian Wang Watch Business was 2,214, representing a net decrease of 12 POS as compared to the number of POS for Tian Wang Watch Business as at 30 June 2021. As at 31 December 2021, the number of the Group's POS for Balco Watch Business was 249, representing a net decrease of 22 POS as compared to the number of POS for Balco Watch Business as at 30 June 2021. As at 31 December 2021, the number of the Group's POS for Other Brands (PRC) Business was 39, representing a net decrease of 13 POS as compared to the number of POS for Other Brands (PRC) Business as at 30 June 2021.

Proprietary Watches of the Group

Tian Wang Watch

Revenue of Tian Wang Watch Business, which contributed approximately 84.6% of the Group's total revenue for 1HFY2022 (1HFY2021: approximately 85.1%) remained the Group's major source of revenue. The offline retail sales of Tian Wang Watch Business for 1HFY2022 decreased by approximately 17.0% as compared to 1HFY2021. It was primarily due to shrinking retail market of traditional watches as well as competition from electronic and digital wearable devices. The recurrence of the COVID-19 pandemic also affected the general consumer confidence and consumer sentiment. This has even put the overall offline retail market under pressure. During 1HFY2022, the Group has launched not less than 10 new models of Tian Wang watches with price ranging from approximately RMB100 to RMB2,900 per watch for direct offline retail sales, e-commerce channels and corporate sales. The wide range of Tian Wang watches allows the Group to cater for the different needs and increasing demand from customers of different income levels and age groups.

Balco Watch

Balco watches are assembled in and imported from Switzerland. For 1HFY2022, revenue from Balco Watch Business was approximately HK\$11.5 million as compared with approximately HK\$19.6 million for 1HFY2021, representing a decrease of approximately HK\$8.1 million or approximately 41.5%. The decrease was mainly resulted from the recurrence of the outbreak of COVID-19 pandemic and the keen competition from other imported watches of similar price range.

Other Brands (PRC) Business

Revenue of Other Brands (PRC) Business was approximately HK\$61.5 million for 1HFY2022 as compared with approximately HK\$80.4 million for 1HFY2021, representing a decrease of approximately HK\$18.9 million or approximately 23.5%. 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 fashion watches and imported mid-range watches as well as 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

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

Inventory Control

The Group's inventory balance was approximately HK\$378.2 million as at 31 December 2021, representing a decrease of approximately HK\$0.4 million or approximately 0.1% as compared with approximately HK\$378.7 million as at 30 June 2021. The Group's inventory turnover days increased to approximately 312 days for 1HFY2022, as compared with approximately 292 days for the year ended 30 June 2021. 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\$180.0 million and approximately HK\$162.7 million as at 31 December 2021 and 30 June 2021 respectively, with corresponding provision for these inventory balances of approximately HK\$120.4 million and approximately HK\$106.9 million respectively. The management of the Group regularly monitors the age, quality and quantity of inventory so as to make sure that the stocks are kept at their best value and optimal level that are most favorable for our business operation. It also assesses and reviews the inventory ageing analysis at the end of each reporting period and identifies the slow moving inventory items that are no longer suitable for use in production or sales. At the end of each reporting period, the management of the Group will make necessary provision if the net realisable value of the inventory is estimated to be below the cost.

Liquidity, Financial Resources and Capital Structure

The Group adopts a conservative treasury policy. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The Group financed its operations primarily through cash flows from operations and short-term bank loans. The cash and cash equivalents were approximately HK\$890.3 million and approximately HK\$254.9 million as at 31 December 2021 and 30 June 2021 respectively.

The Group's net cash generated from operating activities for 1HFY2022 was approximately HK\$155.9 million, representing a decrease of approximately HK\$148.1 million from approximately HK\$304.1 million for 1HFY2021. The amount was primarily attributable to profit before taxation of approximately HK\$52.1 million from the Group's operations adjusted for non-cash items of approximately HK\$33.9 million, increase of working capital balances of approximately HK\$60.8 million, income taxes paid of approximately HK\$20.2 million and interest received of approximately HK\$29.3 million.

The Group's net cash from investing activities for 1HFY2022 was approximately HK\$521.3 million, which was mainly attributable to purchase of property, plant and equipment of approximately HK\$36.5 million, net cash inflow from financial assets at amortised cost of approximately HK\$206.5 million, net cash inflow from redemption of financial assets at fair value through profit and loss of approximately HK\$306.7 million and net cash inflow from redemption of debt instruments at fair value through other comprehensive income of approximately HK\$36.8 million.

The Group's net cash used in financing activities for 1HFY2022 was approximately HK\$42.0 million, which was mainly attributable to the repayment of bank borrowing of approximately HK\$40.0 million. The Group had a net cash position as at 31 December 2021 and 30 June 2021. As at 31 December 2021, the Group's total equity was approximately HK\$2,698.3 million, representing an increase of approximately HK\$64.5 million as compared with approximately HK\$2,633.8 million as at 30 June 2020. The Group's working capital was approximately HK\$1,442.7 million as at 31 December 2021, representing a decrease of approximately HK\$72.2 million as compared with approximately HK\$1,514.9 million as at 30 June 2021.

