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## **CITYCHAMP WATCH & JEWELLERY GROUP LIMITED**

**冠城鐘錶珠寶集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 256)**

### **INSIDE INFORMATION UNAUDITED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

This announcement is made by Citychamp Watch & Jewellery Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Group has published a circular in relation to, among others, the very substantial disposal and connected transaction on 25 February 2021 (the “**Circular**”). For more details, please refer to the Circular and the announcements of the Company dated 7 January 2021, 17 December 2020 and 16 December 2020. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Circular. The Circular contains unaudited financial information of the Group for the nine months ended 30 September 2020 and the year ended 31 December 2020, and the Company will disclose its annual results for the year ended 31 December 2020 no later than 31 March 2021.

The Circular was prepared only for the very substantial disposal and connected transaction of the Group. The financial information included therein was not prepared on a consolidated basis for the Group. As such, the financial information is not directly comparable to the financial results and the related financial information that the Group will disclose as a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

## EXTRACT AND SUMMARY OF CIRCULAR – RELEASED BY THE COMPANY

The following is an extract of the selected financial information relating to the Disposal Group's performance, which covers the whole financial performance of the Group for the same period, extracted from the Circular:

**Please note that the following is an extract of the selected financial information of the Disposal Group. For details of the performance of the Target Companies of the same period, please refer to pages IIA-1 to IIG-11 of the Circular.**

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### “INFORMATION ON THE DISPOSAL GROUP

The Disposal Group comprises International Volant Group, EBOHR Group, Jia Cheng Group, Joyful Surplus Group, SharpTech, Unique Leader and Sure Best.

Set out below are brief description of the business of each member of the Disposal Group and summaries of certain unaudited financial information of each member of the Disposal Group for the three years ended 31 December 2017, 2018, 2019 and for nine months ended 30 September 2020 respectively:

#### International Volant Group

International Volant is a direct wholly-owned subsidiary of the Company and a company incorporated under the laws of Hong Kong with limited liability. As at the Latest Practicable Date, International Volant is an investment holding company. International Volant and its subsidiaries (collectively “**International Volant Group**”) own the watch brands “Eterna” and “Rotary”.

	For the year ended 31 December			For the period ended
	2017	2018	2019	30 September
	HK\$'000	HK\$'000	HK\$'000	2020
	(unaudited)	(unaudited)	(unaudited)	HK\$'000
				(unaudited)
Profit/(Loss) before taxation	(257,049)	(95,657)	(41,380)	(33,371)
Profit/(Loss) after taxation	(241,298)	(95,549)	(41,530)	(33,456)

## EBOHR Group

EB Brand is a direct wholly-owned subsidiary of the Company and a company incorporated under the laws of Hong Kong with limited liability. As at the Latest Practicable Date, EB Brand is an investment holding company and owns the entire issued shares in the capital of EBOHR Luxuries International Limited\* (依波精品(深圳)有限公司) and its subsidiaries (collectively “EBOHR Group”). EBOHR Group is principally engaged in the manufacture and distribution of “EBOHR” brand watches and timepieces in the PRC.

	For the year ended 31 December			For the
	2017	2018	2019	period ended
	HK\$'000	HK\$'000	HK\$'000	30 September
	(unaudited)	(unaudited)	(unaudited)	2020
				HK\$'000
				(unaudited)
Profit/(Loss) before taxation	83,088	66,734	11,602	(10,249)
Profit/(Loss) after taxation	54,845	58,147	9,251	(7,938)

## Jia Cheng Group

Jia Cheng is a direct wholly-owned subsidiary of the Company and a company incorporated in British Virgin Islands with limited liability. As at the Latest Practicable Date, Jia Cheng is an investment holding company which owns the entire issued shares in the capital of Actor Investments Limited, which owns 91% of issued shares in the capital of Zhuhai Rossini Watch Industry Limited\* (珠海羅西尼錶業有限公司) and its subsidiaries (collectively “Jia Cheng Group”). Jia Cheng Group is principally engaged in the manufacture and distribution of watches and timepieces in the PRC and owns the watch brand “Rossini”.

