



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
2024

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 1,900 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.

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FINANCIAL HIGHLIGHTS

	Six months ended 31 December 2023 HK\$'000 (Unaudited)	Six months ended 31 December 2022 HK\$'000 (Unaudited)
Revenue	431,964	465,666
Gross profit	315,582	327,167
Gross margin (%)	73.1%	70.3%
Profit/(loss) attributable to owners of the Company	11,482	(44,900)
	As at 31 December 2023 HK\$'000 (Unaudited)	As at 30 June 2023 HK\$'000 (Audited)
Total assets	2,548,406	2,619,592
Total liabilities	225,906	232,002
Equity attributable to owners of the Company	2,322,500	2,387,590
Average Inventory Turnover Days (days)	359	408
Average Trade Receivables Turnover Days (days)	67	69
Average Trade Payables Turnover Days (days)	37	42

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

During the second half of 2023, the economy of China was still recovering since the release of COVID-19 pandemic control measures in December 2022. Revenue of Time Watch Investments Limited (the “Company” or “Time Watch”) and its subsidiaries (collectively, the “Group”) decreased by approximately HK\$33.7 million or approximately 7.2% from approximately HK\$465.7 million for the six months ended 31 December 2022 (“1HFY2023”) to approximately HK\$432.0 million for the six months ended 31 December 2023 (“1HFY2024”). The decrease in the revenue of the Group was primarily due to the decrease in revenue generated by the sales of other well-known brands watches other than Tian Wang Watch (“Other Brands (PRC) Business”), as the Group had (i) closed down some of the under-performing point of sales (“POS”) to optimise its sales network, and (ii) disposed its interests in certain subsidiaries during the year ended 30 June 2023 (“FY2023”), which operated POS grouped under this business segment.

Tian Wang Watch Business

Revenue from the Tian Wang Watch Business, which accounted for approximately 87.8% of the total revenue of the Group for 1HFY2024 (1HFY2023: approximately 82.2%) and continued to be the Group’s main source of revenue, slightly decreased by approximately HK\$3.4 million or approximately 0.9% from approximately HK\$382.8 million for 1HFY2023 to approximately HK\$379.4 million for 1HFY2024. The retail network for the sales of Tian Wang Watch decreased from 1,786 POS as at 30 June 2023 to 1,765 POS as at 31 December 2023, with a net decrease of 21 POS.

Other Brands (PRC) Business

Revenue from the sales of other well-known brand watches other than Tian Wang Watch (“Other Brands (PRC) Business”) decreased by approximately HK\$33.6 million or approximately 72.5% from approximately HK\$46.4 million for 1HFY2023 to approximately HK\$12.8 million for 1HFY2024, which accounted for approximately 3.0% of the total revenue of the Group for 1HFY2024 (1HFY2023: approximately 10.0%). The decrease in revenue of Other Brands (PRC) Business was mainly due to the facts that the Group had (i) closed down some of the under-performing POS so as to optimise its sales network, and (ii) disposed its interests in certain subsidiaries during FY2023, which operated POS grouped under this business segment.

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

Watch Movements Trading Business

Revenue from trading of watch movement (“Watch Movements Trading Business”) accounted for approximately 9.2% of the Group’s total revenue for 1HFY2024 (1HFY2023: approximately 7.8%). For 1HFY2024, revenue from trading of watch movements was approximately HK\$39.8 million, representing an increase of approximately HK\$3.3 million or approximately 9.0% from approximately HK\$36.5 million for 1HFY2023.

Gross Profit

The Group's overall gross profit decreased by approximately HK\$11.6 million or approximately 3.5% from approximately HK\$327.2 million for 1HFY2023 to approximately HK\$315.6 million for 1HFY2024. The drop in gross profit was generally in line with the decrease in its revenue. However, the Group's overall gross profit margin increased by approximately 2.8 percentage point from approximately 70.3% for 1HFY2023 to approximately 73.1% for 1HFY2024. The increase in gross profit margin was mainly due to a net reversal of allowance for obsolete inventories recognised as cost of sales of approximately HK\$6.2 million for 1HFY2024, as compared to a net allowance for obsolete inventories of approximately HK\$4.7 million recorded in 1HFY2023.

Other Income, Gains and Losses

The Group had recorded a net gain of approximately HK\$39.5 million in other income, gain and losses for 1HFY2024, comparing to a net loss of approximately HK\$1.9 million for 1HFY2023. The difference was mainly due to the decrease in net exchange loss by approximately HK\$43.6 million from approximately HK\$45.8 million for 1HFY2023 to approximately HK\$2.3 million for 1HFY2024.

Selling and Distribution Costs

The Group's selling and distribution costs decreased by approximately HK\$27.6 million or approximately 8.4% from approximately HK\$323.9 million for 1HFY2023 to approximately HK\$296.6 million for 1HFY2024. The decrease was mainly due to the reduction of salaries for sales personnel, as a result of closing down of POS and reduction in full time employees.

Administrative Expenses

The Group's administrative expenses decreased by approximately HK\$5.4 million or approximately 11.0% from approximately HK\$49.2 million for 1HFY2023 to approximately HK\$43.8 million for 1HFY2024. The decrease was mainly due to the decrease in staff costs, as a result of reduction in full time employees.

Finance Costs and Income Tax

The Group's finance costs remained stable for both 1HFY2023 and 1HFY2024. The Group recorded an income tax expense of approximately HK\$4.3 million for 1HFY2024, comparing to an income tax credit of approximately HK\$3.5 million for 1HFY2023.