As at 31 December 2021, the Group's bank balances and cash were mainly denominated in Renminbi and Hong Kong dollar.

The gearing ratio being calculated as total debt over total equity was approximately 1.1% and approximately 2.4% as at 31 December 2021 and 30 June 2021 respectively.

Charge on Group Assets

There was no material charge on the Group's assets as at 31 December 2021 and 30 June 2021.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2021 and 30 June 2021.

Capital Commitments

Set out below is the breakdown of capital commitment of the Group as at 31 December 2021 and 30 June 2021:

	As at 31 December 2021 <i>HK\$'000</i>	As at 30 June 2021 <i>HK\$'000</i>
Capital commitments in respect of life insurance contract	4,000	4,000
Capital commitments in respect of property, plant and equipment	23,098	24,463
	27,098	28,463

Foreign Currency Exposure

The Group has foreign currency sales, which exposed itself to foreign currency risk. In addition, financial assets such as debt instruments at fair value through other comprehensive income, certain trade and other receivables, bank balances, other payables and accrued charges, bank borrowings and other loan of the Group and intra-group balances are denominated in foreign currencies of the relevant group entities.

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

Employees and Emoluments Policies

As at 31 December 2021, the Group employed a total of approximately 4,400 full time employees (30 June 2021: approximately 4,400). The staff costs incurred during 1HFY2022 was approximately HK\$210.6 million (1HFY2021: approximately HK\$193.0 million). The Group's emolument policies are formulated on the performance of individual employees and the salary rate in different regions, which will be reviewed regularly every year. Apart from provident fund scheme and medical insurance offered to the full time employees of the Group, discretionary bonuses are also awarded to employees according to the assessment of individual performance.

Social Responsibility

The Group's charitable and other donations for 1HFY2022 amounted to approximately HK\$0.1 million (1HFY2021: approximately HK\$0.1 million). No donations were made to political parties.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2021, financial assets at fair value through profit or loss represented unlisted financial products purchased from commercial banks and insurance companies. The table below sets out a summary of the financial assets at fair value through profit or loss of the Group as at 31 December 2021 and the comparative figures as at 30 June 2021:

Issuer	Product type	Principal business	Investment cost as at		Fair value as at		Interest income from these product for 1HFY2022	Realised gain/interest income for 1HFY2022	Unrealised gain/(loss) for 1HFY2022	Size relative to the Company's total asset as at 31 December 2021
			30 June 2021	31 December 2021	30 June 2021	31 December 2021				
			('000)	('000)	('000)	('000)	('000)	('000)		
China Merchants Bank	Certificates of deposit (大額存款證)	Banking services	RMB250,000	N/A	HK\$303,245	N/A	HK\$6,800	HK\$5,312	N/A	N/A
				(Note 1)		(Note 1)				
China Guangfa Bank	Certificates of deposit (大額存款證)	Banking services	RMB60,000	RMB60,000	HK\$73,347	HK\$74,761	HK\$1,413	HK\$1,170	N/A	2.4%
Huaxia Bank	Certificates of deposit (大額存款證)	Banking services	RMB30,000	RMB30,000	HK\$36,553	HK\$37,258	HK\$616	HK\$0	N/A	1.2%
FWD Life insurance Company (Bermuda) Limited	Life insurance	Life insurance	HK\$6,000	HK\$6,000	HK\$6,000	HK\$6,000	N/A	N/A	N/A	0.2%
Manulife (International) Limited	Universal life insurance	Life insurance	HK\$5,000	HK\$5,000	HK\$5,126	HK\$5,126	N/A	N/A	N/A	0.2%
BOC Wealth Management Company Limited	Wealth management product	Banking services	RMB4,000	N/A	HK\$4,833	N/A	HK\$76	HK\$(52)	N/A	N/A
				(Note 1)		(Note 1)				
Total					HK\$429,104	HK\$123,145				

Note 1: Such product was redeemed by the Group during 1HFY2022. As such, the investment cost or the fair value as at 31 December 2021 is not available.

Note 2: The unrealized gain/(loss) for 1FY2022 was not available as no valuation was performed by the valuer during 1HY2022.

DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2021, debt instruments at fair value through other comprehensive income represented corporate bonds issued by Hong Kong listed companies. The table below sets out a summary of the debt instruments at fair value through other comprehensive income of the Group as at 31 December 2021 and the comparative figures as at 30 June 2021:

Issuer	Product type	Principal business	Investment cost as at		Fair value as at		Interest income from these product for 1HFY2022	Realised gain/interest income for 1HFY2022	Unrealised gain/(loss) for 1HFY2022	Size relative to the Company's total asset as at 31 December 2021
			30 June 2021	31 December 2021	30 June 2021	31 December 2021				
			('000)	('000)	('000)	('000)	('000)	('000)		
HSBC Holdings Plc	Corporate bonds	Banking services	USD9,964	USD9,964	HK\$82,220	HK\$80,893	HK\$2,430	HK\$2,430	HK\$(1,327)	2.6%
Bank of China (Hong Kong) Limited	Corporate bonds	Banking services	USD10,353	USD10,353	HK\$83,874	HK\$83,723	HK\$2,294	HK\$2,294	HK\$(151)	2.7%
CALC Bond 2 Limited	Corporate bonds	Aircraft leasing	USD4,687	N/A (Note 1)	HK\$37,966	N/A (Note 1)	HK\$934	HK\$1,019	N/A	N/A
Total					HK\$204,060	HK\$164,616				

Note 1: Such product was redeemed by the Group during 1HFY2022. As such, the investment cost or the fair value as at 31 December 2021 is not available.