	For the year ended 31 December			For the
	2017	2018	2019	period ended
	HK\$'000	HK\$'000	HK\$'000	30 September
	(unaudited)	(unaudited)	(unaudited)	2020
				HK\$'000
				(unaudited)
Profit/(Loss) before taxation	353,889	345,705	218,073	42,460
Profit/(Loss) after taxation	297,525	277,818	176,056	24,643

## Joyful Surplus Group

Joyful Surplus is a direct wholly-owned subsidiary of the Company and a company incorporated under the laws of Hong Kong with limited liability. As at the Latest Practicable Date, Joyful Surplus is an investment holding company. Joyful Surplus and its subsidiaries (collectively “**Joyful Surplus Group**”) own the watch brand “Corum”.

	<b>For the year ended 31 December</b>			<b>For the period ended</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>30 September</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit/(Loss) before taxation	(103,323)	(19,642)	(41,794)	(54,814)
Profit/(Loss) after taxation	(104,661)	(21,325)	(42,648)	(55,480)

## Sharptech

Sharptech is a direct wholly-owned subsidiary of the Company and a company incorporated under the laws of Hong Kong with limited liability. As at the Latest Practicable Date, Sharptech is principally engaged in distribution of watches and timepieces.

	<b>For the year ended 31 December</b>			<b>For the period ended</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>30 September</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit/(Loss) before taxation	(28)	(242)	(96)	(1)
Profit/(Loss) after taxation	3	(242)	(96)	(1)

## Unique Leader

Unique Leader is a direct wholly-owned subsidiary of the Company and a company incorporated under the laws of Hong Kong with limited liability. As at the Latest Practicable Date, Unique Leader is principally engaged in distribution of watches and timepieces.

	<b>For the year ended 31 December</b>			<b>For the</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>period ended</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>30 September</b>
	(unaudited)	(unaudited)	(unaudited)	<b>2020</b>
				<i>HK\$'000</i>
				(unaudited)
Profit/(Loss) before taxation	(25,784)	(1,096)	(4,194)	(970)
Profit/(Loss) after taxation	(25,784)	(1,096)	(4,194)	(970)

## Sure Best

Sure Best is a direct wholly-owned subsidiary of the Company and a company incorporated under the laws of Hong Kong with limited liability. As at the Latest Practicable Date, Sure Best is an investment holding company.

	<b>For the year ended 31 December</b>			<b>For the</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>period ended</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>30 September</b>
	(unaudited)	(unaudited)	(unaudited)	<b>2020</b>
				<i>HK\$'000</i>
				(unaudited)
Profit/(Loss) before taxation	29,577	7,942	17,612	(2,274)
Profit/(Loss) after taxation	29,123	7,942	17,612	(2,274)

The Disposal Group has adversely affected the Group's results of operations for the past few years. In particular, the watch brands "Corum", "Eterna" and "Rotary" recorded a net loss after tax for the three years ended 31 December 2017, 2018 and 2019 and for the nine months ended 30 September 2020, being approximately HK\$346.0 million, HK\$116.9 million, HK\$84.2 million and HK\$88.9 million, respectively due to the negative externalities in the Asian macro environment, the delicate European political situation and the China-USA trade war, which resulted in the decrease of tourist travels. The profitability of the watch brand "EBOHR" has been decreasing due to the declining trend of sales from physical stores and that e-commerce sales did not perform well on the back of the continuous increase of online selling expenses. COVID-19 further intensified the declining trend of revenue of the watch brand "EBOHR". The profitability of the watch brand "Rossini" has been experiencing a decline in sales from physical stores and the sales were further affected by the drop in tourist arrivals since August 2019 due to the significant cut-down in the number of Hong Kong-Zhuhai-Macau tourists staying away from the continuous social disturbances in Hong Kong and COVID-19.