Profit attributable to the owners of the Company

The profit attributable to the owners of the Company for 1HFY2024 was approximately HK\$11.5 million, as compared to the loss attributable to the owners of the Company of HK\$44.9 million for 1HFY2023. The change was mainly due to (i) the decrease in net exchange loss by approximately HK\$43.6 million from approximately HK\$45.8 million for 1HFY2023 to approximately HK\$2.3 million for 1HFY2024, and (ii) the net reversal of allowance for obsolete inventories recognised as cost of sales of approximately HK\$6.2 million for 1HFY2024, as compared to the net allowance for obsolete inventories of approximately HK\$4.7 million for 1HFY2023.

Business Review

Overview

During 1HFY2024, the Group's principal business remained to be the manufacturing, retail sales and e-commerce business of its two proprietary brands watches (namely, Tian Wang and Balco watch), Other Brands (PRC) Business and its ancillary Watch Movements Trading Business.

Tian Wang Watch Business continued to be the Group's core business, which contributed approximately 87.8% of the total revenue of the Group in 1HFY2024. 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 1HFY2024, over 65.2% of the Group's sales of Tian Wang and Balco Watch were made through the Group's directly managed POS. Since the Group sells most of its watches to its retail customers directly, the Group has been able to obtain first hand market information and direct feedback from customers through its frontline sales staff. The Group considers that this is a competitive advantage over its competitors, which generally do not have direct self-managed sales network and sell their products through distributors.

As at 31 December 2023, the number of the Group's POS for Tian Wang Watch Business was 1,765, representing a net decrease of 21 POS as compared to the number of POS for Tian Wang Watch Business as at 30 June 2023. As at 31 December 2023, the number of the Group's POS for sales of other brands watches was 139, representing a net decrease of 28 POS as compared to that as at 30 June 2023.

Proprietary Watches of the Group

Tian Wang Watch

Revenue of Tian Wang Watch Business, which contributed approximately 87.8% of the Group's total revenue for 1HFY2024 (1HFY2023: approximately 82.2%) remained the Group's major source of revenue. The offline retail sales of Tian Wang Watch Business for 1HFY2024 decreased by approximately 3.3% as compared to 1HFY2023. The retail market of traditional watches remained stable during the period. During 1HFY2024, the Group has launched over 40 new models of Tian Wang watches with prices ranging from approximately RMB160 to RMB5,680 per watch for direct offline retail sales, e-commerce channels and corporate sales. The wide range of Tian Wang watches allows the Group to cater for the different needs and increasing demand from customers of different income levels and age groups.

Other Brands (PRC) Business

The Group had (i) closed down some of the under-performing POS to optimise its sales network, and (ii) disposed its interests in certain subsidiaries during FY2023, which operated POS grouped under this business segment, which resulted in the decrease in revenue of the Group generated from Other Brands (PRC) Business by approximately HK\$33.6 million or 72.5% from approximately HK\$46.4 million for 1HFY2023 to approximately HK\$12.8 million for 1HFY2024. The Other Brands (PRC) Business, continued to provide a wide range of domestic and international products in order to satisfy the demand of customers of different income levels and age groups.

Watch Movements Trading Business

The directors of the Company (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, JD.com, Vipshop. Meanwhile, the Group has been expanding the e-commerce business through emerging media channels, e.g. Tik Tok, Dewu. 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 1HFY2024, the e-commerce business continued to be one of the major channels to the Group's revenue. For 1HFY2024, the sales of watches on e-commerce platforms had increased by approximately HK\$5.5 million to approximately HK\$120.5 million for 1HFY2024 from approximately HK\$115.0 million for 1HFY2023. The e-commerce business of Tian Wang and Balco watches was stable with moderate level of improvement during the period.

Inventory Control

The Group's inventory balance was approximately HK\$229.6 million as at 31 December 2023, representing an increase of approximately HK\$1.0 million or approximately 0.4% as compared with approximately HK\$228.6 million as at 30 June 2023. The Group's inventory turnover days decreased to approximately 359 days for 1HFY2024, as compared with approximately 408 days for the year ended 30 June 2023. The Group will continue to monitor and control its inventory level vigilantly in accommodating with its sales network review and adjustment plan.

The inventory aged over two years were approximately HK\$156.0 million and approximately HK\$150.3 million as at 31 December 2023 and 30 June 2023 respectively, with corresponding provision for these inventory balances of approximately HK\$108.1 million and approximately HK\$112.8 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. The cash and cash equivalents were approximately HK\$927.8 million and approximately HK\$792.2 million as at 31 December 2023 and 30 June 2023 respectively.

The Group's net cash generated from operating activities for 1HFY2024 was approximately HK\$84.3 million, representing an increase of approximately HK\$44.4 million from approximately HK\$39.9 million for 1HFY2023. The amount was primarily attributable to profit before taxation of approximately HK\$15.4 million from the Group's operations, decrease for non-cash items of approximately HK\$5.9 million, increase of working capital balances of approximately HK\$50.4 million, income taxes paid of approximately HK\$8.3 million and interest received of approximately HK\$32.7 million.

The Group's net cash generated from investing activities for 1HFY2024 was approximately HK\$133.1 million, which was mainly attributable to purchase of property, plant and equipment of approximately HK\$19.5 million, net cash inflow from redemption of financial assets at amortised cost of approximately HK\$39.0 million, net cash inflow from redemption of debt instruments at fair value through other comprehensive income of approximately HK\$81.1 million, and net cash inflow from redemption of financial assets at fair value through profit or loss of approximately HK\$32.5 million.