FINANCIAL ASSETS AT AMORTISED COST

As at 31 December 2021, financial assets at amortised cost represented certificate of deposits and fixed deposits issued by banks in the PRC. The table below sets out a summary of the financial assets at amortised cost as at 31 December 2021 and the comparative figures as at 30 June 2021:

Issuer	Product type	Principal business	Investment cost as at		Fair value as at		Interest income from these product for 1HFY2022 (/000)	Realised interest income for 1HFY2022 (/000)	Size relative to the Company's total asset as at 31 December 2021
			30 June 2021 (/000)	31 December 2021 (/000)	30 June 2021 (/000)	31 December 2021 (/000)			
Agricultural Bank of China	Certificate of deposits (大額存款證)	Banking services	RMB50,000	RMB50,000	HK\$60,120	HK\$61,280	HK\$1,245	HK\$0	2.0%
Agricultural Bank of China	Fixed deposit	Banking services	RMB96,000	RMB96,000	HK\$115,430	HK\$117,658	HK\$2,190	HK\$0	3.8%
Huaxia Bank	Fixed deposit	Banking services	RMB80,000	RMB100,000	HK\$96,192	HK\$122,560	HK\$2,042	HK\$0	4.0%
Bank of Ningbo	Fixed deposit	Banking services	RMB310,000	RMB81,000	HK\$372,744	HK\$99,273	HK\$1,661	HK\$0	3.2%
China Guangfa Bank	Fixed deposit	Banking services	RMB62,000	RMB100,000	HK\$74,549	HK\$122,560	HK\$2,108	HK\$0	4.0%
Total					HK\$719,035	HK\$523,331			

During 1HFY2022, the Group had adopted a conservative approach in deploying its surplus fund, such as investment in fixed deposits, certificate of deposits, low risk and high credit rating products issued by financial institutions and listed companies. In the future, the Group will from time to time monitor market situation, continue to adopt this investment strategy in order to optimize the usage of its surplus fund.

Saved as disclosed above, the Group did not have other significant investment as at 31 December 2021.

Prospect and Strategies

Throughout the past few months, the recurrence of the COVID-19 pandemic adversely affected the Group's sales performance. As the pandemic is expected to occur repeatedly and variant virus would appear continuously, the Group still experiences difficulties in resuming all regional operation to normal even though China is one of the first countries who leads the post-pandemic recovery. Since China has been adopting the "dynamic zero-COVID" strategy, lockdowns, travel restrictions and social-distancing measures within the nation resulting from continuous occasional outbreak of COVID-19 will inevitably affect the Group's business to certain extent.

In view of the current situation, the Group will adopt a prudent approach on reviewing the performance of POS and developing the retail network of Tian Wang Watch. Potential new shop opening will be carefully evaluated by senior management team. At the same time, performance of existing POS will be closely monitored so that Tian Wang's sales network can be optimized to achieve the best geographical market coverage. Moreover, the Group will continue to provide a wide range of fashionable watch to cope with the fast-changing retail arena while injecting new elements in difference series and potential co-operation projects.

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2021

		Six months ended 31 December	
	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3	770,678	963,391
Cost of sales		(221,264)	(235,257)
Gross profit		549,414	728,134
Other income, gains and losses	4	51,452	63,162
Net reversal of impairment losses (impairment losses) on trade receivables		752	(3,259)
Selling and distribution costs		(492,614)	(511,341)
Administrative expenses		(56,729)	(64,231)
Finance costs		(432)	(508)
Share of results of a joint venture		303	1,082
Profit before taxation		52,146	213,039
Income tax	5	(13,566)	(53,447)
Profit for the period	6	38,580	159,592
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of leasehold land and buildings		46	263
Exchange differences arising on translation		31,559	131,468
Items that may be reclassified subsequently to profit or loss:			
Fair value change on debt instruments at fair value through other comprehensive income		(2,136)	5,459
Reclassification adjustment relating to debt instruments at fair value through other comprehensive income disposed of during the period		(1,574)	–
Total comprehensive income for the period		66,475	296,782

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR
LOSS AND OTHER COMPREHENSIVE INCOME (cont'd)***For the six months ended 31 December 2021*

	<i>Notes</i>	Six months ended	
		2021	2020
		31 December	
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to:			
– Owners of the Company		40,741	155,332
– Non-controlling interests		(2,161)	4,260
		38,580	159,592
Total comprehensive income (expense) attributable to:			
– Owners of the Company		67,685	289,247
– Non-controlling interests		(1,210)	7,535
		66,475	296,782
Earnings per share – basic (<i>HK cents</i>)	8	2.0	7.5