As at 30 September 2020, the net asset value of the Disposal Group was approximately HK\$1.0 billion and the total asset value of the Disposal Group was approximately HK\$4.5 billion."

**Above is an extract of the financial information of the Disposal Group. For details of the performance of the Target Companies of the same period, please refer to pages IIA-1 to IIG-11 of the Circular.**

## Page 20 of the Circular:

The following is a summary of the selected financial information relating to the Remaining Group's performance, which covers the whole financial performance of the Group for the same period, extracted from the Circular:

### “INFORMATION ON THE COMPANY AND THE REMAINING GROUP

The Company is a limited liability company incorporated in Cayman Islands. The principal activities of the Group include manufacturing and distribution of watches and timepieces, property investments, and banking and financial businesses. Upon completion of the Disposal, the Remaining Group's principal activity would be the banking and financial businesses. The Remaining Group would also indirectly hold approximately 64% equity interest in Ernest Borel Holdings Limited (Stock Code: 1856), a Hong Kong listed company which is engaged in the watches and timepieces businesses, and own properties in the PRC and Hong Kong that generate stable rental income. Set out below are summaries of certain unaudited financial information of the Remaining Group for the three years ended 31 December 2017, 2018, 2019 and nine months ended 30 September 2020 respectively:

	Remaining Watches and Timepieces Businesses HK\$'M	Property Investments HK\$'M	Banking and Financial Businesses HK\$'M	Unallocated HK\$'M	Total HK\$'M
<b>For the Period Ended 30 Sep 2020</b>					
Total Revenue	77	5	285	–	367
Net Profit/(Loss) after Tax	(13)	5	34	(39) <sup>(Note 1)</sup>	(13)
<b>For the Year Ended 31 Dec 2019</b>					
Total Revenue	142	7	457	–	606
Net Profit/(Loss) after Tax	(75)	8	173	(149) <sup>(Note 1)</sup>	(43)
<b>For the Year Ended 31 Dec 2018</b>					
Total Revenue	43	8	484	–	535
Net Profit/(Loss) after Tax	(36)	3	165	(113) <sup>(Note 1)</sup>	19
<b>For the Year Ended 31 Dec 2017</b>					
Total Revenue	–	17	382	–	399
Net Profit/(Loss) after Tax	–	1,245	138	(181) <sup>(Note 1)</sup>	1,202

*Note 1:* Unallocated amount comprises interest expenses to bank borrowings in relation to the watches and timepieces businesses during the track record period.

The following is a summary of the selected financial information relating to the Remaining Group's performance for the nine months ended 30 September 2020:

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**“INFORMATION ON THE COMPANY AND THE REMAINING GROUP**

**Banking and financial businesses**

For the nine months ended 30 September 2020, the banking and financial business recorded revenue of HK\$285.0 million and net profit after tax of HK\$34.0 million. During the period, Bendura Bank's net profit was affected by COVID-19 and a one-off impairment in total of CHF 3.07 million related to a note issued by Wirecard AG, a company listed in Frankfurt Stock Exchange which Bendura Bank originally had invested EUR 3.5 million in the note.”

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**“INFORMATION ON THE COMPANY AND THE REMAINING GROUP**

**Watches and timepieces businesses**

For the nine months ended 30 September 2020, Ernest Borel Holdings Limited recorded revenue of HK\$77.0 million and net loss after tax of HK\$13.0 million, mainly because the outbreak of COVID-19 significantly reduced the consumer sentiment in Hong Kong and the PRC.”

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**“INFORMATION ON THE COMPANY AND THE REMAINING GROUP**

**Property investment business**

As at 30 September 2020, the net asset value of the Remaining Group was approximately HK\$3.6 billion and the total asset value of the Remaining Group was approximately HK\$14.7 billion.”