The Group's net cash used in financing activities for 1HFY2024 was approximately HK\$85.8 million, which was mainly attributable to the dividend paid of approximately HK\$82.3 million. The Group had a net cash position as at 31 December 2023 and 30 June 2023. As at 31 December 2023, the Group's total equity was approximately HK\$2,322.5 million, representing a decrease of approximately HK\$65.1 million as compared with approximately HK\$2,387.6 million as at 30 June 2023. The Group's working capital was approximately HK\$1,516.7 million as at 31 December 2023, representing an increase of approximately HK\$34.5 million as compared with approximately HK\$1,482.0 million as at 30 June 2023.

As at 31 December 2023, the Group's bank balances and cash were mainly denominated in US dollars, Renminbi and Hong Kong dollar.

The gearing ratio being calculated as total debt over total equity was approximately 1.2% and approximately 1.3% as at 31 December 2023 and 30 June 2023 respectively.

Charge on Group Assets

There was no material charge on the Group's assets as at 31 December 2023 and 30 June 2023.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2023 and 30 June 2023.

Capital Commitments

Set out below is the breakdown of capital commitment of the Group as at 31 December 2023 and 30 June 2023:

	As at 31 December 2023 HK\$'000	As at 30 June 2023 HK\$'000
Capital commitments in respect of property, plant and equipment	12,315	13,120
Capital commitments in respect of unlisted investment funds	39,049	39,183
	51,364	52,303

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 2023, the Group employed a total of approximately 3,200 full time employees (30 June 2023: approximately 3,100). The staff costs incurred during 1HFY2024 was approximately HK\$137.4 million (1HFY2023: approximately HK\$163.6 million). The Group's emolument policies are formulated on the performance of individual employees and the salary rate in different regions, which will be reviewed regularly every year. Apart from provident fund scheme and medical insurance offered to the full time employees of the Group, discretionary bonuses are also awarded to employees according to the assessment of individual performance.

Social Responsibility

The Group's charitable and other donations for 1HFY2024 amounted to approximately HK\$0.4 million (1HFY2023: approximately HK\$0.2 million). No donations were made to political parties.

FINANCIAL ASSETS AT AMORTISED COST

As at 31 December 2023, 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 2023 and the comparative figures as at 30 June 2023:

Issuer	Product type	Principal business	Investment cost as at		Fair value as at		Interest income from these product for 1HFY2024 (HKD'000)	Realised interest income for 1HFY2024 (HKD'000)	Unrealised gain or loss and interest income during 1HFY2024 (HKD'000)	Size relative to the Company's total asset as at 31 December 2023 (HKD'000)
			31 December 2023 (RMB'000)	30 June 2023 (RMB'000)	31 December 2023 (HKD'000)	30 June 2023 (HKD'000)				
Agricultural Bank of China	Fixed deposit	Banking services	90,000	96,000	98,775	103,718	1,622	5,755	1,595	3.9%
Huaxia Bank	Fixed deposit	Banking services	125,000	125,000	137,188	135,050	2,289	-	2,242	5.4%
Bank of Ningbo	Fixed deposit	Banking services	51,000	51,000	55,974	55,100	967	-	975	2.2%
China Guangfa Bank	Fixed deposit	Banking services	110,000	140,000	120,725	151,256	1,714	-	1,966	4.7%

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2023, 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 2023 and the comparative figures as at 30 June 2023:

Issuer	Product type	Principal business	Investment cost as at		Fair value as at		Interest income from these product for 1HFY2024	Realised gain/interest income for 1HFY2024	Unrealised gain/(loss) for 1HFY2024	Size relative to the Company's total asset as at 31 December 2023
			31 December 2023	30 June 2023	31 December 2023	30 June 2023				
			('000)	('000)	(HKD '000)	(HKD '000)	(HKD '000)	(HKD '000)	(HKD '000)	
China Guangfa Bank	Certificates of deposit (大額存款證)	Banking services	RMB50,000	RMB50,000	59,006	58,087	2,103	N/A	1,902	2.2%
Huaxia Bank	Certificates of deposit (大額存款證)	Banking services	N/A	RMB30,000	N/A	35,044	N/A	3,314	N/A	0.0% (Note 1)
PWD Life insurance Company (Bermuda) Limited	Life insurance	Life services	HKD10,000	HKD10,000	5,166	5,166	N/A	N/A	N/A	0.4%
Manulife (International) Limited	Universal life insurance	Life services	HKD5,000	HKD5,000	2,437	2,437	N/A	N/A	N/A	0.2%

Note 1: Such product has reached maturity before 31 December 2023. As such, the size relative to the Company's total assets as at 31 December 2023 is not applicable.

DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2023, 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 2023 and the comparative figures as at 30 June 2023:

Issuer	Product type	Principal business	Investment cost as at		Fair value as at		Interest income from these product for 1HFY2024 ('000)	Realised gain/interest income for 1HFY2024 ('000)	Unrealised gain/(loss) for 1HFY2024 ('000)	Size relative to the Company's total asset as at 31 December 2023
			31 December 2023 (USD '000)	30 June 2023 (USD '000)	31 December 2023 (HKD '000)	30 June 2023 (HKD '000)				
HSBC Holdings Plc	Corporate bonds	Banking services	4,700	4,700	37,186	36,066	1,197	1,197	1,971	1.4%
Bank of China (Hong Kong) Limited	Corporate bonds	Banking services	N/A	10,353	N/A	78,277	N/A	1,353	N/A	0.0%
Nan Fung Treasury (III) Limited	Corporate bonds	Property development	6,720	6,720	35,879	43,330	1,369	1,369	(6,470)	2.1%
NWD Finance (BV) Limited	Corporate bonds	Property development	6,500	6,500	28,828	40,477	1,711	1,711	(10,442)	2.0%

During 1HFY2024, 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.

