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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board of directors (the “**Board**”) of Citychamp Watch & Jewellery Group Limited (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021 together with comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest and dividend income from banking business		136,539	156,731
Interest expenses from banking business		(42,375)	(28,703)
Net interest and dividend income from banking business	5a	94,164	128,028
Service fees and commission income from banking business		287,291	258,001
Service fees and commission expenses from banking business		(63,921)	(61,007)
Net service fees and commission income from banking business	5b	223,370	196,994
Trading income from banking business	5c	36,197	21,702
Service fees and commission income from financial business	5d	5,900	10,721
Interest income from financial business	5d	330	184
Sales of goods from non-banking and financial businesses	5e	1,555,114	1,405,812
Rental income from non-banking and financial businesses	5e	16,024	11,108
Total revenue		1,931,099	1,774,549
Cost of sales from non-banking and financial businesses		(745,224)	(647,405)
Other income and other net gains or losses	6	40,881	98,333
Selling and distribution expenses		(535,895)	(550,428)
Administrative expenses		(698,022)	(728,432)
Share of loss of joint ventures		(83)	(494)
Share of profit of associates		323	3,180
Finance costs from non-banking business	7	(67,351)	(82,956)
Loss before income tax	8	(74,272)	(133,653)
Income tax expense	9	(31,104)	(25,176)
Loss for the year		(105,376)	(158,829)

<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Other comprehensive income		
Item that will not be subsequently reclassified to profit or loss		
– Remeasurement of net defined benefit obligations	42,515	3,646
– Change in fair value of financial assets at fair value through other comprehensive income	<u>33,127</u>	<u>47,933</u>
	<u>75,642</u>	<u>51,579</u>
Items that may be subsequently reclassified to profit or loss		
– Exchange differences on translation to presentation currency	(9,893)	279,862
– Share of other comprehensive income of associates	188	(490)
– Release of exchange reserve to profit or loss upon disposal of a subsidiary	<u>(744)</u>	<u>(405)</u>
	<u>(10,449)</u>	<u>278,967</u>
Other comprehensive income for the year	<u>65,193</u>	<u>330,546</u>
Total comprehensive income for the year	<u>(40,183)</u>	<u>171,717</u>
(Loss)/profit for the year attributable to:		
Owners of the Company	(100,907)	(169,233)
Non-controlling interests	<u>(4,469)</u>	<u>10,404</u>
	<u>(105,376)</u>	<u>(158,829)</u>

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Total comprehensive income for the year attributable to:			
Owners of the Company		(35,727)	164,456
Non-controlling interests		<u>(4,456)</u>	<u>7,261</u>
		<u>(40,183)</u>	<u>171,717</u>
Loss per share attributable to owners of the Company			
	11		
– Basic		<u>HK(2.32) cents</u>	<u>HK(3.89) cents</u>
– Diluted		<u>HK(2.32) cents</u>	<u>HK(3.89) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets			
Cash and deposits		6,531,968	5,612,645
Due from clients		3,068,719	2,463,225
Due from banks		2,034,190	5,466,260
Trading portfolio investments		86,130	80,310
Financial assets at fair value through other comprehensive income		504,117	470,794
Derivative financial assets		34,608	29,224
Trade receivables	12	378,227	391,747
Other financial assets at amortised cost		1,852,934	1,449,886
Inventories		2,193,281	2,255,553
Income tax recoverable		460	2,299
Interests in joint ventures		519	602
Interests in associates		113,687	113,176
Property, plant and equipment		1,348,154	1,270,726
Investment properties		210,159	195,427
Intangible assets	13	52,411	54,415
Goodwill	14	1,151,788	1,144,071
Deferred tax assets		9,179	13,961
Other assets		391,888	370,874
		<hr/>	<hr/>
Total assets		19,962,419	21,385,195
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	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Liabilities			
Due to banks		15,126	2,639
Due to clients		12,750,292	13,965,477
Derivative financial liabilities		47,955	31,334
Trade payables	15	409,555	360,624
Contract liabilities		26,510	13,824
Income tax payables		32,559	36,799
Borrowings	16	1,176,635	1,564,822
Provisions		379	368
Lease liabilities		77,228	57,570
Deferred tax liabilities		55,180	55,377
Due to a shareholder		12,000	12,000
Due to directors		73,515	21,233
Other liabilities		661,945	526,901
		<hr/>	<hr/>
Total liabilities		15,338,879	16,648,968
Equity			
Equity attributable to owners of the Company			
Share capital		435,189	435,189
Reserves		3,925,944	3,983,490
		<hr/>	<hr/>
		4,361,133	4,418,679
Non-controlling interests		262,407	317,548
		<hr/>	<hr/>
Total equity		4,623,540	4,736,227
		<hr/>	<hr/>
Total liabilities and equity		19,962,419	21,385,195
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

Citychamp Watch & Jewellery Group Limited (the “**Company**”) is a limited liability company incorporated in Cayman Islands. Its registered office address is P.O. Box 309, Ugland House, South Church Street, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is Units 1902–04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

During the year, the principal activities of the Company and its subsidiaries (together referred to as the “**Group**”) include:

- Manufacturing and distribution of watches and timepieces;
- Property investments; and
- Banking and financial businesses.

There was no significant change in the Group’s operations during the year.

The Group’s principal places of the business are in Hong Kong, Switzerland, United Kingdom, Liechtenstein and the People’s Republic of China (the “**PRC**”).

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

(a) Adoption of new or revised HKFRSs – effective 1 January 2021

In the current year, the Group has applied for the first time the following new or revised standards, amendments and interpretations (the “**new or revised HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2021:

Amendments to HKFRS 9, Interest Rate Benchmark Reform
HKAS 39, HKFRS 7, HKFRS – Phase 2
4 and HKFRS 16

Amendments to HKFRS 16 COVID-19-Related Rent Concessions

None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁴
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁴
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
Amendments to HKAS 8	Definition of Accounting Estimates ⁴
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction ⁴
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRS 3	References to Conceptual Framework ³
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ²
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRS 2018–2020 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁶

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

² Effective for annual periods beginning on or after 1 April 2022.

³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 January 2023.

⁵ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The amendments seek to promote improved accounting policy disclosures that provide more useful information to investors and other primary users of the financial statements. Apart from clarify that entities are required to disclose their “material” rather than “significant” accounting policy, the amendments provide guidance on applying the concept of materiality to accounting policy disclosures.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current

The amendments clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability.

Hong Kong Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 (2020) was revised as a consequence of the amendments to HKAS 1 issued in August 2020. The revision to Hong Kong Interpretation 5 (2020) updates the wordings in the interpretation to align with the amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting policies and changes in accounting estimates. Among other things, the amendments now define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty, and clarify that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors.

Amendments to HKAS 12, Deferred Tax Related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it does not apply to such transactions as leases and decommissioning provisions that, on initial recognition, give rise to equal taxable and deductible temporary differences. Consequently, entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on these transactions.

Amendments to HKAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRS 3 – Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to HKFRS 16 – COVID-19-Related Rent Concessions Beyond 30 June 2021

The amendment extends the time limit in one of the qualifying criteria of the practical expedient for COVID-19-related rent concessions from 30 June 2021 to 30 June 2022. As such, the use of the practical expedient is available to more rent concessions, in particular those involving reduction in lease payments originally due after 30 June 2021 but before 30 June 2022.

Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41, Annual Improvements to HKFRSs 2018–2020

The annual improvements amends a number of standards, including:

- HKFRS 9, Financial Instruments, which clarify the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The Group is in the progress of making assessments of the potential impact of these new or revised HKFRSs upon initial application.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the “**HKFRS**”) issued by the HKICPA. The consolidated financial statements also included the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

3.2 Historical cost convention

The consolidated financial statements have been prepared under historical cost basis except for investment properties and certain financial instruments, which are measured at fair value. The adoption of new or revised HKFRSs and the impacts on the Group’s consolidated financial statements, if any, are disclosed in note 2.

It should be noted that accounting estimates and assumptions are used in preparing these consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

3.3 Functional and presentation currency

The consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (“**HK\$’000**”) unless otherwise stated.

4. SEGMENT INFORMATION

The chief operating decision-maker is identified as executive directors. The executive directors have identified the Group's product and service lines as operating segments as follows:

- (a) manufacturing and distribution of watches and timepieces;
- (b) property investments; and
- (c) banking and financial businesses.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

2021

	Watches and timepieces <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Banking and financial businesses <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:					
Net interest and dividend income from banking business	–	–	94,164	–	94,164
Net service fees and commission income from banking business	–	–	223,370	–	223,370
Trading income from banking business	–	–	36,197	–	36,197
Service fees and commission income from financial business	–	–	5,900	–	5,900
Interest income from financial business	–	–	330	–	330
Sales of goods from non- banking and financial businesses	1,555,114	–	–	–	1,555,114
Rental income from non- banking and financial businesses	–	16,024	–	–	16,024
Total revenue	1,555,114	16,024	359,961	–	1,931,099
Segment results	19,002	25,423	47,808	–	92,233
Unallocated corporate income and expenses, net	–	–	–	(99,394)	(99,394)
Share of loss of joint ventures	–	–	–	(83)	(83)
Share of profit of associates	–	–	–	323	323
Finance costs	(29,760)	–	(449)	(37,142)	(67,351)
(Loss)/profit before income tax	(10,758)	25,423	47,359	(136,296)	(74,272)
Income tax expense	(18,391)	–	(11,709)	(1,004)	(31,104)
(Loss)/profit for the year	(29,149)	25,423	35,650	(137,300)	(105,376)

	Watches and timepieces <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Banking and financial businesses <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	4,698,865	211,466	14,301,170	–	19,211,501
Unallocated corporate assets:					
Interests in joint ventures	–	–	–	519	519
Interests in associates	–	–	–	113,687	113,687
Trading portfolio investments	–	–	–	48,820	48,820
Financial assets at fair value through other comprehensive income	–	–	–	497,970	497,970
Cash and deposits	–	–	–	18,529	18,529
Other unallocated corporate assets	–	–	–	71,393	71,393
Consolidated total assets	4,698,865	211,466	14,301,170	750,918	19,962,419
Segment liabilities	1,296,786	33,292	13,088,159	–	14,418,237
Unallocated corporate liabilities:					
Borrowings	–	–	–	695,188	695,188
Due to a shareholder	–	–	–	12,000	12,000
Lease liabilities	–	–	–	41,484	41,484
Other unallocated corporate liabilities (<i>note</i>)	–	–	–	171,970	171,970
Consolidated total liabilities	1,296,786	33,292	13,088,159	920,642	15,338,879
Other segment information					
Interest income and other interest income	1,517	2	211	133	1,863
Expected credit losses on trade receivables	(2,361)	–	–	–	(2,361)
Expected credit loss on other assets	(474)	(3)	(78)	(231)	(786)
Provision of expected credit losses on due from banks and customers	–	–	(593)	–	(593)
Provision for litigation risks, net	–	–	(21)	–	(21)
Provision for inventories	(29,325)	–	–	–	(29,325)
Reversal of provision for inventories	18,154	–	–	–	18,154
Depreciation and amortisation	(86,583)	–	(13,187)	(18,117)	(117,887)
Additions to non-current assets	51,511	–	151,780	–	203,291
Net surplus on revaluation of investment properties	–	12,736	–	–	12,736

Note: Other unallocated corporate liabilities mainly included amounts due to a related company and associates as at 31 December 2021.