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	As at 31 December 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	455,683	446,832
Right-of-use assets	9	50,356	51,455
Investment property	10	107,700	107,700
Interest in a joint venture		10,824	12,011
Deposits paid for acquisition of property, plant and equipment		1,963	2,055
Financial assets at fair value through profit or loss	11	123,145	121,025
Debt instruments at fair value through other comprehensive income	12	164,616	166,094
Financial assets at amortised cost	13	364,003	271,742
Deferred tax assets	18	59,329	55,160
		1,337,619	1,234,074
Current assets			
Inventories	14	378,248	378,677
Trade receivables	15	180,926	284,948
Other receivables, deposits and prepayments		117,807	115,285
Tax recoverable		4,860	1,891
Financial assets at fair value through profit or loss	11	–	308,079
Debt instrument at fair value through other comprehensive income	12	–	37,966
Financial assets at amortised cost	13	159,328	447,293
Bank balances and cash		890,290	254,856
		1,731,459	1,828,995
Assets classified as held for sale		–	14,720
		1,731,459	1,843,715

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

At 31 December 2021

	<i>Notes</i>	As at 31 December 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
Current liabilities			
Trade payables and bills payable	16	54,144	56,901
Other payables and accrued charges		110,034	149,240
Tax liabilities		98,237	63,572
Bank borrowings		–	40,000
Lease liabilities	9	10,718	11,320
Other loans		15,594	7,766
		288,727	328,799
Net current assets		1,442,732	1,514,916
Total assets less current liabilities		2,780,351	2,748,990
Capital and reserves			
Share capital	17	207,357	207,638
Reserves		2,460,154	2,394,168
Equity attributable to owners of the Company		2,667,511	2,601,806
Non-controlling interests		30,778	31,988
Total equity		2,698,289	2,633,794
Non-current liabilities			
Lease liabilities	9	4,338	4,887
Deferred tax liabilities	18	77,724	110,309
		82,062	115,196
		2,780,351	2,748,990

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2021

	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 2021	207,638	508,840	(230,147)	45,466	9,930	6,396	72,983	1,980,700	2,601,806	31,988	2,633,794
Profit (loss) for the period	-	-	-	-	-	-	-	40,741	40,741	(2,161)	38,580
Exchange differences arising on translation	-	-	-	30,608	-	-	-	-	30,608	951	31,559
Gain on revaluation of leasehold land and buildings	-	-	-	-	-	46	-	-	46	-	46
Realisation on disposal of leasehold land and buildings	-	-	-	-	-	(5,913)	-	5,913	-	-	-
Fair value change on debt instruments at fair value through other comprehensive income	-	-	-	-	(2,136)	-	-	-	(2,136)	-	(2,136)
Reclassification adjustment relating to debt instruments at fair value through other comprehensive income disposed during the period	-	-	-	-	(1,574)	-	-	-	(1,574)	-	(1,574)
Total comprehensive income (expense) for the period	-	-	-	30,608	(3,710)	(5,867)	-	46,654	67,685	(1,210)	66,475
Appropriation to reserve	-	-	-	-	-	-	359	(359)	-	-	-
Repurchase and cancellation of shares	(281)	(1,699)	-	-	-	-	-	-	(1,980)	-	(1,980)
At 31 December 2021 (unaudited)	207,357	507,141	(230,147)	76,074	6,220	529	73,342	2,026,995	2,667,511	30,778	2,698,289
At 1 July 2020	207,995	511,101	(230,147)	(121,594)	2,137	5,388	72,557	1,722,023	2,169,460	23,729	2,193,189
Profit for the period	-	-	-	-	-	-	-	155,332	155,332	4,260	159,592
Exchange differences arising on translation	-	-	-	128,193	-	-	-	-	128,193	3,275	131,468
Gain on revaluation of leasehold land and buildings	-	-	-	-	-	263	-	-	263	-	263
Fair value change on debt instruments at fair value through other comprehensive income	-	-	-	-	5,459	-	-	-	5,459	-	5,459
Total comprehensive income for the period	-	-	-	128,193	5,459	700	-	155,332	289,247	7,535	296,782
Appropriation to reserve	-	-	-	-	-	-	417	(417)	-	-	-
Dividends declared by a subsidiary to a non-controlling interest	-	-	-	-	-	-	-	-	-	(3,316)	(3,316)
At 31 December 2020 (unaudited)	207,995	511,101	(230,147)	6,599	7,596	6,088	72,974	1,876,938	2,459,144	27,948	2,487,092

Notes:

- (a) The special reserve represents: (i) the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the share capital of the acquired subsidiaries; (ii) financial guarantee provided to ultimate holding company as a result of group reorganisation which occurred in prior years; and (iii) the difference between the nominal amount and fair value of the loan advanced from a non-controlling interest of a subsidiary at initial recognition.
- (b) The statutory surplus reserves represent enterprise development and general reserve fund appropriated from the profit after taxation of subsidiaries established in the People's Republic of China ("PRC").

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 31 December 2021*

	Six months ended	
	31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
NET CASH FROM		
OPERATING ACTIVITIES	155,918	304,063
NET CASH GENERATED FROM/(USED IN)		
INVESTING ACTIVITIES	521,300	(444,192)
NET CASH USED IN FINANCING ACTIVITIES	(42,038)	(6,671)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	635,180	(146,800)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	254,856	693,638
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	254	28,597
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by Bank balances and cash	890,290	575,435

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

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 2021 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 30 June 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 July 2021 for the preparation of the condensed consolidated financial statements:

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

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Application of amendments to HKFRSs (cont'd)

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

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

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

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

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

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

Based on the Group's outstanding liabilities as at 31 December 2021 and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the amendments will not result in reclassification of the Group's liabilities.