The following is an extract of the financial information of Disposal Group extract from Appendix III of the Circular:

**Pages III-13 (Page 13 of Appendix III) to III-15 (Page 15 of Appendix III) of the Circular:**

**“NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP**

The financial information of Disposal Group extract from Appendix II are as follows:

**Unaudited consolidated/combined statement of financial position as at 30 September 2020**

	Financial information of EB Brand as extracted from Appendix IIA	Financial information of International Volant as extracted from Appendix IIB	Financial Information of Jia Cheng as extracted from Appendix IIC	Financial Information of Joyful Surplus as extracted from Appendix IID	Financial Information of Sharptech as extracted from Appendix IIE	Financial Information of Sure Best as extracted from Appendix IIF	Financial information of Unique Leader as extracted from Appendix IIG	Total balances of Disposal Group	Reclassifications <sup>†</sup>	Elimination*	Total balances of Target Companies for the purpose of Unaudited Pro Forma Financial Information
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS AND LIABILITIES</b>											
<b>Non-current assets</b>											
Property, plant and equipment	249,919	70,851	324,611	106,260	-	-	-	751,641	-	-	751,641
Goodwill	-	-	600,006	-	-	-	-	600,006	-	-	600,006
Interests in associates	-	-	150	-	-	114,149	-	114,299	-	-	114,299
Intangible assets	-	-	1,626	-	-	-	-	1,626	-	-	1,626
Deferred tax assets	-	-	2,619	-	-	-	-	2,619	-	-	2,619
Financial assets at fair value through other comprehensive income	-	-	74	-	-	-	-	74	5,639	-	5,713
Investment properties	52,613	-	-	-	-	-	-	52,613	-	-	52,613
Other assets	-	-	-	453	-	-	-	453	570,043	(175,130)	395,366
	<u>302,532</u>	<u>70,851</u>	<u>929,086</u>	<u>106,713</u>	<u>-</u>	<u>114,149</u>	<u>-</u>	<u>1,523,331</u>			
<b>Current assets</b>											
Inventories	440,919	303,512	642,059	436,380	318	-	28,858	1,852,046	-	-	1,852,046
Trade receivables	83,307	38,134	180,312	79,909	-	-	-	381,662	-	-	381,662
Other assets	102,581	194,532	170,399	44,543	-	23,315	34,673	570,043	(570,043)	-	-
Income tax recoverable	598	-	2,269	-	-	-	-	2,867	-	-	2,867
Trading portfolio investments	-	-	4,221	-	-	-	-	4,221	-	-	4,221
Financial assets at fair value through other comprehensive income	-	-	5,639	-	-	-	-	5,639	(5,639)	-	-
Cash and deposits	42,429	5,328	71,462	6,890	135	-	2	126,246	-	-	126,246
Due from Remaining Group	72,318	-	114,848	-	-	-	-	187,166	-	-	187,166
	<u>742,152</u>	<u>541,506</u>	<u>1,191,209</u>	<u>567,722</u>	<u>453</u>	<u>23,315</u>	<u>63,533</u>	<u>3,129,890</u>			<u>4,478,091</u>
											<b>Total assets</b>