2020

	Watches and timepieces <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Banking and financial businesses <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:					
Net interest income from banking business	–	–	128,028	–	128,028
Net service fees and commission income from banking business	–	–	196,994	–	196,994
Trading income from banking business	–	–	21,702	–	21,702
Service fees and commission income from financial business	–	–	10,721	–	10,721
Interest income from financial business	–	–	184	–	184
Sales of goods from non-banking and financial businesses	1,405,812	–	–	–	1,405,812
Rental income from non-banking and financial businesses	–	11,108	–	–	11,108
Total revenue	1,405,812	11,108	357,629	–	1,774,549
Segment results	(51,611)	16,067	22,531	–	(13,013)
Unallocated corporate income and expenses, net	–	–	–	(40,370)	(40,370)
Share of loss of joint ventures	–	–	–	(494)	(494)
Share of profit of associates	–	–	–	3,180	3,180
Finance costs	(23,863)	–	(543)	(58,550)	(82,956)
(Loss)/profit before income tax	(75,474)	16,067	21,988	(96,234)	(133,653)
Income tax expense	(18,904)	(689)	(5,026)	(557)	(25,176)
(Loss)/profit for the year	(94,378)	15,378	16,962	(96,791)	(158,829)

	Watches and timepieces <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Banking and financial businesses <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	4,775,170	196,708	15,560,071	–	20,531,949
Unallocated corporate assets:					
Interests in joint ventures	–	–	–	602	602
Interests in associates	–	–	–	113,176	113,176
Trading portfolio investments	–	–	–	29,054	29,054
Financial assets at fair value through other comprehensive income	–	–	–	464,843	464,843
Cash and deposits	–	–	–	151,882	151,882
Other unallocated corporate assets	–	–	–	93,689	93,689
Consolidated total assets	4,775,170	196,708	15,560,071	853,246	21,385,195
Segment liabilities	1,109,730	30,627	14,283,267	–	15,423,624
Unallocated corporate liabilities:					
Borrowings	–	–	–	1,125,028	1,125,028
Amount due to a shareholder	–	–	–	12,000	12,000
Lease liabilities	–	–	–	19,336	19,336
Other unallocated corporate liabilities	–	–	–	68,980	68,980
Consolidated total liabilities	1,109,730	30,627	14,283,267	1,225,344	16,648,968
Other segment information					
Interest income and other interest income	3,365	214	630	13	4,222
Expected credit losses on trade receivables	(16,960)	–	–	–	(16,960)
Expected credit loss on other assets	(826)	–	–	–	(826)
Provision of expected credit losses on due from banks and customers	–	–	(278)	–	(278)
Provision for litigation risks, net	–	–	(1,907)	–	(1,907)
Provision for inventories	(13,088)	–	–	–	(13,088)
Reversal of provision for inventories	12,819	–	–	–	12,819
Depreciation and amortisation	(121,057)	–	(21,611)	(19,205)	(161,873)
Additions to non-current assets	61,864	–	128,993	87	190,944
Net surplus on revaluation of investment properties	–	9,723	–	–	9,723

Unallocated corporate income and expenses mainly comprised dividend income from trading portfolio investments, financial assets at fair value through other comprehensive income, gain or loss on fair value changes in trading portfolio investments and other corporate income and expenses of the Group's headquarter which are not directly attributable to the business activities of any operating segment. Other corporate expenses mainly included employee costs and directors' remuneration for administrative purpose.

The Group's revenues from external customers and its non-current assets (other than financial assets and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Hong Kong	42,808	35,076	245,563	225,976
PRC	1,344,064	1,162,732	1,464,976	1,418,524
Switzerland	3,250	7,412	459,970	464,890
United Kingdom	56,735	48,968	10,661	15,184
Liechtenstein	353,731	346,724	694,301	652,561
Others	130,511	173,637	1,247	1,282
	1,931,099	1,774,549	2,876,718	2,778,417

The geographical location of revenues from watches and timepieces and property investments segment are based on the location of customers, and the geographical location of revenues from banking and financial businesses segment are based on the location of operations of the cash generating units ("CGUs").

Non-current assets (other than financial assets and deferred tax assets) include interests in joint ventures, interests in associates, property, plant and equipment, investment properties, intangible assets and goodwill. For interest in joint ventures, interest in associates, goodwill and intangible assets, the geographical location is based on the areas of operation of CGUs. The geographical location of other non-current assets is based on the physical location of the assets.

The Group has a large number of customers and there is no significant revenue that is more than 10% of the Group's revenue derived from specific external customers for the years ended 31 December 2021 and 2020.

5. REVENUE

The Group is principally engaging in manufacturing and distribution of watches and timepieces, property investments and banking and financial businesses.

For banking and financial businesses, revenue mainly comprises net interest income, net service fees and commission income and trading income (notes 5(a), 5(b), 5(c) and 5(d)). For non-banking and financial businesses, revenue mainly represents the net invoiced value of goods sold, after allowance for returns and trade discounts and rental income received and receivables. (note 5(e)).

Revenue recognised during the year is as follows:

(a) **Net interest and dividend income from banking business**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest and dividend income from banking business arising from:		
Interest income – due from banks	54,792	91,259
Interest income – due from clients	37,400	25,899
Interest income from mortgage loans	22,181	19,240
Interest income from money market papers	(585)	551
Interest income from financial assets	21,066	18,963
Dividend income from trading securities	922	–
Negative interest expense on due to clients	763	819
	<u>136,539</u>	<u>156,731</u>
Interest expenses from banking business arising from:		
Interest expense on due to banks	(42,215)	(24,437)
Interest expense on due to clients	–	(3,163)
Negative interest income on due from banks and clients	(160)	(1,103)
	<u>(42,375)</u>	<u>(28,703)</u>
Net interest and dividend income from banking business	<u>94,164</u>	<u>128,028</u>

(b) **Net service fees and commission income from banking business**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Service fee and commission income from banking business arising from:		
Commission income from loans	6,785	4,215
Brokerage fees	50,703	54,412
Custody account fees	28,703	24,714
Commission on investment advice and asset management	106,952	92,597
Commission income from service fees	41,413	39,554
Commission income from fiduciary fees	390	413
Commission income from retrocession	5,144	4,923
Other commission income	47,201	37,173
	<u>287,291</u>	<u>258,001</u>
Service fees and commission expenses from banking business	(63,921)	(61,007)
Net service fees and commission income from banking business	<u>223,370</u>	<u>196,994</u>

(c) **Trading income from banking business**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Debt instruments	25	28
Securities	183	30
Forex and precious metals	52,691	40,915
Funds	<u>(16,702)</u>	<u>(19,271)</u>
Trading income from banking business	<u>36,197</u>	<u>21,702</u>

(d) **Revenue from financial business**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Service fees and commission income	5,900	10,721
Interest income	<u>330</u>	<u>184</u>
Revenue from financial business	<u>6,230</u>	<u>10,905</u>

(e) **Revenue from non-banking and financial businesses**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sales of goods	1,555,114	1,405,812
Rental income	<u>16,024</u>	<u>11,108</u>
Revenue from non-banking business and financial businesses	<u>1,571,138</u>	<u>1,416,920</u>

6. OTHER INCOME AND OTHER NET GAINS OR LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gain on disposal of a subsidiary	–	405
Gain on fair value changes in trading portfolio investments from non-banking business, net	2,290	36,162
Loss on fair value changes in derivative financial liabilities from non-banking business	(1,647)	–
Net surplus on revaluation of investment properties	12,736	9,723
Gain on disposal of property, plant and equipment	925	531
Gain on modification of lease	7,664	–
Loss on the disposal of a subsidiary	(469)	–
Bank and other interest income from non-banking business	1,863	4,222
Dividend income from trading portfolio investments from non-banking business	11	1,417
Dividend income from financial assets at fair value through other comprehensive income	11,594	8,815
Sales of scrap materials	–	22
Other operating income	14,992	14,880
Government subsidies (<i>note</i>)	9,014	21,474
Provision of litigation risks	(21)	(1,907)
Provision of expected credit losses for due from banks and clients	(593)	(278)
Reversal of/(provision of) expected credit losses for other financial assets at amortised cost	2,014	(29,348)
Exchange (loss)/gain, net	(19,672)	27,643
Other sundry income, net	180	4,572
	40,881	98,333

Note: Government subsidies mainly comprised of unconditional subsidies received for subsidising the Group's business.

7. FINANCE COSTS FROM NON-BANKING BUSINESS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest charged on bank borrowings, bank overdrafts and other borrowings	65,182	79,456
Margin loan interests	–	109
Interest on lease liabilities	2,169	3,391
	67,351	82,956

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories recognised as expense, including:	745,224	647,405
– Reversal of provision for inventories	(18,154)	(12,819)
– Provision for inventories	29,325	13,088
Depreciation and amortisation	117,887	161,873
– Depreciation for owned assets (<i>note (a)</i>)	75,331	102,518
– Depreciation for right-of-use assets (<i>note (a)</i>)	41,820	57,571
– Amortisation of intangible assets (<i>note (b)</i>)	736	1,784
Short term lease expenses	29,050	18,014
Auditor's remuneration	4,900	4,800
Gross rental income	(16,024)	(11,108)
Less: direct operating expenses	2,280	2,080
Net rental income	(13,744)	(9,028)
Research and development expenses (<i>note (b)</i>)	39,711	24,526
Expected credit losses on other assets	786	826
Expected credit losses on trade receivables	2,361	16,960
Advertising	92,010	140,653
	<u>92,010</u>	<u>140,653</u>

Notes:

- (a) Depreciation expense of HK\$18,241,000 (2020: HK\$15,047,000) has been included in cost of sales from non-banking and financial businesses, HK\$24,902,000 (2020: HK\$58,746,000) in selling and distribution expenses and HK\$74,008,000 (2020: HK\$86,296,000) in administrative expenses.
- (b) Amortisation expenses and research and development expenses had been included in the administrative expenses.