As at 31 December 2023, the Group did not have any significant investment with a value of 5% or more of the Company's total assets.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group during 1HFY2024, and the Company did not have any future plans for material investments or capital assets as at the date of this report.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the initial public offering ("IPO") of the Company in February 2013 amounted to approximately HK\$742.0 million, of which approximately HK\$705.5 million had been utilised up to FY2023. For 1HFY2024, the Company had not further utilised the proceeds. Set out below are details of the unutilised net proceeds from IPO as at 1 July 2023 and 31 December 2023:

	Amount of net proceeds allocated and unutilised as at 1 July 2023 <i>(HK\$'m)</i>	Amount of net proceeds utilised for 1HFY2024 <i>(HK\$'m)</i>	Balance as at 31 December 2023 <i>(HK\$'m)</i>	Actual business progress up to 31 December 2023
Engaging an active and well-known Chinese television and movie actor celebrity as the new spokesperson for Tian Wang watches and for producing television commercials focusing on the spokesperson	36.5	–	36.5	The Group is still looking for suitable candidate whose image is in line with the brand image and recognition of Tian Wang brand and the proposed large-scale nationwide marketing campaign for Tian Wang brand.
	<u>36.5</u>	<u>–</u>	<u>36.5</u>	

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

Prospect and Strategies

In the second half of 2023, China economy was still recovering since the release of COVID-19 pandemic control measure in December 2022. However, the economics recovery in China still faces some difficulties and challenges as the external environment has become more complex and severe with increased uncertainties. Despite the difficulties and uncertainties, the Group's business in China remained stable in the second half of 2023.

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

For e-commerce business, the Group expects that the future growth for this division will be challenging because of the increasing competition among the players in the market. However, the Group will continue to improve the operation capabilities of its online business by adopting precise marketing campaigns to capture new customers through live-streaming, short video clips and other emerging media channels e.g. Tik Tok, DeWu. 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.

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.

Looking ahead, the economy outlook and the retail industry in China are still facing uncertainty and challenges. The management expects that the Group's performance and financial position will inevitably be affected in the next couple of years.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2023

		Six months ended 31 December	
	Notes	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	431,964	465,666
Cost of sales		(116,382)	(138,499)
Gross profit		315,582	327,167
Other income, gains and losses	4	39,506	(1,866)
Net reversal of impairment losses (impairment losses) on trade receivables		935	(495)
Selling and distribution costs		(296,559)	(323,921)
Administrative expenses		(43,792)	(49,175)
Finance costs		(312)	(437)
Profit (loss) before taxation		15,360	(48,727)
Income tax (charge) credit	5	(4,337)	3,509
Profit (loss) for the period	6	11,023	(45,218)
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of leasehold land and buildings		56	54
Exchange differences arising on translation		20,859	(85,355)
Items that may be reclassified subsequently to profit or loss:			
Fair value change on debt instruments at fair value through other comprehensive income		(17,571)	(18,866)
Reclassification adjustment relating to debt instruments at fair value through other comprehensive income disposed of during the period		2,864	–
Total comprehensive income (expense) for the period		17,231	(149,385)

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

For the six months ended 31 December 2023 (cont'd)

	Six months ended	
	31 December	
Notes	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to:		
– Owners of the Company	11,482	(44,900)
– Non-controlling interests	(459)	(318)
	11,023	(45,218)
Total comprehensive income (expense) attributable to:		
– Owners of the Company	17,150	(146,822)
– Non-controlling interests	81	(2,563)
	17,231	(149,385)
Earnings (loss) per share – basic (<i>HK cents</i>)	8	8
	0.6	(2.2)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

		As at 31 December 2023 <i>HK\$'000</i> (Unaudited)	As at 30 June 2023 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
<hr/>			
Non-current assets			
Property, plant and equipment	9	379,016	385,626
Right-of-use assets	9	41,229	44,156
Investment properties	10	125,995	125,668
Financial assets at fair value through profit or loss	11	7,603	7,603
Debt instruments at fair value through other comprehensive income	12	101,893	198,151
Financial assets at amortised cost	13	170,113	168,542
Deferred tax assets	18	51,994	52,638
		<hr/> 877,843	<hr/> 982,384
Current assets			
Inventories	14	229,570	228,632
Trade receivables	15	126,834	162,639
Other receivables, deposits and prepayments		80,044	81,661
Tax recoverable		2,107	2,364
Financial assets at fair value through profit or loss	11	61,679	93,130
Financial assets at amortised cost	13	242,548	276,582
Bank balances and cash		927,781	792,200
		<hr/> 1,670,563	<hr/> 1,637,208

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

At 31 December 2023 (cont'd)