	Financial information of EB Brand as extracted from Appendix IIA HK\$'000	Financial information of International Volant as extracted from Appendix IIB HK\$'000	Financial information of Jia Cheng as extracted from Appendix IIC HK\$'000	Financial information of Joyful Surplus as extracted from Appendix IID HK\$'000	Financial information of Sharptech as extracted from Appendix IIE HK\$'000	Financial information of Sure Best as extracted from Appendix IIF HK\$'000	Financial information of Unique Leader as extracted from Appendix IIG HK\$'000	Total balances of Disposal Group HK\$'000	Reclassifications <sup>‡</sup> HK\$'000	Elimination* HK\$'000	Total balances of Target Companies for the purpose of Unaudited Pro Forma Financial Information HK\$'000	
<b>Current liabilities</b>												<b>LIABILITIES</b>
Trade payables	27,693	30,544	34,187	48,503	-	-	-	140,927	-	-	140,927	Trade payables
Contract liabilities	4,246	-	5,380	-	-	-	-	9,626	-	-	9,626	Contract liabilities
Other liabilities	80,083	172,747	113,429	106,031	545	-	1,103	473,938	15,773	(175,130)	314,581	Other liabilities
Lease liabilities	316	3,231	7,909	485	-	-	-	11,941	5,600	-	17,541	Lease liabilities
Borrowings	136,699	1,253	209,964	54,687	-	-	-	402,603	-	-	402,603	Borrowings
Income tax payables	68	122	7,252	-	-	-	-	7,442	-	-	7,442	Income tax payables
Due to Remaining Group	5,843	1,116,320	224,810	1,087,897	-	5,010	128,556	2,568,436	-	-	2,568,436	Due to Remaining Group
	<u>254,948</u>	<u>1,324,217</u>	<u>602,931</u>	<u>1,297,603</u>	<u>545</u>	<u>5,010</u>	<u>129,659</u>	<u>3,614,913</u>				
<b>Net current assets</b>	<u>487,204</u>	<u>(782,711)</u>	<u>588,278</u>	<u>(729,881)</u>	<u>(92)</u>	<u>18,305</u>	<u>(66,126)</u>	<u>(485,023)</u>				
<b>Total assets less current liabilities</b>	<u>789,736</u>	<u>(711,860)</u>	<u>1,517,364</u>	<u>(623,168)</u>	<u>(92)</u>	<u>132,454</u>	<u>(66,126)</u>	<u>1,038,308</u>				
<b>Non-current liabilities</b>												
Lease liabilities	-	5,600	-	-	-	-	-	5,600	(5,600)	-	-	
Deferred tax liabilities	21,800	137	-	-	-	-	-	21,937	-	-	21,937	Deferred tax liabilities
Other liabilities	-	-	-	15,773	-	-	-	15,773	(15,773)	-	-	
	<u>21,800</u>	<u>5,737</u>	<u>-</u>	<u>15,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,310</u>				
<b>Net assets</b>	<u>767,936</u>	<u>(717,597)</u>	<u>1,517,364</u>	<u>(638,941)</u>	<u>(92)</u>	<u>132,454</u>	<u>(66,126)</u>	<u>994,998</u>			<u>3,483,093</u>	<b>Total liabilities</b>
<b>EQUITY</b>												<b>EQUITY</b>
<b>Equity attributable to owners of the Company</b>												<b>Equity attributable to owners of the Company</b>
Share capital	1	10	1	10	1	1	1	25	-	-	25	Share capital
Reserves	767,935	(694,952)	1,370,717	(638,951)	(93)	132,453	(66,127)	870,982	-	-	870,982	Reserves
	<u>767,936</u>	<u>(694,942)</u>	<u>1,370,718</u>	<u>(638,941)</u>	<u>(92)</u>	<u>132,454</u>	<u>(66,126)</u>	<u>871,007</u>				
Non-controlling interests	-	(22,655)	146,646	-	-	-	-	123,991	-	-	123,991	Non-controlling interests
<b>Total equity</b>	<u>767,936</u>	<u>(717,597)</u>	<u>1,517,364</u>	<u>(638,941)</u>	<u>(92)</u>	<u>132,454</u>	<u>(66,126)</u>	<u>994,998</u>			<u>994,998</u>	<b>Total equity</b>
											<u>4,478,091</u>	<b>Total liabilities and equity</b>

**Pages IV-18 (Page 18 of Appendix IV) to IV-22 (Page 22 of Appendix IV) of the Circular:**

**“FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

### **Business Overview**

For the period of nine months ended 30 September 2020, the Remaining Group recorded total revenue of approximately HK\$367.1 million and net loss after tax of HK\$13.6 million.