3. REVENUE AND SEGMENT INFORMATION

For management purpose, the Group is currently organised into 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.

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

3. REVENUE AND SEGMENT INFORMATION (cont'd)

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

Six months ended 31 December 2021 (Unaudited)

	Tian Wang Watch Business <i>HK\$'000</i>	Balco Watch Business <i>HK\$'000</i>	Watch Movements Trading Business <i>HK\$'000</i>	Other Brands (PRC) Business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue					
External sales	652,051	11,468	45,667	61,492	770,678
Inter-segment sales	-	-	10,249	-	10,249
Segment revenue	652,051	11,468	55,916	61,492	780,927
Elimination					(10,249)
Group revenue					770,678
Results					
Segment results	39,790	(12,511)	(1,003)	2,740	29,016
Interest income					29,295
Unallocated other income, gains and losses					15,556
Central administration costs					(21,316)
Finance costs					(405)
Profit before taxation					52,146

3. REVENUE AND SEGMENT INFORMATION (cont'd)

Six months ended 31 December 2020 (Unaudited)

	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	820,063	19,615	43,350	80,363	963,391
Inter-segment sales	-	-	9,846	-	9,846
Segment revenue	820,063	19,615	53,196	80,363	973,237
Elimination					(9,846)
Group revenue					963,391
Results					
Segment results	194,159	(7,622)	(881)	3,713	189,369
Interest income					26,348
Unallocated other income, gains and losses					23,551
Central administration costs					(25,738)
Finance costs					(491)
Profit before taxation					213,039

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

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Other income:</i>		
Bank interest income	334	1,258
Interest income on financial assets measured at fair value through profit or loss (FVTPL)	10,317	7,870
Interest income from debt instruments at fair value through other comprehensive income (FVTOCI)	5,074	5,570
Interest income on financial assets at amortised cost	13,570	11,650
Watch repair and maintenance services income	4,199	3,055
Government subsidies (<i>Note</i>)	9,039	11,658
Rental income	1,924	1,726
Others	1,082	4,020
	45,539	46,807
<i>Other gains and losses:</i>		
Gain from change in fair value of an investment property	–	10,400
Loss on disposal and written-off of property, plant and equipment	(5,812)	(4,018)
(Loss) gain from changes in fair value of FVTPL	(2,680)	11
Gain on disposal of a debt instrument at FVTOCI	1,659	–
Net exchange gain	12,746	9,962
	5,913	16,355
	51,452	63,162

Note: The amount includes mainly (i) government subsidies from local finance bureau which are calculated by reference to the amount of tax paid in accordance with the rules and regulations issued by the local government; (ii) unconditional government subsidies for creative design, innovation and technology in the PRC.

5. INCOME TAX

	Six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	203	1,320
PRC Enterprise Income Tax	13,748	32,428
PRC withholding tax	36,369	142
	50,320	33,890
Overprovision in prior years:		
PRC Enterprise Income Tax	–	(32)
	50,320	33,858
Deferred taxation	(36,754)	19,589
	13,566	53,447

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

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

5. INCOME TAX (cont'd)

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 and new technology enterprise by relevant authority for a 3-year period ended 31 December 2020. Tian Wang Shenzhen obtained the official certificate of this qualification in early 2019. With this qualification, Tian Wang Shenzhen was entitled to a preferential tax treatment and the applicable tax rate for the calendar year ended 31 December 2020 was 15%.

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

Dividends distributed from the PRC subsidiaries are subject to withholding tax at 5% to 10%. Deferred tax in relation to withholding income tax for the undistributed profits of the PRC subsidiaries have been provided.

6. PROFIT FOR THE PERIOD

	Six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Staff costs (including Directors' remuneration)	179,610	183,463
Retirement benefits scheme contributions (including Directors' remuneration)	30,959	9,579
Total staff costs	210,569	193,042
Depreciation of property, plant and equipment	33,661	31,843
Depreciation of right-of-use assets	9,397	9,157
Allowance (reversal) for obsolete inventories recognised as cost of sales	11,888	(5,749)
Concessionaire fee (<i>Note</i>)	114,580	144,403

Note: Being variable lease payment, certain shop counters of the Group paid concessionaire fee to department stores based on monthly sales recognised by these shop counters pursuant to the terms and conditions as set out in the respective agreements signed with individual department stores.

7. DIVIDENDS

The board did not recommend a payment of interim dividend for the six months ended 31 December 2021 (six months ended 31 December 2020: nil).

8. EARNINGS PER SHARE

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

	Six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per share		
– profit for the period attributable to owners of the Company	<u>40,741</u>	<u>155,332</u>
	'000	'000

Numbers of shares:

Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>2,076,361</u>	<u>2,079,946</u>
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No diluted earnings per share is presented as there is no potential ordinary shares outstanding for both periods.