	Notes	As at 31 December 2023 HK\$'000 (Unaudited)	As at 30 June 2023 HK\$'000 (Audited)
Current liabilities			
Trade payables and bills payable	16	29,415	17,625
Other payables and accrued charges		70,672	81,638
Tax payable		34,541	34,356
Lease liabilities	9	3,774	5,879
Other loans		15,611	15,673
		154,013	155,171
Net current assets		1,516,550	1,482,037
Total assets less current liabilities		2,394,393	2,464,421
Capital and reserves			
Share capital	17	205,807	205,807
Reserves		2,115,082	2,180,252
Equity attributable to owners of the Company		2,320,889	2,386,059
Non-controlling interests		1,611	1,531
Total equity		2,322,500	2,387,590
Non-current liabilities			
Deferred tax liabilities	18	62,779	66,893
Lease liabilities	9	9,114	9,938
		71,893	76,831
		2,394,393	2,464,421

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2023

	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 2023	205,807	501,230	(230,147)	(103,792)	(23,359)	9,537	69,562	1,957,221	2,386,059	1,531	2,387,590
Profit for the period	-	-	-	-	-	-	-	11,482	11,482	(459)	11,023
Exchange differences arising on translation	-	-	-	20,319	-	-	-	-	20,319	540	20,859
Gain on revaluation of leasehold land and buildings	-	-	-	-	-	56	-	-	56	-	56
Fair value change on debt instruments at fair value through other comprehensive income	-	-	-	-	(17,571)	-	-	-	(17,571)	-	(17,571)
Reclassification adjustment relating to debt instruments at fair value through other comprehensive income disposed of during the period	-	-	-	-	2,864	-	-	-	2,864	-	2,864
Total comprehensive (expense) income for the period	-	-	-	20,319	(14,707)	56	-	11,482	17,150	81	17,231
Appropriation to reserve	-	-	-	-	-	-	919	(919)	-	-	-
Dividends recognised as distribution during the period	-	-	-	-	-	-	-	(82,320)	(82,320)	-	(82,320)
At 31 December 2023 (unaudited)	205,807	501,230	(230,147)	(83,473)	(38,066)	9,593	70,481	1,885,464	2,320,889	1,611	2,322,500
At 1 July 2022	205,807	501,230	(230,147)	10,192	(6,679)	9,786	73,776	2,018,840	2,582,805	28,807	2,611,612
Loss for the period	-	-	-	-	-	-	-	(44,900)	(44,900)	(318)	(45,218)
Exchange differences arising on translation	-	-	-	(83,110)	-	-	-	-	(83,110)	(2,245)	(85,355)
Gain on revaluation of leasehold land and buildings	-	-	-	-	-	54	-	-	54	-	54
Fair value change on debt instruments at fair value through other comprehensive income	-	-	-	-	(18,866)	-	-	-	(18,866)	-	(18,866)
Total comprehensive (expense) income for the period	-	-	-	(83,110)	(18,866)	54	-	(44,900)	(146,822)	(2,563)	(149,385)
Appropriation to reserve	-	-	-	(57)	-	-	(4,214)	-	(4,271)	(13,343)	(17,614)
Dividends recognised as distribution during the period	-	-	-	-	-	-	-	(102,903)	(102,903)	-	(102,903)
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(6,799)	(6,799)
At 31 December 2022 (unaudited)	205,807	501,230	(230,147)	(72,975)	(25,545)	9,840	69,562	1,871,037	2,328,809	6,102	2,334,911

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 2023

	Six months ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH FROM		
OPERATING ACTIVITIES	<u>84,281</u>	39,937
NET CASH GENERATED FROM/(USED IN)		
INVESTING ACTIVITIES	<u>133,080</u>	(126,606)
NET CASH USED IN FINANCING ACTIVITIES	<u>(85,767)</u>	(107,955)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	131,594	(194,624)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	792,200	840,498
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>3,987</u>	(8,304)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by Bank balances and cash	<u>927,781</u>	637,570

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2023

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and the new principal accounting policies as set out below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2023 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 30 June 2023.

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 2023 for the preparation of the condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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.

3. REVENUE AND SEGMENT INFORMATION

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

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

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

3. REVENUE AND SEGMENT INFORMATION (cont'd)

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

Six months ended 31 December 2023 (Unaudited)

	Tian Wang Watch Business <i>HK\$'000</i>	Watch Movements Trading Business <i>HK\$'000</i>	Other Brands (PRC) Business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue				
External sales	379,400	39,796	12,768	431,964
Inter-segment sales	–	4,680	–	4,680
Segment revenue	<u>379,400</u>	<u>44,476</u>	<u>12,768</u>	<u>436,644</u>
Elimination				<u>(4,680)</u>
Group revenue				<u>431,964</u>
Results				
Segment results	<u>4,041</u>	<u>(1,247)</u>	<u>(1,259)</u>	1,535
Interest income				32,730
Unallocated other income, gains and losses				(1,078)
Central administration costs				(17,515)
Finance costs				<u>(312)</u>
Profit before taxation				<u>15,360</u>

3. REVENUE AND SEGMENT INFORMATION (cont'd)

Six months ended 31 December 2022 (Unaudited)

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

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.

Inter-segment sales are charged at prevailing market rates.