9. INCOME TAX EXPENSE

For the year ended 31 December 2021 and 2020, Hong Kong profit tax has been provided for certain subsidiaries within the Group and is calculated at 16.5% on the estimated assessable profits (2020: 16.5%). The subsidiaries established in the PRC are subject to income taxes at tax rates ranging between 15% and 25% (2020: 15% and 25%). Overseas tax is calculated at the rates applicable in the respective jurisdictions.

The Group is also subject to PRC withholding tax at the rate of 5% (2020: 5%) in respect of dividend income derived from PRC incorporated company.

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax for the year		
Hong Kong	1,186	577
PRC	18,427	24,883
Liechtenstein	12,290	6,767
Switzerland	1,497	1,527
Over-provision in respect of prior years		
Hong Kong	(1,140)	–
Deferred tax for the year	(1,156)	(8,578)
Total income tax expense	<u>31,104</u>	<u>25,176</u>

10. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2021 (2020: Nil).

11. LOSS PER SHARE

The calculations of basic and diluted loss per share attributable to owners of the Company are based on the following data:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss		
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	<u>(100,907)</u>	<u>(169,233)</u>
	2021 Number of shares <i>'000</i>	2020 Number of shares <i>'000</i>
Number of shares		
Weighted average number of shares for the purpose of calculating basic and diluted loss per share	<u>4,351,889</u>	<u>4,351,889</u>

The diluted loss per share is the same as the basic loss per share, as the Group has no dilutive potential ordinary shares for the years ended 31 December 2021 and 2020.

12. TRADE RECEIVABLES

As at 31 December 2021, the Group's trade receivable is amounted to HK\$378,227,000 (2020: HK\$391,747,000), in which HK\$372,197,000 (2020: HK\$382,091,000) is arising from watches and timepieces business and HK\$6,030,000 (2020: HK\$9,656,000) is arising from financial business.

The Group's trading terms with its customers of watches and timepieces business are mainly on credit, except for certain customers, where payment in advance is required. The credit period is generally for a period of one to six months (2020: one to six months) for major customers. The credit term for customers is determined by the management according to industry practice together with consideration of their creditability. In view of the aforementioned and the fact that the Group's trade receivables relate to a wide range of customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

Ageing analysis of trade receivables arising from watches and timepieces business as at the reporting date, based on invoice dates, and net of provisions, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
1 to 3 months	219,217	267,893
4 to 6 months	36,300	29,796
Over 6 months	<u>116,680</u>	<u>84,402</u>
	<u>372,197</u>	<u>382,091</u>

13. INTANGIBLE ASSETS

	Supplier and distribution networks <i>HK\$'000</i>	Brand names <i>HK\$'000</i>	Patents <i>HK\$'000</i>	Trading rights <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2021					
Opening carrying amount	833	46,336	–	7,246	54,415
Amortisation	(659)	(77)	–	–	(736)
Exchange realignment	9	(1,277)	–	–	(1,268)
Closing carrying amount	<u>183</u>	<u>44,982</u>	<u>–</u>	<u>7,246</u>	<u>52,411</u>

As at 31 December 2021, intangible assets of HK\$45,165,000 (2020: HK\$47,169,000) are attributable to watches and timepieces business while intangible assets of HK\$7,246,000 (2020: HK\$7,246,000) are attributable to financial business.

14. GOODWILL

The amount of goodwill capitalised as an asset recognised in the consolidated statement of financial position, arising from business combinations, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Year ended 31 December		
Opening carrying amount	1,144,071	1,065,051
Exchange realignment	<u>7,717</u>	<u>79,020</u>
Closing carrying amount	<u>1,151,788</u>	<u>1,144,071</u>

15. TRADE PAYABLES

As at 31 December 2021, the Group's trade payable is amounted to HK\$409,555,000 (2020: HK\$360,624,000), in which HK\$286,617,000 (2020: HK\$245,246,000) is arising from watches and timepieces business and HK\$122,938,000 (2020: HK\$115,378,000) is arising from financial business.

The credit terms of trade payables arising watches and timepieces business vary according to the terms agreed with different suppliers. Trade payables to watches and timepieces business are non-interest bearing.

Ageing analysis of trade payables arising from watches and timepieces business as at the reporting dates, based on the invoice dates, is as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 to 3 months	251,146	190,025
4 to 6 months	15,994	2,200
Over 6 months	19,477	53,021
	<u>286,617</u>	<u>245,246</u>

16. BORROWINGS

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdrafts (note 16.1)	58,305	52,711
Bank borrowings (note 16.1)	1,086,830	1,512,111
Other loans (note 16.2)	31,500	–
	<u>1,176,635</u>	<u>1,564,822</u>

16.1 Bank overdrafts and bank borrowings

As at 31 December 2020, including in the bank borrowings that the syndicated loans with outstanding principal amount is HK\$732,630,000. During the year ended 31 December 2021, the Group has fully repaid the syndicated loans.

As at 31 December 2021, the amount of the Group's bank overdrafts and bank borrowings repayable within one year or on demand is HK\$867,736,000 (2020: HK\$1,554,724,000).

Based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause. Borrowings are repayable as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Borrowings payable:		
Within one year	<u>416,386</u>	<u>1,477,347</u>
In the second year	215,119	5,696
In the third to fifth year	480,543	81,779
After fifth year	<u>33,087</u>	<u>–</u>
	<u>728,749</u>	<u>87,475</u>
	<u>1,145,135</u>	<u>1,564,822</u>

The abovementioned borrowings are charged at floating rates ranging from 0% to 5.75% (2020: 0% to 5.94%) per annum.

At the reporting dates, the Group's borrowings were secured by:

- (i) corporate guarantees provided by certain subsidiaries within the Group as at 31 December 2021 and 2020;
- (ii) entire equity interest of certain subsidiaries within the Group as at 31 December 2021 and 2020;
- (iii) subordination deeds signed by the Directors of the Group as at 31 December 2021 and 2020;
- (iv) guarantee provided by the government of certain country as at 31 December 2021 and 2020;
- (v) personal guarantee provided by an non-controlling interests of a subsidiary of the Group and certain independent third parties as at 31 December 2021 and 2020;
- (vi) certain assets of the non-controlling interests of a subsidiary of the Group and certain independent third parties as at 31 December 2021 and 2020;
- (vii) a legal charge over the Group's property, plant and equipment with the carrying amount of HK\$309,573,000 (2020: HK\$310,118,000) as at 31 December 2021;
- (viii) a legal charge over the Group's certain financial assets at fair value through other comprehensive income of not less than 52,890,000 shares of Min Xin Holdings Limited as at 31 December 2021;
- (ix) a standby letter of credit with the correspondent borrowings' balances as at 31 December 2021; and
- (x) personnel guarantee provided by a director of the Company.

Certain of bank overdrafts and bank borrowings contain clause which give the banks the right at their sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations. Borrowings due for repayment after one year which contain a repayment on demand clause and are expected to be settled within one year. The carrying amounts of the bank overdrafts and bank borrowings are approximate to their fair value.

16.2 Other loans

As at 31 December 2021, other loans is unsecured, charged at 5% per annum and repayable within one year.

17. EVENT AFTER REPORTING PERIOD

On 16 December 2020, the Company entered into the sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell, and the purchaser has conditionally agreed to acquire, the shares and certain loans of the following companies (the “Transaction”):

- International Volant Limited;
- EB Brand Limited;
- Jia Cheng Investment Limited;
- Joyful Surplus International Limited;
- Sharptech International Limited;
- Unique Leader Limited; and
- Sure Best Management Limited.

On 3 January 2022, the Company received a written notice from the purchaser, in which the purchaser proposed to terminate the Transaction. The Company has entered into a termination agreement with the purchaser pursuant to sales and purchase agreement.

Details of the Transaction are set out in the Company’s announcements dated 16 December 2020, 25 March 2021, 27 June 2021, 30 September 2021 and 3 January 2022 and circular dated 25 February 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULT

For the year ended 31 December 2021, the Group recorded total revenue of approximately HK\$1,931,099,000 (31 December 2020: HK\$1,774,549,000), an increase of HK\$156,550,000 or 8.8% over 2020.

Operating expenses (including selling and distribution expenses and administrative expenses) for the year ended 31 December 2021 was approximately HK\$1,233,917,000 (31 December 2020: HK\$1,278,860,000), a decrease of HK\$44,943,000 or 3.5% over 2020.

Gross profit generated from non-banking and financial businesses for the year ended 31 December 2021 was approximately HK\$825,914,000 (31 December 2020: HK\$769,515,000), an increase of HK\$56,399,000 or 7.3% over 2020.

Gross profit generated from banking and financial businesses for the year ended 31 December 2021 was approximately HK\$359,961,000 (31 December 2020: HK\$357,629,000), an increase of HK\$2,332,000 or 0.7% over 2020.

The EBITDA for the year ended 31 December 2021 was approximately HK\$110,966,000 (31 December 2020: HK\$111,176,000), a decrease of HK\$210,000 or 0.2% over 2020.

Net loss after tax for the year ended 31 December 2021 was approximately HK\$105,376,000 (31 December 2020: HK\$158,829,000).

PERFORMANCE

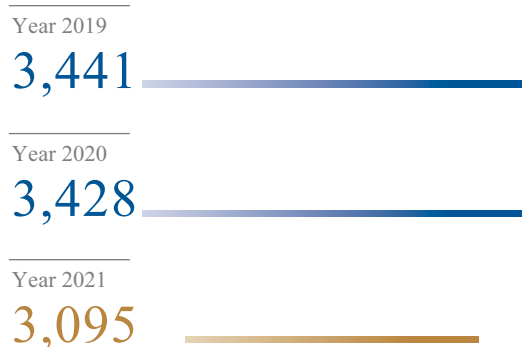
Our Group comprises three key divisions – watches and timepieces businesses, banking and financial businesses, and various investment businesses.

WATCHES AND TIMEPIECES BUSINESSES

I.A. Local Proprietary Brands

Zhuhai Rossini Watch Industry Limited

Rossini's no. of Distribution Outlets



Proportions to Rossini's total revenue by different types of sales

	31 December 2021	31 December 2020	31 December 2019
Physical stores	55.8%	54.1%	51.9%
E-commerce	41.4%	40.8%	39.5%
Other	2.8%	5.1%	8.6%

Note: Other types of sales mainly include industrial tourism and group purchase.

Rossini's Revenue Earned from E-commerce Sales



For the year ended 31 December 2021, Zhuhai Rossini Watch Industry Limited (“**Rossini**”), a 91% subsidiary of the Group, recorded revenue of HK\$597,929,000, an increase of HK\$18,282,000 or 3.1% from HK\$579,647,000 in 2020. Net profit after tax attributable to owners of the Company for the year ended 31 December 2021 was HK\$100,063,000, representing an increase of HK\$50,505,000 or 101.9%, from HK\$49,558,000 in 2020.