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

During the six months ended 31 December 2021, the Group purchased property, plant and equipment of approximately HK\$43,084,000 (six months ended 31 December 2020: approximately HK\$84,435,000).

During the current interim period, the Group entered into several new lease agreements with lease terms ranged from 1 year to 5 years (1HFY2021: ranged from 1 year to 5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and condition. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. On lease commitment, the Group recognised right-of-use assets of approximately HK\$7.3 million and lease liabilities of approximately HK\$7.3 million (1HFY2021: right-of-use assets of approximately HK\$4.4 million and lease liabilities of approximately HK\$4.4 million).

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

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

10. INVESTMENT PROPERTY

HK\$'000

Fair value

At 1 July 2020	92,000
Increase in fair value recognised in profit or loss	17,700
Transferred to property, plant and equipment	(2,000)

At 30 June 2021 and 31 December 2021

107,700

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment property.

The Group leases out office units under operating leases with rental payable monthly. The leases typically run for an initial period of 2 years, with unilateral rights to extend the lease beyond initial period held by lessees only. The lease contracts contain market review clauses in the event the lessee exercises the option to extend.

As at 30 June 2021, the fair value of the Group's investment property has been arrived at on the basis of a valuation carried out by an independent qualified professional valuers not connected to the Group.

In the opinion of directors, there is no significant change of fair value of the investment property as at 31 December 2021.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
Certificate of deposits (a)	112,019	413,145
Wealth management product (b)	–	4,833
Life insurance (c)	11,126	11,126
	123,145	429,104
Analysed for reporting purposes as:		
Non-current assets	123,145	121,025
Current assets	–	308,079
	123,145	429,104

- (a) As at 31 December 2021 and 30 June 2021, amount included certificate of deposits issued by banks in the PRC with interest payable monthly at a fixed rate ranging from 3.4% to 3.9% (30 June 2021: 3.4% to 4.18%) per annum. These certificates are transferrable but not early redeemable. The maturity dates of the certificates are from March 2023 to March 2024 (30 June 2021: December 2021 to December 2023).
- (b) As at 30 June 2021, the amount included a wealth management product issued by a bank in the PRC. The product was redeemable on demand and not principal-protected. The return of the product was determined by the performance of the underlying investments which are mainly fixed income and debt instruments.

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

- (c) As at 31 December 2021 and 30 June 2021, such financial asset included two life insurance schemes for an executive director of the Company issued by two separate insurance companies, both of which are the independent third parties. The Company is the holder and the beneficiary of the schemes. Pursuant to the first scheme, the total premium to be paid by the Company is HK\$10,000,000, which should be settled by five consecutive annual instalments of HK\$2,000,000. As at 31 December 2021, the Company paid HK\$6,000,000 (30 June 2021: HK\$6,000,000). Pursuant to the second scheme, the total premium payable by the Company was US\$643,500 (equivalent to approximately HK\$5,000,000), which was fully settled as at 30 June 2021.

The management of the Group considers that the carrying amounts of financial assets as at 31 December 2021 recorded in the condensed consolidated statement of financial position approximate their fair values.

12. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
Debt instruments – unlisted	164,616	204,060
Analysed for reporting purposes as:		
Non-current assets	164,616	166,094
Current assets	–	37,966
	164,616	204,060

The debts instruments represent the Group's investments in corporate bonds. These corporate bonds are measured at fair value which are quoted bid prices by banks. The corporate bonds are perpetual bonds (30 June 2021: August 2021 to perpetuity), carry coupon rates ranging from 5.9% to 6.25% (30 June 2021: 4.9% to 6.25%) and payable semi-annually.

13. FINANCIAL ASSETS AT AMORTISED COST

	As at 31 December 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
Certificate of deposits	61,280	60,120
Fixed deposits	462,051	658,915
	523,331	719,035
Analysed for reporting purposes as:		
Non-current assets	364,003	271,742
Current assets	159,328	447,293
	523,331	719,035

Note: As at 31 December 2021 and 30 June 2021, financial assets at amortised cost included certificate of deposits and fixed deposits by various banks in the PRC with interest at fixed rate ranging from 3.1% to 4.125% per annum at maturity for both periods payable. These certificates are nontransferable and not early redeemable. The maturity date of the certificates of deposit and fixed deposits are from January 2022 to November 2024 (30 June 2021: July 2021 to June 2024).

14. INVENTORIES

	As at	As at
	31 December	30 June
	2021	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Raw materials and consumables	73,289	62,254
Work in progress	4,778	6,711
Finished goods	300,181	309,712
	378,248	378,677

15. TRADE RECEIVABLES

	As at	As at
	31 December	30 June
	2021	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables from third parties	211,060	316,242
Trade receivables from related companies	1,362	451
Less: allowance for credit losses	(31,496)	(31,745)
	180,926	284,948

Trade receivables from third parties mainly represent receivables from department stores and e-commerce platforms in relation to the collection of sales proceeds from sales of merchandise to customers and other corporate customers and wholesalers for the Group's wholesale business and trading of watch movements business. The credit period granted to the debtor(s) is ranging from 30-60 days. The Group did not have a credit period policy to its related party customers and the related party customers normally settled trade receivables within three months.