### ***Revenue***

#### *1. Banking and financial businesses*

Revenue contributed by the banking and financial businesses for the nine months ended 30 September 2020 was approximately HK\$285.2 million, a decrease of approximately HK\$50.9 million, or 15.1%, from approximately HK\$336.1 million for the same period in 2019. The decrease in revenue was mainly because COVID-19 adversely affected the revenue due to limited operation of the Bank and limited communication with the clients, and lower interest rates reduced the net interest margins.

#### *2. Watches and timepieces businesses*

For the nine months ended 30 September 2020, Ernest Borel Holdings Limited recorded revenue of approximately HK\$77.2 million, representing a year-on-year decrease of approximately HK\$15.0 million or 16.3%, mainly due to the global outbreak of the COVID-19.

#### *3. Property investment*

The properties in the PRC and Hong Kong owned by the Remaining Group were leased out, with stable rental returns to the Remaining Group. During the period, these investment properties generated rental income of approximately HK\$4.8 million (nine months ended 30 September 2019: approximately HK\$5.8 million).

### ***Net Profit/(Loss) After Tax***

The net loss after tax amounted to approximately HK\$13.6 million, of which profit of approximately HK\$33.7 million from the banking and financial businesses, loss of approximately HK\$12.9 million from the watches and timepieces businesses, profit of approximately HK\$4.8 million from property investment and unallocated loss of approximately HK\$39.2 million from headquarter and other expenses (which mainly comprised interest expenses to bank borrowings in relation to the watches and timepieces businesses of the Group before the Disposal).

The banking and financial businesses of the Remaining Group recorded a decline in the net profit after tax of HK\$76.8 million or 69.4% from HK\$110.5 million for the nine months ended 30 September 2019 to HK\$33.7 million for the nine months ended 30 September 2020, mainly attributable to significantly lower net interest income, lower net commission and fee income, and an impairment loss on financial assets. The watches and timepieces businesses recorded a decline in the net loss after tax of HK\$27.0 million or 67.5% from HK\$40.0 million for the nine months ended 30 September 2019 to HK\$13.0 million for the nine months ended 30 September 2020. The net profit after tax from the property investment business for the nine months ended 30 September 2020 was HK\$4.8 million (nine months ended 30 September 2019: HK\$5.8 million).

## **Liquidity, Financial Resources and Capital Structure**

### ***Cash and Deposits***

As at 30 September 2020, cash and deposit held by the Remaining Group amounted to approximately HK\$2.8 billion (31 December 2019: approximately HK\$4.7 billion), of which approximately HK\$2.6 billion (31 December 2019: approximately HK\$4.5 billion) was sight deposit with central banks placed by Bendura Group, and HK\$31.8 million (31 December 2019: approximately HK\$104.2 million) was cash held on behalf of clients.

### ***Due from Banks and Clients***

As at 30 September 2020, total due from clients of the Remaining Group amounted to approximately HK\$2.3 billion (31 December 2019: approximately HK\$2.1 billion) and total due from banks amounted to approximately HK\$6.4 billion (31 December 2019: approximately HK\$4.9 billion).

### ***Investments***

The investments of the Remaining Group as at 30 September 2020 included (a) trading portfolio investments of HK\$107.5 million (31 December 2019: approximately HK\$227.9 million); (b) derivative financial assets of HK\$14.3 million (31 December 2019: approximately HK\$10.3 million); (c) financial assets at amortised cost of approximately HK\$1.4 billion (31 December 2019: approximately HK\$1.3 billion); and (d) other financial assets at fair value through other comprehensive income of HK\$400.3 million (31 December 2019: approximately HK\$417.2 million).

### ***Due to Clients***

As at 30 September 2020, the amount due to clients of the Remaining Group amounted to approximately HK\$12.0 billion (31 December 2019: approximately HK\$12.0 billion), of which approximately HK\$11.9 billion (31 December 2019: approximately HK\$11.9 billion) was amounts of bank deposits by clients.