In the past few years, the traditional retail model of watch industry has been challenged by the ever-growing e-commerce in Mainland China. The outbreak of COVID-19 since late 2019 further intensified the existing challenges. 2021 was a year marked by aggregated spread of COVID-19. The uncertainties concerning COVID-19 development have not only affected customers, but also brought unprecedented level of disruption to the production line. To cope with this difficult time, Rossini implemented diversified sales models and flexible policies, by maintaining agility to respond to market changes, and thereby mitigate adverse effects.

The COVID-19 significantly affected the overall consumer sentiment and as a result, sales of physical stores borne the brunt of the entire outbreak. To reduce the impact from the COVID-19, Rossini firstly continued to consolidate and develop the position of physical market sales by implementing flexible policies to physical stores based on provinces, regions, and branches, strengthening the control of trade receivables, and encouraging branches to expand into shopping malls of third-tier and fourth-tier cities and so forth. Secondly, a work-from-home working pattern was adopted by Rossini to maintain a flexible and minimum level of operation to avoid unnecessary cost. Despite the challenging environment for physical sales, Rossini generated approximately 10.1% increase in physical sales revenue compared to prior year.

For the year ended 31 December 2021, e-commerce sales increased to HK\$247,381,000 from HK\$236,552,000 last year, representing an increase of HK\$10,829,000 or 4.6%. The COVID-19 raised the demand in online sales, it also introduced a higher level of market competition. However, with the effort of Rossini in e-commerce, it delivered a positive result under the ever-challenging environment.

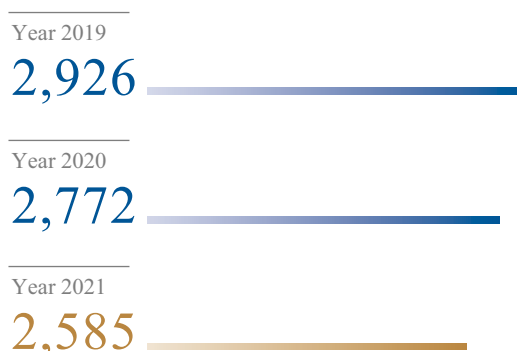
Considering the changing consumer preference, Rossini directed more focus on e-commerce and omnichannel capabilities to offset the current weak sales demand from physical stores. Specifically, it kept expanding its penetration through online distributors on leading e-commerce platforms including Taobao, Tmall, JD and Pinduoduo. In addition, the shopping preferences of Chinese consumers, especially those of the younger generation, were influenced by key opinion leaders (KOL), who spread their reviews on social media live streaming apps. Rossini’s e-commerce team seized the current trend and as a result, e-commerce livestreaming has taken off. Rossini actively explored new opportunities for engagement on popular social media platforms including Xiaohongshu, Kuaishou and Tik Tok to strengthen its brand awareness.

The ever-growing e-commerce in Mainland China has transformed the consumption behaviour of the customers. E-commerce live-streaming became more popular among consumers, especially the younger customers.

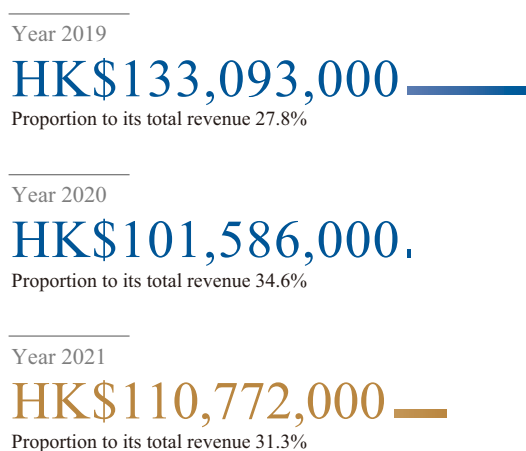
Since the outset of COVID-19, the tourism industry entered into harsh winter for a period of time. Rossini's revenue from industrial tourism was also inevitably affected. Throughout the year of 2021, the number of tourists was approximately 40,000 (2020: 50,000), and revenue from which was approximately HK\$3,792,000 (2020: HK\$4,834,000), representing a decrease of approximately 21.6% over the prior year. The performance is expected to be recovered when the COVID-19 is over. In order to better face future competition, Rossini makes use of the current time to design more specific events, i.e. talks, seminars and workshop, and provides more internal trainings to the tourists guides as a further development of its industrial tourism strategy.

EBOHR Group

EBOHR's no. of Distribution Outlets



EBOHR's Revenue Earned from E-commerce Sales



EBOHR Group is composed of EB Brand Limited, EBOHR Luxuries International Limited (“EBOHR”), Shenzhen EBOHR Luxuries Online E-commerce Co., Ltd., PAMA Precision Manufacturing Limited and Shenzhen EBOHR PAMA Sales Co., Ltd.

Revenue from watches and timepieces business of EBOHR Group for the year ended 31 December 2021 was HK\$353,750,000, an increase of HK\$59,816,000 or 20.4%, from HK\$293,934,000 in 2020. Net profit after tax from watches and timepieces business for the year ended 31 December 2021 was HK\$3,959,000, compared with net loss after tax of HK\$29,322,000 in 2020.

Apart from watches and timepieces business, EBOHR Group’s investment properties also contributed rental income and net profit of HK\$7,273,000 during the year ended 31 December 2021 (31 December 2020: HK\$4,401,000) which was recorded in property investment segment result.

The rise in profits was mainly attributable to several reasons. Firstly, EBOHR stepped up its efforts to stimulate consumption, resulting in the increase in sales volume greater than the drop in unit price. Secondly, affected by the decline in the exchange rate of the US dollar, EBOHR incurred exchange losses on the transaction amount (HKD) with the parent company, but the losses was smaller than that in 2020. Thirdly, since the outbreak of COVID-19, EBOHR has been actively adjusting the sales direction, conducting clearly defined assessments and management on business outlets. EBOHR discontinued some outlets with unsatisfactory performance. Around 200 physical stores were closed, the sales expenses, including remuneration of sales persons, expenses of commercial centers and advertising costs, thus decreased.

Apart from COVID-19, the emergence of the smartwatch industry has deeply eroded the market share of the traditional watch industry, resulting in a tougher market environment for the traditional watch industry. All have brought unprecedented negative impact to the company’s overall strategic deployment and business plan. To contain such impact, EBOHR on the one hand continues to optimize its existing product lines to maintain competitiveness, on the other hand it deploys more focus on the research and development team, aiming to reinforce its ability in better product design.

Regarding e-commerce, the retail sales in 2021 are broadly in line with the prior year, causing downward pressure on overall sales. For the year ended 31 December 2021, the e-commerce sales increased to HK\$110,772,000 from HK\$101,586,000 last year, representing an increase of HK\$9,186,000 or 9.0%. The retail sales of the three major platforms, Tmall, JD.com, and Vipshop, declined sharply, which was covered by the increased sales mainly from the expansion of third-party platforms. The performance of EBOHR’s e-commerce has improved due to the overall downward trend on promotion cost of e-commerce, which dropped by 27% compared with 2020. Among them, the cost of Tmall and JD dropped significantly, but the entire cost rate was still very high.

2021 coincides with the 30th anniversary of the EBOHR brand. Combined with new product launches, festival promotions, hot events, etc., EBOHR carried out omni-marketing that spanned the whole year. The 30th anniversary marketing events, as a whole, met our expectations, boosted sales confidence and sales performance internally, strengthened brand recognition and brand image externally, and deepened brand influence. These integrated marketing events also enriched our experience and provided the Group with the incubator of future direction to explore.

In the coming year, EBOHR will carefully consider a more stringent control on the number of POS, and actively try to package stores, develop shopping malls, and chain channels according to the company's own positioning. In terms of brand building, EBOHR will seek to gain an in-depth understanding of the customer base, refine its positioning, and offering new ways of connection through new distribution channels for the new generation, such as Xiaohongshu grass, Tik Tok search, etc. dedicating push in the shoppertainment and the e-commerce sales through driving stronger engagement with younger clients.

I.B. Foreign Proprietary Brands

Ernest Borel Holdings Limited

The Group held 64.08% equity interest in Ernest Borel Holdings Limited (“**Ernest Borel**”, together with its subsidiaries, the “**Ernest Borel Group**”) as at 31 December 2021.

For the year ended 31 December 2021, Ernest Borel Group recorded revenue of approximately HK\$143,671,000, representing an increase of HK\$27,428,000 or 23.6% over HK\$116,243,000 in 2020. Net loss after tax attributable to the owners of the Company was HK\$22,433,000, representing a increase of HK\$17,788,000 or 382.9% over HK\$4,645,000 in 2020.

Mainland China remains as the core market of the Ernest Borel Group. Revenue from Mainland China was approximately HK\$136,830,000 for the year ended 31 December 2021, accounting for approximately 95.2% of its total revenue.

The extensive distribution network of the Ernest Borel Group covers retail markets in Mainland China, Hong Kong, Macau and Southeast Asian countries. As at 31 December 2021, Ernest Borel Group had more than 825 POS (31 December 2020: 804), comprising around 715 POS in Mainland China, around 45 POS in Hong Kong and Macau, and 65 POS in other countries mainly in Southeast Asia and European.

During 2021, the outbreak remained the main challenges to the performance of Ernest Borel, especially in late 2021. The recurring rebound in infection rate imposed a greater interruption to the traditional retail market, resulting in lower customer consumption and affecting the performance. To reduce the impact of the COVID-19 on revenue, Ernest Borel Group applied different strategies. It optimized the pricing structure of watches, marking appropriate downward adjustment on prices to capture market share of Swiss watches at different price levels. At the same time, it also optimized the customer profit margins by adjusting the supply chain, and reducing costs. Strong efforts of Ernest Borel eventually posted a slightly increase in physical stores revenue.

To adapt rapidly to the accelerated growth of e-commerce, Ernest Borel Group launched a series of marketing activities with the new brand spokespersons to fuel online and offline sales in Mainland China. However, as the cost from e-commerce platform still at a high level, there is still room for Ernest Borel to improve e-commerce performance in future. As at 31 December 2021, sales revenue from Ernest Borel increased by approximately 48% compared to prior year.

Although there was an increase in sales revenue, the progression has not yet reached a satisfactory level. The decrease in profits was mainly due to impairment and provisions. In addition, operating cost of Ernest Borel returned to normal level to enhance its marketing strategy. Given that the cost increment was far more than the revenue, the profits therefore declined. Despite the challenging economic environment, the evidence of sales improved showing that Ernest Borel was now on the right direction to success.