15. TRADE RECEIVABLES (cont'd)

The following is an ageing analysis of trade receivables from third parties net of allowance for credit losses presented based on the date of receipt of goods for retail customers and delivery of goods for wholesale and corporate customers, which approximates to the respective date of revenue recognition, as at 31 December 2021 and 30 June 2021:

	As at	As at
	31 December	30 June
	2021	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 to 60 days	145,451	253,226
61 to 120 days	23,259	18,558
121 to 180 days	4,164	3,523
Over 180 days	6,690	9,190
	179,564	284,497

The following is an ageing analysis of trade receivables from a related company, representing an entity related to non-controlling interests of a subsidiary, presented based on the date of delivery of goods, which approximates to the date of revenue recognition, as at 31 December 2021 and 30 June 2021:

	As at	As at
	31 December	30 June
	2021	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 to 60 days	1,362	451

16. TRADE PAYABLES AND BILLS PAYABLE

	As at 31 December 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
Trade payables to third parties	52,157	54,830
Bills payable to third parties	1,987	2,071
	54,144	56,901

The average credit period on purchases of goods is ranging from 30 to 60 days. The following is an ageing analysis of trade payables to third parties presented based on the invoice date as at 31 December 2021 and 30 June 2021:

	As at 31 December 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
0 to 30 days	44,646	38,224
31 to 60 days	4,545	6,965
61 to 90 days	1,497	3,387
Over 90 days	1,469	6,254
	52,157	54,830

Bills payable as at 31 December 2021 and 30 June 2021 is aged within 30 days based on issuance date of the bills.

17. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
<i>Ordinary shares of HK\$0.1 each</i>		
<i>Authorised:</i>		
At 1 July 2020, 30 June 2021 and 31 December 2021	100,000,000	10,000,000
<i>Issued:</i>		
At 1 July 2020	2,079,946	207,995
Share repurchased	(3,570)	(357)
At 30 June 2021	2,076,376	207,638
Share repurchased	(2,808)	(281)
At 31 December 2021	2,073,568	207,357

During the current period, the Company repurchased its own ordinary shares through The Stock Exchange of Hong Kong Limited as follows:

Date of repurchase	No. of ordinary shares of HK\$0.1 each	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
December	2,808,000	0.72	0.70	1,980

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

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

18. DEFERRED TAXATION

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

	Allowance for obsolete inventories <i>HK\$'000</i>	Allowance for bad debt expenses <i>HK\$'000</i>	Unrealised profit <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Withholding tax arising from PRC subsidiaries <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2021 (audited)	(28,890)	(7,325)	(18,945)	6,323	103,986	55,149
(Credited) charged to profit or loss	(2,645)	80	(1,604)	(71)	(32,514)	(36,754)
At 31 December 2021 (unaudited)	(31,535)	(7,245)	(20,549)	6,252	71,472	18,395

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 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
Deferred tax assets	59,329	55,160
Deferred tax liabilities	77,724	110,309

The Group had unused tax losses of approximately HK\$283,868,000 and approximately HK\$262,624,000 as at 31 December 2021 and 30 June 2021 respectively. No deferred tax assets have been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

19. COMMITMENTS**a. Operating lease commitments***The Group as lessor*

At 31 December 2021 and 30 June 2021, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31 December 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
Within one year	2,267	3,381
In the second year	–	758
	2,267	4,139

b. Capital commitments

	As at 31 December 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
Capital commitments in respect of life insurance contract (<i>note 11</i>)	4,000	4,000
Capital commitments in respect of property, plant and equipment	23,098	24,463
	27,098	28,463

20. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales to entities related to a non-controlling interest of a subsidiary (<i>Note b</i>)	<u>3,209</u>	1,080
Short-term lease payment to related companies (<i>Note a</i>)	<u>235</u>	2,584
Refund of service fee received/receivable from a non-controlling interest of a subsidiary	<u>-</u>	411
Dividend paid/payable to a non-controlling interest of a subsidiary	<u>-</u>	3,316

20. RELATED PARTY TRANSACTIONS (cont'd)*Notes:*

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

Compensation of key management personnel

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

	Six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	7,515	7,441
Post-employment benefits	86	36
	7,601	7,477

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key input	Significant unobservable input
	31 December 2021 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (audited)			
Debts instruments at FVTOCI					
– Corporate bonds traded in inter-bank market	164,616	204,060	Level 1	Quoted bid prices from inter-bank market	NA
Financial assets at FVTPL					
– Certificate of deposits	112,019	413,145	Level 3	Discounted cash flow approach	Discount rate (<i>Note 1</i>)
– Wealth management product	–	4,833	Level 3	Quoted prices from financial institutions	Valuation of underlying investment portfolio
– Life insurance	11,126	11,126	Level 3	Discounted cash flow approach	1. Discount rate (<i>Note 1</i>) 2. Marginal Death Rate (<i>Note 2</i>)

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

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

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

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

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

ADDITIONAL INFORMATION

Purchase, Sale or Redemption of Listed Securities of the Company

Pursuant to the shareholders' resolution passed by the shareholders of the Company at the annual general meeting held on 25 November 2021, the Directors were granted a general mandate to repurchase up to 207,637,600 shares of the Company, representing 10% of the total number of issued Shares as at 25 November 2021 (the "Repurchase Mandate").