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<i>Other income:</i>		
Bank interest income	1,384	2,154
Interest income on financial assets measured at fair value through profit or loss (FVTPL)	1,446	3,314
Interest income from debt instruments at fair value through other comprehensive income (FVTOCI)	5,014	7,889
Interest income on financial assets at amortised cost	24,886	12,787
Watch repair and maintenance services income	1,327	1,358
Government subsidies (<i>Note (a)</i>)	8,356	14,703
Rental income	2,109	2,045
Others	2,368	2,796
	46,890	47,046
<i>Other gains and losses:</i>		
Gain on disposal of subsidiary (<i>Note (b)</i>)	–	1,977
Loss on disposal and written-off of property, plant and equipment	(2,224)	(5,054)
Loss on disposal of a debt instrument at FVTOCI	(2,884)	–
Net exchange loss	(2,276)	(45,835)
	(7,384)	(48,912)
	39,506	(1,866)

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

Notes:

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

5. INCOME TAX CHARGE (CREDIT)

	Six months ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	2,662	737
PRC withholding tax	5,145	184
	7,807	921
Deferred taxation	(3,470)	(4,430)
	4,337	(3,509)

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

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

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

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

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

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

6. PROFIT (LOSS) FOR THE PERIOD

	Six months ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

Profit (loss) for the period has been arrived at after charging (crediting):

Staff costs (including Directors' remuneration)	115,709	136,554
Retirement benefits scheme contributions (including Directors' remuneration)	21,717	27,052
Total staff costs	137,426	163,606
Depreciation of property, plant and equipment	27,875	30,533
Depreciation of right-of-use assets	3,573	6,588
(Reversal of) allowance for obsolete inventories recognised as cost of sales	(6,230)	4,661
Concessionaire fee (<i>Note</i>)	66,709	72,394

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 2023 (six months ended 31 December 2022: nil).

8. EARNINGS (LOSS) PER SHARE

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

	Six months ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<hr/>		
Earnings:		
Earnings for the purpose of calculating basic earnings (loss) per share		
– Profit/(loss) for the period attributable to owners of the Company	11,482	(44,900)
	<hr/>	<hr/>
	<i>'000</i>	<i>'000</i>

Numbers of shares:

Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,058,068	2,058,068
	<hr/>	<hr/>

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 2023, the Group purchased property, plant and equipment of approximately HK\$19,464,000 (six months ended 31 December 2022: approximately HK\$53,067,000).

During the current interim period, the Group did not enter into new lease agreements (1HFY2023: new lease agreements with lease terms 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 did not recognise right-of-use assets and lease liabilities for current interim period (1HFY2023: right-of-use assets of approximately HK\$1.0 million and lease liabilities of approximately HK\$1.0 million).

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

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

10. INVESTMENT PROPERTIES

HK\$'000

Fair value

At 1 July 2022	126,840
Increase in fair value recognised in profit or loss	432
Exchange realignment	(1,604)
	<hr/>
At 30 June 2023	125,668
Exchange realignment	327
	<hr/>
At 31 December 2023	125,995

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

The Group leases out office units under operating leases with rental payable monthly. The leases typically run for an initial period of two to five years (30 June 2023: two to five 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 2023, the fair value of the Group's investment properties has been arrived at on the basis of a valuation carried out by an independent qualified professional valuers not connected to the Group.

In the opinion of directors, there is no significant change of fair value of the investment properties as at 31 December 2023, except for the change of fair value due to exchange realignment for the Group's investment property located in the PRC.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2023 HK\$'000 (Unaudited)	As at 30 June 2023 HK\$'000 (Audited)
Certificate of deposits (a)	61,679	93,130
Life insurance (b)	7,603	7,603
	69,282	100,733
Analysed for reporting purposes as:		
Non-current assets	7,603	7,603
Current assets	61,679	93,130
	69,282	100,733

- (a) As at 31 December 2023 and 30 June 2023, amount included certificate of deposits issued by various banks in the PRC with interest payable monthly at a fixed rate of 3.9% (30 June 2023: 3.40% to 3.6%) per annum. These certificates are transferrable but not early redeemable. The maturity dates of the certificates are March 2024 (30 June 2023: December 2023 to March 2024).
- (b) As at 31 December 2023 and 30 June 2023, 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 2023, the Company paid HK\$10,000,000 (30 June 2023: HK\$10,000,000). Pursuant to the second scheme, the Company is the holder and the beneficiary of the scheme. The total premium paid by the Company is USD643,500 (equivalent to approximately HK\$5,000,000).

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

The management of the Group considers that the carrying amounts of financial assets as at 31 December 2023 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 2023 HK\$'000 (Unaudited)	As at 30 June 2023 HK\$'000 (Audited)
Debt instruments	101,893	198,151
Analysed for reporting purposes as:		
Non-current assets	101,893	198,151

The debts instruments represent the Group's investments in corporate bonds listed on the Stock Exchange and oversea stock exchanges. These corporate bonds are measured at fair value which are quoted bid prices by banks. The corporate bonds carry coupon rates ranging from 5.00% to 6.38% (30 June 2023: 5.00% to 6.38%) and payable semi-annually and are perpetual.

13. FINANCIAL ASSETS AT AMORTISED COST

	As at 31 December 2023 HK\$'000 (Unaudited)	As at 30 June 2023 HK\$'000 (Audited)
Fixed deposits	412,661	445,124
Analysed for reporting purposes as:		
Non-current assets	170,113	168,542
Current assets	242,548	276,582
	412,661	445,124

Note: As at 31 December 2023 and 30 June 2023, financial assets at amortised cost included fixed deposits by various banks in the PRC with interest at fixed rate ranging from 2.25% to 3.71% (30 June 2023: 2.25% to 3.85%) per annum payable at maturity. These certificates are held to collect contractual cash flows. The maturity date of the certificates of fixed deposits are from January 2024 to July 2026 (30 June 2023: July 2023 to March 2026).