Other Foreign Proprietary Brands

Collectively, Corum, Eterna and The Dreyfuss Group Limited (the “**Dreyfuss Group**”) contributed revenue and net loss after tax for the year ended 31 December 2021 of HK\$194,054,000 (31 December 2020: HK\$171,521,000) and HK\$82,826,000 (31 December 2020: HK\$128,128,000), respectively.

Asia, Europe and the US have been the major markets for Corum. Asian and European market sales represented around 78% of the turnover of Corum. COVID-19 affected adversely the overall sales performance of Corum for the year 2020. The shutdown of international tourism created obstacles to sales of luxury goods, including watches. However, there was an unexpected fast recovery for Swiss watch exports in 2021. The return to pre-crisis levels and positive performance in the fourth quarter 2021 produced the best-ever annual results for the watchmaking industry. Since the adverse effect of COVID-19 has been under control by the increasingly high worldwide vaccination, the activity and the results in the second half of 2021 have been driven up. The revenue of Corum got 8% increase in 2021 when compared with the previous year.

With beginning of the general lockdowns, Corum had taken “Asset Management” strategy to minimise the negative impact. Firstly, the management adopt a “less is more” approach, by reduction of the point of sales, product re-positioning, brand value promotion and more stringent cost control, it successfully improved the margin. Corum revised all the contracts to cut drastically the operational expenses, which have been reduced in 2021 by 20% compared to 2020. Secondly, the entire inventory of Corum was reduced. The Asset Management strategy enabled Corum to effectively allocate and transfer existing pieces to clients, resulting in a 7% decreasing in inventory level in 2021 and reach an improved performance. Thirdly, the new management closely monitored the level of account receivables and its collection. By active collection of old overdues and readjustment of old contracts, Corum made a great effort on minimizing the risk of bad debt. To cope with this difficult time, Corum also applied the Swiss COVID-19 loan, an eight-years loan without interests, from the government to subsidise the loss from the pandemic.

Chinese consumers are considered to be the main contributors to the growth in demand for the luxury goods over the next five years. Corum hence focused on China markets in 2021 and expected to set up some local event, dedicated to these markets.

The performance for the year ended 31 December 2021 basically reach the management’s expectation, especially at the end of year. With the recovery of market demand, it is believed that Eterna would achieve positive result soon.

Eterna’s strongest markets remained in Europe. There was a trend of growing interest in both Asia and Greater China market Eterna entered.

UK is the Dreyfuss Group’s largest single market, representing 81% of its revenue for the year ended 31 December 2021. With the COVID-19 still continuing in 2021, Dreyfuss Group recorded sales growth with lower costs over 2020, resulting in a profit in 2021, compared with a loss in previous year.

Though lockdowns were eased in 2021, but high street confidence remained slim. High street retailers, which comprises the majority of UK sales, still remain to under perform. The closure of UK stores has continued over the last few years, therefore customer strategy of Dreyfuss Group has been redirected to online stores wherever possible.

The Dreyfuss Group’s key strategy in 2021 was to continue to increase profitability by continuing to review policies and relationships with customers, raising the online presence and marketing output, and minimizing the cost to reduce the adverse effect of COVID-19 situation. The Group focused resources on profitable sales growth opportunities in key markets, particularly through the distributor network, with increased use of cash in advance for the smaller markets.

The Group has developed a new website which is developed for sales of its own watches. Sales have increased with this new website due to its ease-of-use for customers and administrators. Social media follower of the Group increased by 22% and the brand awareness and corporate image amongst new and existing audiences grew as the Dreyfuss Group launched a two-year watch partnership with Prostate Cancer UK. This campaign together with the new website helped lead to an increase in new acquisitions on Rotarywatches.com of 68% in 2021 vs 2020.

The Dreyfuss Group continues its efforts in developing the international market in order to reduce its reliance in the UK market. Brexit finally officially took place in January 2021 and resulted in increased duty and legal costs. Despite this, there is still an increase in number of point of sales in Europe during 2021 as it is the key market of the Dreyfuss Group. Due to Brexit, Germany is planned to be the centre of EU trade, with all EU trade to be performed within the German branch. Negotiations are already underway and approaching final stage.

Backed by our competitive strengths and deep understanding of the needs of our customers, we will redeploy our resources to realize gains in efficiency and synergy and will build on the good progress we have made to provide long-term value.

1.C. Non-Proprietary Brands

Currently, the Group holds four distribution companies. Collectively, distribution companies contributed revenue and net profit after tax for the year ended 31 December 2021 of HK\$231,594,000 (31 December 2020: HK\$216,220,000) and HK\$2,249,000 (31 December 2020: HK\$3,093,000) respectively.

I.D. Watches and Timepieces Business – Others

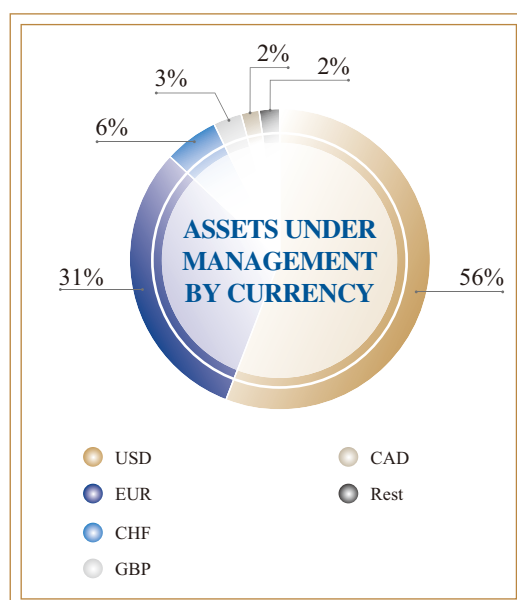
Other non-major subsidiaries of the Group are also engaged in other non-major categories of watches and timepieces businesses, which collectively contributed revenue and net loss after tax for the year ended 31 December 2021 of HK\$34,116,000 (31 December 2020: HK\$28,247,000) and HK\$29,458,000 (31 December 2020: HK\$14,882,000), respectively.

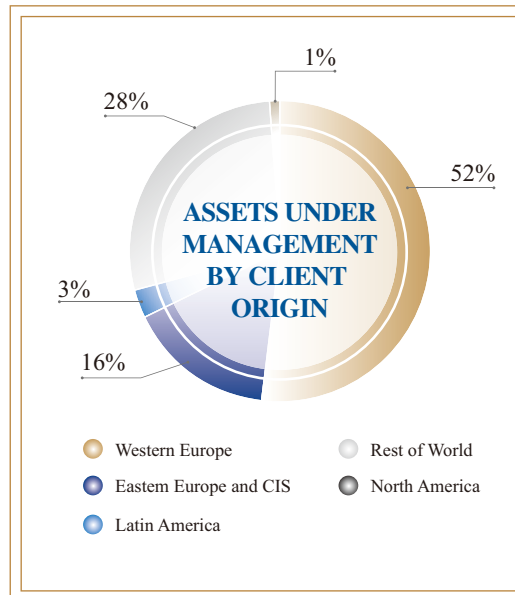
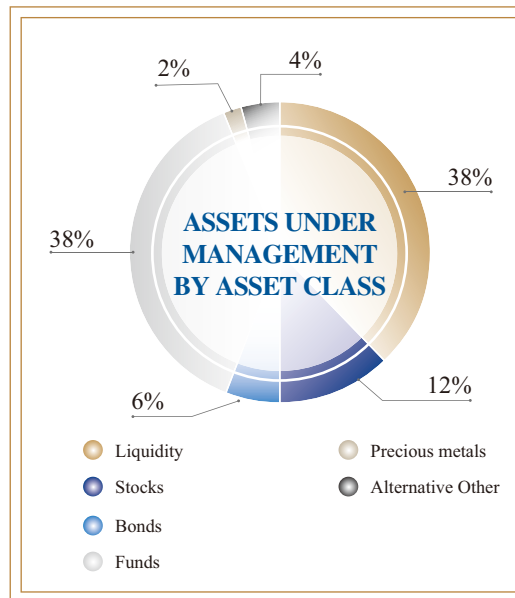
BANKING AND FINANCIAL BUSINESS

II.A. Bendura Bank AG

Assets Under Management

For the year ended	CHF'000,000
31 December 2019	3,672
31 December 2020	3,686
31 December 2021	4,050





Revenue of Bendura Bank AG (“**Bendura Bank**” or the “**Bank**”) and its subsidiaries (the “**Bendura Group**”) for the year ended 31 December 2021 was HK\$353,731,000, an increase of HK\$7,007,000 or 2.0% from HK\$346,724,000 over 2020. Net profit of the Bendura Group after tax attributable to owners of the Company for the year ended 31 December 2021 was HK\$30,602,000, compared with net loss after tax of HK\$3,633,000 in 2020. The positive result was due to recovery of economic growth and success in transitioning from transactional banking to wealth management services.

During 2021, the Bank continued to face low interest rates in Swiss Francs and Euros. Despite a further expansion of the credit volume, net interest income fell from HK\$128,028,000 in 2020 to HK\$94,164,000.

Income from commission and service fee activities of the Bank recorded HK\$223,370,000, showing an increase of 13.4% over the previous year.

Client's assets under management of the Bank grew by CHF0.4 billion year on year, ending at CHF4.1 billion in 2021. The increase was mainly due to a pleasing net new money inflow of CHF81.59 million.

Due to increased income from foreign exchange transactions for clients on one hand and another negative valuation adjustment of an investment in the trading portfolio on the other hand, the Bank's income from financial transactions amounted to HK\$36,197,000 million, about HK\$14,495,000 higher than the previous year.

Operating expenses of the Bank amounted to HK\$304,052,000 million, representing a decrease of 2.0% compared to prior year, primarily due to lower personnel costs.

The positive result in 2021 enables the Bank to strengthen equity by CHF2.5 million after planned profit distribution. The total capital ratio of the Bank continued to be at an above-average level for the banking industry.

Bendura Bank has taken various measures in the wake of the COVID-19. The Bank has successful in transition from transactional banking to wealth management services despite: (a) low interest rate environment in USD/GBP and negative interest rate environment in Euro/Swiss, (b) newly introduced of regulations and increasing due diligence. This transition sets up the foundation for further growth of the Bank.

In 2021, Bendura Group disposed 100% of its equity interest in its subsidiary, namely Bendura Fund Management Alpha AG as part of a restructuring measure. Since then, the entire fund management business in Bendura Group is focused on the subsidiary, Bendura Fund Management Beta AG. Bendura Fund Management Beta AG offers a complete set of offering of fund type with "Alternative Investment Fund" (AIF) and its range of services extends from consulting and structuring to the establishment and operation of AIF in its capacity as a state-licensed "Alternative Investment Fund Manager" (AIFM).