## ***Capital Structure***

As at 30 September 2020, the Remaining Group had non-pledged cash and bank balances of approximately HK\$2.8 billion (31 December 2019: approximately HK\$4.7 billion). Based on the borrowings of approximately HK\$1.3 billion (31 December 2019: approximately HK\$1.3 billion), due to a shareholder of approximately HK\$12.0 million (31 December 2019: approximately HK\$12.0 million), due to directors of approximately HK\$17.0 million (31 December 2019: approximately HK\$22.2 million) and shareholders' equity of approximately HK\$3.4 billion (31 December 2019: approximately HK\$3.1 billion), the Remaining Group's gearing ratio (being borrowings plus due to a shareholder and due to directors divided by Shareholders' equity) was 37.7% (31 December 2019: 44.2%).

As at 30 September 2020, the Remaining Group's borrowings amounting to approximately HK\$1.3 billion (31 December 2019: approximately HK\$1.3 billion) were repayable within one year, representing 100% (31 December 2019: 100%) of the total borrowings.

## ***Charge on Assets***

As at 30 September 2020, the Remaining Group's borrowings were secured by: (a) corporate guarantee provided by certain subsidiaries within the Group; (b) equity interest of certain subsidiaries within the Remaining Group; and (c) guarantee provided by the government of certain country.

## **Capital Commitment and Contingent Liabilities**

### ***Capital Commitments***

Capital commitments as at 30 September 2020 were approximately HK\$270.0 million in total related to investment in an associate – Citychamp Allied International Limited and a property project. Except for the above, the Remaining Group had no other material capital commitments as at 30 September 2020.

### ***Financial Guarantee***

As at 30 September 2020, the Remaining Group had provided a corporate guarantee of HK\$30.0 million (31 December 2019: HK\$30.0 million) in respect of a revolving loan facility of up to HK\$30.0 million (31 December 2019: HK\$30.0 million) granted to Fair Future Industrial Limited. The corporate guarantee is ending on the expiry of the term of the revolving loan facility.

### ***Legal Proceeding***

The Directors were not aware of any legal proceedings up to the Latest Practicable Date.

### ***Credit Card Commitments***

As at 30 September 2020, the Remaining Group had contingent liability in relation to credit card commitments of approximately HK\$91.1 million (31 December 2019: approximately HK\$93.5 million) given to third parties. Credit card commitments represents the undrawn amount of credit card limits. In the opinion of the Directors, those credit commitments are given with collateral and the possibility of an outflow of economic resources is not probable.

### **Employees**

As at 30 September 2020, the Remaining Group had approximately 358 full-time staff in Hong Kong, the PRC, and Europe. The remuneration packages offered to the employees were determined and reviewed on an arm's length basis with reference to the market condition and individual performance. The Remaining Group also provides other benefits to its employees, including year-end double pay, medical insurance and retirement benefits, and incentive bonuses are offered with reference to the Remaining Group's operating results and employees' individual performance. All employees of the Remaining Group in Hong Kong have joined the provident fund schemes. Employees of Remaining Group's subsidiaries in the PRC also participate in social insurance scheme administrated and operated by local authorities and contributions are made according to the local laws and regulations."

**Shareholders of the Company and potential investors are advised not to place undue reliance on the contents of the Circular and to exercise caution when dealing in the securities of the Company.**

By Order of the Board  
**Citychamp Watch & Jewellery Group Limited**  
**Hon Kwok Lung**  
*Chairman*

Hong Kong, 25 February 2021

*As at the date of this announcement, Mr. Hon Kwok Lung, Mr. Shang Jianguang, Mr. Shi Tao, Mr. Lam Toi Man, Mr. Bi Bo, Ms. Sit Lai Hei, Mr. Hon Hau Wong and Mr. Teguh Halim are the executive directors of the Company, and Dr. Kwong Chun Wai, Michael, Mr. Zhang Bin, Mr. Kam, Eddie Shing Cheuk and Mr. Li Ziqing are the independent non-executive directors of the Company.*