During 1HFY2022, pursuant to the Repurchase Mandate, the Company repurchased a total of 2,808,000 shares (the "Repurchase") of HK\$0.10 each in the share capital (the "Shares") of its own shares on the Stock Exchange, details of which are as follows:

Date of repurchase	Number of ordinary shares of HK\$0.1 each repurchased	Highest price paid per share (HK\$)	Lowest price paid per share (HK\$)	Approximate aggregate consideration paid (HK\$'000)
December 2021	2,808,000	0.72	0.70	1,980

The repurchased Shares had been cancelled on 30 December 2021.

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

During 1HFY2022, save as disclosed, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Material Acquisition and Disposal of Subsidiaries and Associated Companies

During 1HFY2022, 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 1HFY2022, 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 1HFY2022.

Audit Committee

The audit committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Company for 1HFY2022 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 2021 (six months ended 31 December 2020: nil).

Share Option Scheme

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

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

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Name of Group member/ associated corporation	Capacity/ nature of interest	Number and class of securities <i>(Note 1)</i>	Approximate percentage of shareholding
Mr. Tung Koon Ming ("Mr. Tung")	Company	Interest of corporation controlled <i>(Note 2)</i>	1,456,277,000 Shares (L)	70.23%
		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:

- The letter "L" denotes a long position in the shares of the Company or the relevant associated corporation.
- 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 2021, 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 2021, 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 <i>(Note 1)</i>	Approximate percentage of shareholding
Red Glory	Beneficial owner	1,456,277,000 Shares (L)	70.23%
Ms. Tam Fun Hung ("Ms. Tam")	Interest of spouse <i>(Note 2)</i>	1,465,369,000 Shares (L)	70.67%
Areo Holdings Limited	Interest of a controlled corporation <i>(Note 3)</i>	175,436,000 Shares (L)	8.46%
Lam Lai Ming	Interest of a controlled corporation <i>(Note 3)</i>	175,436,000 Shares (L)	8.46%
Li Gabriel	Interest in a controlled corporation <i>(Note 3)</i>	175,436,000 Shares (L)	8.46%

Name of shareholders	Capacity/nature of interest	Number and class of securities <i>(Note 1)</i>	Approximate percentage of shareholding
Orchid Asia V, L.P.	Beneficial owner <i>(Note 3)</i>	170,542,000 Shares (L)	8.22%
OAV Holdings, L.P.	Interest of a controlled corporation <i>(Note 3)</i>	170,542,000 Shares (L)	8.22%
Orchid Asia V GP, Limited	Interest of a controlled corporation <i>(Note 3)</i>	170,542,000 Shares (L)	8.22%
Orchid Asia V Group Management, Limited	Interest of a controlled corporation <i>(Note 3)</i>	170,542,000 Shares (L)	8.22%
Orchid Asia V Group, Limited	Interest of a controlled corporation <i>(Note 3)</i>	170,542,000 Shares (L)	8.22%
Webb David Michael	Interest of a controlled corporation <i>(Note 4)</i>	63,354,320 Shares (L)	3.06%
	Beneficial owner	41,217,680 Shares (L)	1.99%

1. The letter "L" denotes a person's long position in the Shares or underlying Shares of the Company.
2. 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 170,542,000 Shares by Orchid Asia V, L.P. and 4,894,000 Shares by Orchid Asia V Co-Investment, Limited. So far as the Directors are aware of, Orchid Asia V, L.P. was wholly-controlled by OAV Holdings, L.P., which was in turn wholly-owned by Orchid Asia V GP, Limited. Orchid Asia V GP, Limited was wholly-owned by Orchid Asia V Group Management, Limited, which was in turn wholly-owned by Orchid Asia V Group, Limited. Orchid Asia V Group, Limited was wholly-owned by Areo Holdings Limited.

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

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

Save as disclosed above, as at 31 December 2021, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tung Koon Ming (*Chairman and chief executive officer*)

Mr. Tung Koon Kwok Dennis

Mr. Tung Wai Kit

Mr. Deng Guanglei

Independent non-executive Directors

Mr. Ma Ching Nam

Mr. Wong Wing Keung Meyrick

Mr. Choi Ho Yan

AUDIT COMMITTEE

Mr. Choi Ho Yan (*Chairman*)

Mr. Ma Ching Nam

Mr. Wong Wing Keung Meyrick

NOMINATION COMMITTEE

Mr. Tung Koon Ming (*Chairman*)

Mr. Ma Ching Nam

Mr. Wong Wing Keung Meyrick

REMUNERATION COMMITTEE

Mr. Wong Wing Keung Meyrick (*Chairman*)

Mr. Choi Ho Yan

Mr. Ma Ching Nam

CORPORATE GOVERNANCE COMMITTEE

Mr. Ma Ching Nam (*Chairman*)

Mr. Choi Ho Yan

Mr. Wong Wing Keung Meyrick

COMPANY SECRETARY

Ms. Hui Wai Man, Shirley

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35th Floor, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS

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

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HONG KONG BRANCH SHARE REGISTRAR

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STOCK CODE ON THE HONG KONG STOCK EXCHANGE

2033

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