To safeguard and help employees navigate the health crisis, the Bank introduced remote working policy. Almost all employees had the option to work from home. This provides the highest level of assurance for business and operation continuity in the safest condition and to remain uninterrupted by future pandemic developments. Almost all employees could work from home if desired. Regardless of future pandemic developments, the operation of all banking processes was ensured at the highest level "Business as usual". E-banking has been upgraded with optimized interface design and QR scanner for fast payments processing.

As an innovative private bank, Bendura Bank continues to grow organically with regionally-focused mandates and advisory services for clients. The Bank may also forged strategic partnership with external asset manager, which showed interest to profit from the Bank's emerging market expertise, especially the Asian Dragon mandates as one of the current new investing portfolio of the Bank.

The Bank continued to record growth in net new money inflows during 2021, which demonstrated strong growth potentials. The global economy is expected to continue to recover in 2022. The Bank will closely monitor further developments to ensure seamless service and business operations for clients. The Bank aims to keep its capital and liquidity levels stable and resilient.

II.B Shun Heng Finance Holding (Hong Kong) Limited

The Group currently conducts securities and asset management businesses supported by Shun Heng Finance Holding (Hong Kong) Limited (“**Shun Heng Finance Holding**”), which is 60% owned by the Group. It comprises Shun Heng Securities Limited and Hong Kong Metasequoia Capital Management Limited.

For the year ended 31 December 2021, Shun Heng Finance Holding contributed revenue and net loss after tax attributable to owners of the Company of HK\$6,230,000 (31 December 2020: HK\$10,905,000) and HK\$420,000 (31 December 2020: profit of HK\$4,535,000) respectively.

Shun Heng Securities Limited

Shun Heng Securities Limited (“**Shun Heng Securities**”), a corporate licensed to conduct Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (the “**SFO**”), is mainly engaged in securities brokerage and margin businesses.

In addition to the traditional brokerage business, Shun Heng Securities has actively seek opportunities to grow through underwriting business for overseas bonds issued by Chinese enterprises. During 2021, Shun Heng Securities assisted in the completion of three private equity US dollar bond underwriting projects and one stock underwriting project. As at the end of 2021, Shun Heng Securities has successfully underwritten various bond projects with a cumulative amount of over US\$1 billion, achieving brand awareness in Hong Kong Financial Market.

Hong Kong Metasequoia Capital Management Limited

Hong Kong Metasequoia Capital Management Limited (“**Metasequoia Capital**”), a corporate licensed to conduct Type 4 (advisory on securities) and Type 9 (asset management) regulated activities under the SFO, is mainly engaged in asset management business.

Metasequoia Capital has launched two funds since its inception, namely Global Opportunities Fund and Stable Growth Fund. Global Opportunities Fund invests mainly in securities markets in Mainland China, Hong Kong and the US, with assets under management ranging from US\$10.24 million initially to approximately US\$14.32 million as at 31 December 2021. The Stable Growth Fund, launched in 2019, invests in domestic RMB bond and its assets under management reached approximately US\$6.23 million as at 31 December 2021. As at 31 December 2021, the aggregate assets under management of Metasequoia Capital was approximately US\$20,556,000 (31 December 2020: US\$18,720,000).

III.A Listed Equity Investment

(1) Citychamp Dartong Company Limited

As at 31 December 2021, financial assets at fair value through other comprehensive income of the Group was HK\$504,117,000. HK\$147,133,000 was related to the listed equity investment in the equity share of Citychamp Dartong Company Limited (“**Citychamp Dartong**”). Citychamp Dartong is a company listed on the Shanghai Stock Exchange (Stock code: 600067) and engaged in real estate, enameled wire, banking and new energy. As at 31 December 2021, the Group owned 30,389,058 shares of Citychamp Dartong at the market price of RMB3.95 per share (equivalent to HK\$4.84 per share) with the fair value of HK\$147,133,000. The shares held by the Group accounted for 2.04% of the total issued share capital of Citychamp Dartong as at 31 December 2021. Such fair value accounted for 0.7% of the Group’s total assets.

The Group incurred a net gain on fair value change through other comprehensive income in investment in Citychamp Dartong of HK\$15,497,000 for the period ended 31 December 2021, as a result of increase in the share price of Citychamp Dartong from RMB3.65 (equivalent to HK\$4.33) as at 1 January 2021 to RMB3.95 (equivalent to HK\$4.84) as at 31 December 2021. The Group recognized dividend income of HK\$2,779,000 from Citychamp Dartong for the year ended 31 December 2021.

Due to healthy dividend yield and price appreciation, this will be the Group’s long-term investment. We are optimistic about the future prospects of the Citychamp Dartong. Given its substantial land bank reserves for development and profitability of certain business segments.

(2) *Min Xin Holdings Limited*

Investment in Min Xin Holdings Limited (“**Min Xin**”) (Stock code: 222) was measured at fair value through other comprehensive income. The Company intends to hold the investment on a long-term basis.

Min Xin is a company engaged in financial services, securities trading, real estate development, toll road and manufacturing. As at 31 December 2021, the investment in Min Xin was HK\$350,837,000, i.e. 88,150,000 shares at the market price of HK\$3.98 per share as at 31 December 2021. Such fair value of the investment accounted for 1.8% of the Group’s total assets. The shares held by the Company accounted for 14.76% of the total issued share capital of Min Xin as at 31 December 2021.

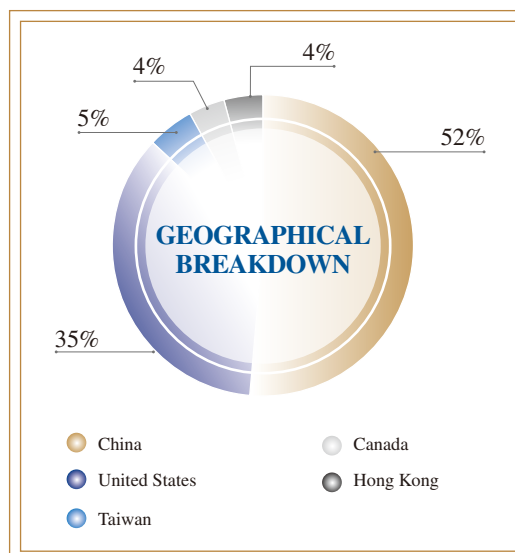
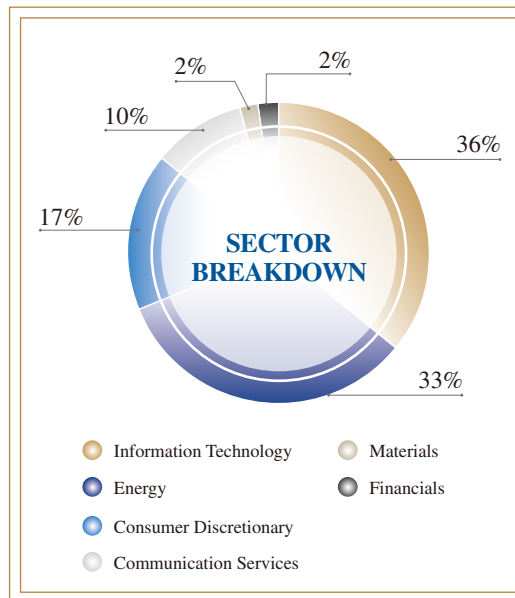
The Company incurred a net gain on fair value change in Min Xin’s investment of HK\$17,630,000 for the period ended 31 December 2021 (31 December 2020: net gain of HK\$51,127,000), as a result of increase in the share price of Min Xin from HK\$3.78 as at 1 January 2021 to HK\$3.98 as at 31 December 2021. For the year ended 31 December 2021, the Company’s dividend income from Min Xin was HK\$8,815,000.

III.B Property Investment

The properties in Mainland China and Hong Kong owned by the Group have been leased out, with stable stream of rental income to the Group for the year under review. During the year, these investment properties generated rental income of HK\$16,024,000 (31 December 2020: HK\$11,108,000). Net profit after tax from the property investment business for the year ended 31 December 2021 was HK\$25,423,000 (31 December 2020: HK\$15,378,000).

III.C Other Marketable Securities

The Group has acted as the founder investor and invested USD5.12 million in “Metasequoia Investment Fund SPC – Global Opportunities Fund SP” (the “**Fund**”) since 15 August 2017 in order to facilitate establishing the fund management business with an initial capital of USD10.24 million and the rest of the fund was subscribed by other investors with the capital of USD5.12 million. As of 31 December 2021, the total net asset value of the Fund was USD14.18 million, which composed by USD2.58 million and USD11.60 million for the Group and other inventors respectively. The composition of investments in the Fund were approximately 36.10% in information technology, 33.38% in energy, 17.27% in consumer discretionary, 10.00% in communication services, 1.69% in materials and the rest 1.56% in financial sector. Geographically, the Fund invested in companies of origin were approximately 52.21.% in Mainland China, 35.58% in the US, 4.55% in Taiwan, 3.90% in Canada and the remaining 3.77% in Hong Kong. For the year ended 31 December 2021, the unrealized loss on fair value of the investment was approximately USD326,050.



HEADQUARTER AND OTHERS

Losses from administrative expenses, finance costs and income tax of the headquarter and other non-major subsidiaries and/or non-major categories of businesses for the year ended 31 December 2021 was HK\$128,066,000 (31 December 2020: HK\$61,187,000).

FINANCIAL POSITION

(1) Liquidity, Financial Resources and Capital Structure

As at 31 December 2021, the Group had non-pledged cash and bank balances of approximately HK\$6,531,968,000 (31 December 2020: HK\$5,612,645,000). Based on the borrowings of HK\$1,176,635,000 (31 December 2020: HK\$1,564,822,000), due to a shareholder of HK\$12,000,000 (31 December 2020: HK\$12,000,000), due to directors of HK\$73,515,000 (31 December 2020: HK\$21,233,000), and shareholders' equity of HK\$4,361,133,000 (31 December 2020: HK\$4,418,679,000), the Group's gearing ratio (being borrowings plus due to a shareholder and directors divided by shareholders' equity) was 28.9% (31 December 2020: 36%).

(2) Charge on assets

As at 31 December 2021, the Group's borrowings were mainly secured by:

- (a) corporate guarantees provided by certain subsidiaries within the Group;
- (b) equity interest of certain subsidiaries within the Group; and
- (c) a legal charge over the Group's property, plant and equipment with the carrying amount of HK\$309,573,000 (2020: HK\$310,118,000).

(3) Capital commitment

Capital commitments as at 31 December 2021 were approximately HK\$270,000,000 in total (31 December 2020: HK\$270,000,000), for investment in an associate – Citychamp Allied International Limited and purchase of property, plant and equipment.