14. INVENTORIES

	As at 31 December 2023 HK\$'000 (Unaudited)	As at 30 June 2023 HK\$'000 (Audited)
Raw materials and consumables	59,318	68,782
Work in progress	6,964	7,287
Finished goods	163,288	152,563
	229,570	228,632

15. TRADE RECEIVABLES

	As at 31 December 2023 HK\$'000 (Unaudited)	As at 30 June 2023 HK\$'000 (Audited)
Trade receivables from third parties	152,070	188,259
Trade receivables from related companies	414	641
Less: allowance for credit losses	(25,650)	(26,261)
	126,834	162,639

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 2023 and 30 June 2023:

	As at 31 December 2023 HK\$'000 (Unaudited)	As at 30 June 2023 HK\$'000 (Audited)
0 to 60 days	89,185	128,996
61 to 120 days	22,500	16,612
121 to 180 days	5,063	5,525
Over 180 days	9,672	10,865
	126,420	161,998

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 2023 and 30 June 2023:

	As at 31 December 2023 HK\$'000 (Unaudited)	As at 30 June 2023 HK\$'000 (Audited)
0 to 60 days	414	641

16. TRADE PAYABLES AND BILLS PAYABLE

	As at 31 December 2023 HK\$'000 (Unaudited)	As at 30 June 2023 HK\$'000 (Audited)
Trade payables to third parties	27,718	16,489
Bills payable to third parties	1,697	1,136
	29,415	17,625

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 2023 and 30 June 2023:

	As at 31 December 2023 HK\$'000 (Unaudited)	As at 30 June 2023 HK\$'000 (Audited)
0 to 30 days	12,692	15,185
31 to 60 days	12,187	799
61 to 90 days	1,074	38
Over 90 days	1,765	467
	27,718	16,489

Bills payable as at 31 December 2023 and 30 June 2023 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 2022, 30 June 2023 and 31 December 2023	100,000,000	100,000,000
<i>Issued:</i>		
At 1 July 2022, 30 June 2023 and 31 December 2023	2,058,068	205,807

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

18. DEFERRED TAXATION

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

	Allowance for obsolete inventories	Allowance for bad debt expenses	Unrealised profit	Accelerated tax depreciation	Revaluation of a property	Withholding tax arising from PRC subsidiaries	Impairment, provision and other temporary differences	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2023	(32,446)	(6,860)	(8,812)	819	(380)	66,074	(4,140)	14,255
Charged (credited) to profit or loss	1,145	59	(560)	-	-	(4,114)	-	(3,470)
At 31 December 2023 (unaudited)	(31,301)	(6,801)	(9,372)	819	(380)	61,960	(4,140)	10,785

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 2023 HK\$'000 (Unaudited)	As at 30 June 2023 HK\$'000 (Audited)
Deferred tax assets	51,994	52,638
Deferred tax liabilities	62,779	66,893

The Group had unused tax losses of approximately HK\$125,669,000 and approximately HK\$119,365,000 as at 31 December 2023 and 30 June 2023 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 2023 and 30 June 2023, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31 December 2023 HK\$'000 (Unaudited)	As at 30 June 2023 HK\$'000 (Audited)
Within one year	2,248	3,006
Second year	2,260	2,263
Third year	844	1,876
Fourth year	215	219
Fifth year	222	222
Over five years	655	796
	6,444	8,382

b. Capital commitments

	As at 31 December 2023 HK\$'000 (Unaudited)	As at 30 June 2023 HK\$'000 (Audited)
Capital commitments in respect of property, plant and equipment	12,315	13,120
Capital commitments in respect of unlisted investment funds	39,049	39,183
	51,364	52,303

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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sales to entities related to a non-controlling interest of a subsidiary (<i>Note b</i>)	<u>1,312</u>	1,788
Short-term lease payment to related companies (<i>Note a</i>)	<u>211</u>	220
Dividend paid/payable to a non-controlling interest of a subsidiary	<u>-</u>	6,799

Notes:

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

20. RELATED PARTY TRANSACTIONS (cont'd)

Compensation of key management personnel

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

	Six months ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	6,209	7,379
Post-employment benefits	70	88
	6,279	7,467

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;

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

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

- 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).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key input	Significant unobservable input
	31 December 2023 HK\$'000 (unaudited)	30 June 2023 HK\$'000 (audited)			
Debts instruments at FVTOCI – Corporate bonds	101,893	198,151	Level 1	Quoted bid prices	N/A
Financial assets at FVTPL – Certificate of deposits	61,679	93,130	Level 3	Discounted cash flow approach	Discount rate (Note 1)
– Life insurance	7,603	7,603	Level 3	Discounted cash flow approach	1. Discount rate (Note 1) 2. Marginal Death Rate (Note 2)

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

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

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

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

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

ADDITIONAL INFORMATION

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during 1HFY2024.

Corporate Governance Practices

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Listing Rules as its code of corporate governance practices. Save as disclosed below, during 1HFY2024, the Company had complied with the code provisions of the CG Code.

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

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 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 1HFY2024.

Audit Committee

The audit committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Company for 1HFY2024 and discussed with the management of the Group with respect to the accounting treatment and internal control measures adopted by the Company.

Interim Dividend

The board of Directors did not recommend a payment of an interim dividend for the six months ended 31 December 2023 (six months ended 31 December 2022: nil).