Except for the above, the Group had no other material capital commitments as at 31 December 2021.

FINANCIAL REVIEW

(1) Total assets

Total assets decreased to HK\$19,962,419,000 as at 31 December 2021 from HK\$21,385,195,000 as at 31 December 2020.

Cash and deposits

	31 December 2021 HK\$'000	31 December 2020 HK\$'000	Increase/(decrease) Amount HK\$'000	%
Cash and bank balances	107,175	303,644	(196,469)	(64.7)
Cash held on behalf of clients	122,339	110,985	11,354	10.2
Sight deposits with central banks	6,302,454	5,198,016	1,104,438	21.2

Due from banks

	31 December 2021 HK\$'000	31 December 2020 HK\$'000	Increase/(decrease) Amount HK\$'000	%
Due from banks on a daily basis	1,830,121	5,229,597	(3,399,476)	(65.0)
Due from banks other claims	204,332	238,021	(33,689)	(14.2)
Valuation adjustments	(262)	(1,358)	(1,096)	(80.7)

(2) Investments

The investment as at 31 December 2021 included (a) trading portfolio investments of HK\$86,130,000; (b) derivative financial assets of HK\$34,608,000; (c) financial assets at amortised cost of HK\$1,852,934,000; and (d) financial assets at fair value through other comprehensive income of HK\$504,117,000 (the “Investments”).

(a) Trading portfolio investments of HK\$86,130,000

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Equity Instruments		
Listed equity instruments in Hong Kong at market value	626	649
Listed equity instruments outside Hong Kong at market value	3,944	4,522
Total equity instruments	4,570	5,171
Debt instruments		
Unlisted debt instruments of financial institutions	7,234	12,938
Total debt instruments	7,234	12,938
Investment fund units		
Unlisted investment fund unit	67,780	55,843
Total investment fund units	67,780	55,843
Investments in other financial products	6,546	6,358
Total trading portfolio investments	86,130	80,310

It is the objective of the Group to maintain certain level of liquidity in the form of trading portfolio investments for unplanned capital expenditure. The liquidity is usually parked with the listed equities in order to generate short term return.

As at 31 December 2021, there were HK\$626,000 invested in a variety of listed equities in Hong Kong and HK\$3,944,000 invested in Mainland China and overseas markets.

The debt instruments of HK\$7,234,000 invested in the Mainland China by PRC company.

Trading assets of CHF1.1 million (equivalent to HK\$9,558,000) represents the single investment by Bendura Bank in the form of an unlisted investment fund. Bendura Bank acquired above trading assets from a professional counterparty in March 2019. The investment policy of Bendura Bank AG includes strict implementation of the investment process and is subject to constant review by the investment committee.

Investments in other financial products consist of the financial product investments of HK\$6,546,000 invested by Eternal Brands.

(b) Derivative financial assets of HK\$34,608,000

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Derivative financial assets		
Forward and option contracts	<u>34,608</u>	<u>29,224</u>

In the derivative financial assets of HK\$34,608,000, there were forward and option contracts conducted by Bendura Bank.

Bendura Bank offers derivative products including currency forwards and swaps to its clients. These derivative positions were managed through entering back-to-back deals with external parties to ensure that remaining exposures are within acceptable risk levels. First-rate banks serve as counterparties, as is generally the case in trading business. It is not the objective of Bendura Bank to speculate the gain on the change in the price by conducting forward and option contracts without having invested in the underlying assets.

As at 31 December 2021, forward contracts of HK\$34,608,000, whereof HK\$7,688,000 relate to FX swaps entered by Bendura Bank. Based upon risk/return considerations, client deposits denominated in foreign currencies were, in part, no longer invested on the interbank market but were swapped into Swiss francs or Euro using currency swaps and deposited with the Swiss National Bank (SNB) and Austrian National bank (OenB) accordingly. Income from the interest component of currency swaps exceeded the expense of SNB/OenB negative interest and the reduced level of interest from banks.

At as 31 December 2020, derivative financial assets of HK\$29,224,000 related to forward and option contracts conducted by Bendura Bank.

(c) *Other financial assets at amortised cost of HK\$1,852,934,000*

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Listed debt instruments, at amortised cost		
<i>Issued by:</i>		
Governments and public sector	334,076	84,447
Financial institutions	1,014,986	1,053,351
Corporations	503,872	312,088
	<u>1,852,934</u>	<u>1,449,886</u>

BENDURA BANK AG invested in listed debt instruments issued by government and public sector, financial institutions and corporations amounting to HK\$1,852,934,000. The portfolio was composed of 90 listed debt instruments with different maturity, geography, segment and currency and hence, diversification is ensured. Almost all listed debt instruments were considered upper-medium-grade and are subject to low credit risk. The average remaining term of the HTM portfolio is 1.95 years, while the modified duration of the portfolio is only 1.70%. Largest single investments are bonds issued by UK Treasury Bill (CHF15 million) and ESM Treasury Bill (CHF13 million). Both issuers are double-A rated. Risk concentration is analyzed and presented to the senior management on a monthly basis.

Relatively major listed debt instruments as at 31 December 2021 are as follows:

Issuer	Nature of interest rate	Sector	Maturity date	Value (CHF'000)
Deutsche Bank Ag	Floating	Financial corporations	16 May 2022	7,267
Bank Of Nova Scotia	Floating	Financial corporations	05 October 2022	7,802
Abn Amro Bank Nv	Floating	Financial corporations	19 July 2022	7,310
Amazon.Com Inc	Fixed	Corporations	12 May 2026	7,198
Dbz Bank Ltd	Fixed	Financial corporations	26 October 2026	9,082
Henkel Ag & Co Kga	Fixed	Corporations	17 November 2026	7,237
Intl Bk Recon & Develop	Fixed	Financial corporations	19 March 2024	9,441
Uk Treasury Bill Gbp	Zero Coupon	General governments	21 March 2022	14,806
Esm Tbill	Zero Coupon	General governments	10 March 2022	13,496
Others				133,285
Total				216,924
HKD Equivalent to (<i>in '000</i>)				1,852,934

Collectively, listed debt instruments, at amortised cost accounted for 9.3% of the Group's total assets.

As at 31 December 2020, Bendura Bank invested in listed debt instruments issued by government and public sector, financial institutions and corporations amounting to HK\$1,449,886,000, the portfolio was composed of 79 listed debt instruments with different maturity, geography, segment and currency and hence, diversification is ensured. Almost all listed debt instruments were considered upper-medium grade and are subject to low credit risk. Largest single investments are bond issued by European Investment Bank (CHF11 million) and followed by International Bank for Reconstruction and Development (CHF9 million). Both are triple-A issuers. Risk concentration is analyzed and presented to the senior management on a monthly basis.

Relatively major listed debt instruments as at 31 December 2020 are as follows:

Issuer	Nature of interest rate	Sector	Maturity date	Value (CHF'000)
Bank of Montreal	Fixed	Financial corporations	22 December 2023	5,000
China Merchants Bank/Lux	Fixed	Financial corporations	19 June 2022	5,407
Abn Amro Bank Nv	Floating	Financial corporations	19 July 2022	7,071
Deutsche Bank Ag	Floating	Financial corporations	16 May 2022	7,566
Bank of Nova Scotia	Floating	Financial corporations	5 October 2022	8,166
Intl Bk Recon & Develop	Fixed	Financial corporations	19 March 2024	8,830
European Investment Bank	Floating	Financial corporations	24 March 2021	10,608
Others				<u>112,391</u>
Total				<u>165,039</u>
HKD Equivalent to (in '000)				<u><u>1,449,886</u></u>

(d) *Other financial assets at fair value through other comprehensive income of HK\$504,117,000*

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Listed equity instruments in Hong Kong	350,837	333,207
Listed equity instruments outside Hong Kong	147,133	131,636
Unlisted equity investment	6,147	5,951
	<u>504,117</u>	<u>470,794</u>

Listed equity instruments of HK\$147,133,000 related to investment in Citychamp Dartong and HK\$350,837,000 related to investment in Min Xin. Details of investments in Citychamp Dartong and Min Xin are set out from page 39 to 40 of this announcement.

(3) **Goodwill and Intangible assets**

(a) *Goodwill*

Goodwill is arising from business combinations, and capitalised as assets in the consolidated statement of financial position. The Group engages professional valuer to conduct impairment testing on individual cash generating units (“CGUs”) every financial year. As at 31 December 2021, the net carrying amount of goodwill was HK\$1,151,788,000 (As at 31 December 2020: HK\$1,144,071,000), which mainly composed of the following CGUs:

		31 December 2021 HK\$'000	31 December 2020 HK\$'000
	Segment		
Zhuhai Rossini Watch Industry Limited	Watches and timepieces	670,859	649,530
Bendura Group	Banking Business	262,086	269,549
Ernest Borel Group	Watches and timepieces	215,763	221,912
Others		3,080	3,080
		<u>1,151,788</u>	<u>1,144,071</u>
Total		<u>1,151,788</u>	<u>1,144,071</u>

The increase in Goodwill was solely due to the exchange rate difference between foreign currencies and Hong Kong Dollar as at 31 December 2020 and 31 December 2021 respectively.

(b) *Intangible assets*

Intangible assets are arising from business combinations, and capitalised as assets in the consolidated statement of financial position. They included supplier and distribution networks, brand names, patents and trading rights. As at 31 December 2021, the net carry amount of intangible assets was HK\$52,411,000 (As at 31 December 2020: HK\$54,415,000), which allocated to the following category:

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Supplier and distribution networks	183	833
Brand Names	44,982	46,336
Trading Rights	7,246	7,246
Total	<u>52,411</u>	<u>54,415</u>

Brand name with indefinite useful lives amounted to HK44,982,000 are attributable to the CGU of Ernest Borel Group and the increase in the value of brand names was solely due to the exchange rate difference between foreign currency and Hong Kong Dollar as at 31 December 2020 and 31 December 2021 respectively.

(4) **Total liabilities**

Total liabilities decreased to HK\$15,338,879,000 as at 31 December 2021 from HK\$16,648,968,000 as at 31 December 2020, mainly attributable to an increase in due to clients.

Due to clients

	31 December 2021 HK\$'000	31 December 2020 HK\$'000	Increase/(decrease) Amount HK\$'000	%
Due to clients – precious metals	121,250	130,119	(8,869)	(6.8)
Other amounts due to clients, mainly bank deposits	<u>12,629,042</u>	<u>13,835,358</u>	<u>(1,206,316)</u>	<u>(8.7)</u>

(5) Gross profit from non-banking and financial businesses

Gross profit from non-banking and financial businesses was HK\$825,914,000, a increase of HK\$56,399,000, or 7.3%.

(6) EBITDA

EBITDA was HK\$110,966,000, a decrease of HK\$210,000 or 0.2%.

(7) Selling and distribution expenses

Total selling and distribution expenses was HK\$535,895,000, a decrease of HK\$14,533,000 or 2.6%.

(8) Administrative expenses

Total administrative expenses was HK\$698,022,000, a decrease of HK\$30,410,000 or 4.2%.

(9) Share of profit of associates

The share of profit of Fair Future Industrial Limited (“**Fair Future**”), a 25% owned associate of the Group, was HK\$323,000, representing a decrease of HK\$2,857,000 or 89.8%. Fair Future is one of the leading OEM quartz watch manufacturers in Mainland China.

(10) Finance costs from non-banking business

Finance costs from non-banking business was HK\$67,351,000, representing a decrease of HK\$15,605,000 or 18.8%. It was composed of the interest charged on corporate bonds and the interest charged on bank borrowings, bank overdrafts and lease liabilities.

(11) Loss/profit attributable to owners of the Company

Loss attributable to owners of the Company was HK\$100,907,000 (31 December 2020: loss of HK\$169,233,000) for the year ended 31 December 2021.

(12) Inventories

Inventories was HK\$2,193,281,000, a decrease of HK\$62,272,000 or 2.8%.

THE IMPACT OF THE COVID-19 ON THE GROUP

The COVID-19 was firstly reported in late 2019 and has been spreading throughout the world continuously till now. The COVID-19 has brought adversely impacted supply and demand of a large number of industries and hence global economy in general.

To overcome the adverse impacts of the COVID-19, the watch and timepieces businesses have adopted a number of strategies, including implementation of employee optimization, operation cost control, investigation of new sales model, exploring new distribution channels such as e-commerce and new retailing tactics, shortening production time to increase inventory turnover, etc. Starting from late 2021, with the development and implementation of the vaccine and the herd immunity due to massive infection rates in a number of countries, particularly the US and the European countries, it appeared that the COVID-19 has been gradually contained all over the world. Mainland China has demonstrated satisfactory results controlling the COVID-19 and recorded economic recovery. However, global recovery of other countries still considers as weak but the medium-term forecasts of the global economy are favorable. The improved performance in our watch and timepieces businesses in 2021 was a strong evidence. The COVID-19 led to new opportunities in e-commerce as customer behavior has been changed due to the social distancing measures. Our longstanding preparation efforts on e-commerce development has began to bear fruit and become one of our important competitive advantage. For banking business, the COVID-19 led to limited operation of Bendura Bank and reduction in client interaction which adversely affected its revenue last year. To overcome this situation, Bendura Bank pushed its digital transformation for the employees to have full access to all necessary information when working at home. In May 2021, the revised design of e-Banking version was launched, which enables rapid and registered access to archive data. This led to a substantial improvement in efficiency and reduction in the response time for customers. In addition, Bendura Bank focused more on online marketing which improves the effectiveness in communication that leads to a closer relationship with its clients.

The surge in imported cases and domestic infectious rebound have greatly impacted businesses across the globe. The current uncertainty and disruption are likely to prevail until advisement of herd immunity through vaccination or development of effective drugs.

OUTLOOK

Every corner of the world is affected by importation of cases and resurgence of domestic inflection. It is likely the world still needs to deal with it for a prolonged period of time until it becomes endemic like the flu (immunity due to the infection), when the global vaccination rates are sufficiently high or when the generic versions of effective drugs are available to all countries.

Infection rates remain very high in Europe, the US and Latin America and new variants of the virus have spread exponentially. Coupled with the deployment of multiple vaccines and effective drugs, the COVID-19 would hopefully be tackled before the end of year 2022. Our focus will therefore remain on maintaining agility and flexibility to face potential impacts should the COVID-19 continue beyond 2022. We are also considering the impact of the military invasion in Ukraine that began in late February 2022, the tough economic sanctions against Russia from the west, and the Russia's retaliation against sanctions by cutting off the supply of oil and gas to European countries.

In response to accelerated digital penetration, Rossini and EBOHR and advanced direct-to-consumer (D2C) strategies R&E have significantly strengthened their omni-channel capabilities. They also deploy innovative digital engagement models to promote products, such as live stream videos via online platforms like TikTok, Tmall, or WeChat, allowing social media engagement to drive purchases. Brand reputations are also established through key opinion leaders (KOL) or between consumers. Both companies leverage the key post-COVID-19 trend and to further strengthen our unique and comprehensive e-commerce initiatives.

Bendura Bank expanded its online marketing onto Google, LinkedIn and YouTube to target specific clients such as wealthy private individuals, medium-sized companies and intermediates. It will continue to emphasize its existing strategy as a highly specialized niche player, capturing the needs of international clients by expanding the advisory and investment services offering.

We have adopted a new mindset and take the COVID-19 as a valuable opportunity and lesson that we maintain our adaptability in the face of COVID-19 and prepared to take necessary measures to manage the economic impact.

EMPLOYEES AND REMUNERATION POLICY

Our sustained success would not be possible without the high levels of expertise, professionalism and commitment shown by our employees.

As at 31 December 2021, the Group had approximately 4,100 fulltime staff in Hong Kong and Mainland China and approximately 260 fulltime staff in 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 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 Group's operating results and employees' individual performance. All employees of the Group in Hong Kong have joined the provident fund schemes. Employees of Group's subsidiaries in Mainland China also have participated in social insurance scheme administrated and operated by local authorities and contributions were made according to the local laws and regulations.

FINAL DIVIDEND

The Board has resolved not to recommend to distribute a final dividend for the year ended 31 December 2021 (year ended 31 December 2020: nil).

CLOSURE OF REGISTER OF MEMBERS

The Company's Annual General Meeting is scheduled to be held on 27 May 2022 (the "**AGM 2022**"). For the purpose of determining the entitlement to attend and vote at the AGM 2022, the register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM 2022, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 23 May 2022.

MATERIAL EVENTS AFTER CLOSURE OF FINANCIAL YEAR

Material events after closure of financial year are set out in note 17 to the consolidated financial statements.

CORPORATE GOVERNANCE CODE

The Company is committed to maintain a standard of corporate governance that is consistent with market practices.

The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report as set out in Appendix 14 to the Rules ("**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for the year ended 31 December 2021 except with the details disclosed below:

(i) CG Code E.1.2

CG Code E.1.2 stipulates that the Chairman of the board of directors (the "**Board**") should attend the annual general meeting of the Company. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 28 May 2021 (the "**AGM 2021**") due to other business engagement.

(ii) CG Code A.6.7

CG Code A.6.7 stipulates that independent non-executive directors should generally attend general meetings. Two independent non-executive directors of the Company (the "**Independent Non-executive Director**") did not attend the AGM 2021 due to travel restrictions under COVID-19.

The Chairman of the Board and Independent Non-executive Directors will endeavor to attend all future general meetings of the Company unless unexpected or special circumstances preventing them from doing so. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision-making processes are properly regulated.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conducts for securities transactions by Directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2021.

BOARD OF DIRECTORS

The principal focus of the Board is on the overall strategic development and direction of the Group. The Board also monitors the financial performance and the internal controls of the Group’s business operations. Moreover, the Board is responsible for performing the corporate governance duties. The Board has established a clear segregation of duties and responsibilities between the Board and the management as to which types of decisions are to be taken by the Board and which are to be delegated to management. This segregation of duties and responsibilities will be regularly reviewed by the Board. With the Chairman as a facilitator in the establishment that promotes discussion among Directors, all the Directors have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the board functions.

BOARD COMMITTEES

The Board has delegated certain authority to four board committees which are established and perform their functions under specific terms of reference. The committees are provided with sufficient resources and opportunities to seek independent professional advice, at the Company’s expense, to perform their responsibilities.

Audit Committee

The Company has established an audit committee for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the independent non-executive directors of the Company, being Mr. Kam, Eddie Shing Cheuk (Chairman of the Committee), Dr. Kwong Chun Wai, Michael, Mr. Zhang Bin and Mr. Li Ziqing. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial matters including the review of the audited financial statements for the year ended 31 December 2021.

Remuneration Committee

The Company has established a remuneration committee (the “**Remuneration Committee**”), terms of reference of which have been adopted by the Board of the Company and are consistent with the requirements of the CG Code. The Remuneration Committee currently comprises Mr. Kam, Eddie Shing Cheuk (the Chairman of the committee), Mr. Hon Kwok Lung, Mr. Siu Chun Wa, Dr. Kwong Chun Wai, Michael, Mr. Zhang Bin and Mr. Li Ziqing.

Nomination Committee

The Company has established a nomination committee (the “**Nomination Committee**”), terms of reference of which have been adopted by the Board of the Company and are consistent with the requirements of the CG Code. The Nomination Committee currently comprises Mr. Hon Kwok Lung (the Chairman of the committee), Mr. Siu Chun Wa, Dr. Kwong Chun Wai, Michael, Mr. Zhang Bin, Mr. Kam, Eddie Shing Cheuk and Mr. Li Ziqing.

Risk Management Committee

The Company established a risk management committee (the “**Risk Management Committee**”), to assist the Board in reviewing and ensuring the effectiveness of the Group’s risk management system. Terms of reference have been adopted by the Board. The Risk Management Committee currently comprises four members, namely Ms. Sit Lai Hei (Chairman of the committee), Mr. Hao Xiaohui, Mr. Shi Tao and Mr. Bi Bo.

BUY-BACK, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company did not buy back any Company’s listed shares (whether on the Stock Exchange or otherwise) during the year ended 31 December 2021.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee reviewed the consolidated financial statements for the year ended 31 December 2021 in conjunction with BDO Limited, the Company’s external auditor. Based on this review and discussions with management, the Audit Committee was satisfied that the consolidated financial statements for the year ended 31 December 2021 were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the year ended 31 December 2021.

SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's websites at www.irasia.com/listco/hk/citychamp and www.citychampwj.com. The annual report of the Company for the year ended 31 December 2021 will be available on the respective websites of the Stock Exchange and the Company, and despatched to the shareholders of the Company in due course.

APPRECIATION

Our financial performance and strategic moves reflected the joint efforts of the board and management in successfully pursuing our mission. I would like to express my deep gratitude to our employees, customers, suppliers, bankers, professional consultants, business partners, and shareholders for their support.

By Order of the Board
Citychamp Watch & Jewellery Group Limited
Fong Chi Wah
CFO & Company Secretary

Hong Kong, 30 March 2022

As at the date of this announcement, Mr. Hon Kwok Lung, Mr. Siu Chun Wa, Mr. Hao Xiaohui, Mr. Shi Tao, 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.