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 2023, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company ("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 <i>(Note 3)</i>
Mr. Tung Koon Ming ("Mr. Tung")	Company	Beneficiary of a trust <i>(Note 2)</i>	1,466,869,000 Shares (L)	71.27%
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 Shares as to 10,592,000 Shares were held by Tung Koon Ming Family (PTC) Limited and as to 1,456,277,000 Shares were held by Red Glory Investments Limited (“Red Glory”), which was in turn wholly owned by Tung Koon Ming Family (PTC) Limited. Tung Koon Ming Family (PTC) Limited is a trust of which Mr. Tung is the settlor and a beneficiary. Accordingly, Mr. Tung was deemed to be interested in all the Shares held by Tung Koon Ming Family (PTC) Limited and Red Glory by virtue of the SFO.
3. The percentage has been calculated based on the total number of Shares in issue as at 31 December 2023 (i.e. 2,058,068,000 shares).

Save as disclosed above, as at 31 December 2023, 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 2023, the interests and short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholder	Capacity/nature of interest	Number and class of securities <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 6)</i>
Tung Koon Ming Family (PTC) Limited	Interest of a controlled corporation <i>(Note 2)</i>	1,456,277,000 Shares (L)	70.76%
	Beneficial owner <i>(Note 2)</i>	10,592,000 Shares (L)	0.51%

Name of shareholder	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding (Note 6)
Red Glory	Beneficial owner	1,456,277,000 Shares (L)	70.76%
Ms. Tam Fun Hung ("Ms. Tam")	Interest of spouse (Note 3)	1,466,869,000 Shares (L)	71.27%
Areo Holdings Limited	Interest of a controlled corporation (Note 4)	186,292,000 Shares (L)	9.05%
Lam Lai Ming	Interest of a controlled corporation (Note 4)	186,292,000 Shares (L)	9.05%
Li Gabriel	Interest in a controlled corporation (Note 4)	186,292,000 Shares (L)	9.05%
Orchid Asia V, L.P.	Beneficial owner (Note 4)	180,946,000 Shares (L)	8.79%
OAV Holdings, L.P.	Interest of a controlled corporation (Note 4)	180,946,000 Shares (L)	8.79%
Orchid Asia V GP, Limited	Interest of a controlled corporation (Note 4)	180,946,000 Shares (L)	8.79%
Orchid Asia V Group Management, Limited	Interest of a controlled corporation (Note 4)	180,946,000 Shares (L)	8.79%
Orchid Asia V Group, Limited	Interest of a controlled corporation (Note 4)	180,946,000 Shares (L)	8.79%
Webb David Michael	Interest of a controlled corporation (Note 5)	63,354,320 Shares (L)	3.08%
	Beneficial owner	41,217,680 Shares (L)	2.00%

1. The letter "L" denotes a person's long position in the Shares or underlying Shares.
2. Tung Koon Ming Family (PTC) Limited was deemed to be interested in all these Shares by virtue of the SFO. Details of the interests in all these Shares are disclosed in note 2 to the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" in this interim report.
3. Ms. Tam is the spouse of Mr. Tung. Ms. Tam was deemed to be interested in the Shares in which Mr. Tung was interested by virtue of the SFO. Details of Mr. Tung's interests in the Shares are disclosed in section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" in this interim report.
4. So far as the Directors are aware of, these Shares were beneficial owned as to 180,946,000 Shares by Orchid Asia V, L.P. and 5,346,000 Shares by Orchid Asia V Co-Investment, Limited. So far as the Directors are aware of, Orchid Asia V, L.P. was wholly-controlled by OAV Holdings, L.P., which was in turn wholly-owned by Orchid Asia V GP, Limited. Orchid Asia V GP, Limited was wholly-owned by Orchid Asia V Group Management, Limited, which was in turn wholly-owned by Orchid Asia V Group, Limited. Orchid Asia V Group, Limited was wholly-owned by Areo Holdings Limited.

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

5. So far as the Directors are aware of, these Shares were held by Preferable Situation Assets Limited, which was wholly-owned by Mr. Webb David Michael. Mr. Webb David Michael was deemed to be interested in all Shares in which Preferable Situation Assets Limited was interested by virtue of the SFO.
6. The percentage has been calculated based on the total number of Shares in issue as at 31 December 2023 (i.e. 2,058,068,000 shares).

Save as disclosed above, as at 31 December 2023, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Mr. Tung Koon Kwok Dennis

Mr. Tung Wai Kit

Mr. Deng Guanglei

Independent non-executive Directors

Mr. Wong Wing Keung Meyrick

Mr. Choi Ho Yan

Ms. Law Stacey Man Yee

AUDIT COMMITTEE

Mr. Choi Ho Yan (*Chairman*)

Mr. Wong Wing Keung Meyrick

Ms. Law Stacey Man Yee

NOMINATION COMMITTEE

Mr. Tung Koon Ming (*Chairman*)

Mr. Wong Wing Keung Meyrick

Ms. Law Stacey Man Yee

REMUNERATION COMMITTEE

Mr. Wong Wing Keung Meyrick (*Chairman*)

Mr. Choi Ho Yan

Ms. Law Stacey Man Yee

CORPORATE GOVERNANCE COMMITTEE

Mr. Wong Wing Keung Meyrick (*Chairman*)

Mr. Choi Ho Yan

Ms. Law Stacey Man Yee

COMPANY SECRETARY

Ms. Hui Wai Man, Shirley

AUDITOR

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

LEGAL ADVISERS

Chiu & Partners (as to Hong Kong laws)
Scihead & Partners (as to PRC laws)

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HONG KONG BRANCH SHARE REGISTRAR

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REGISTERED OFFICE

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STOCK CODE ON THE HONG KONG STOCK EXCHANGE

2033

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