



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)
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號: 256

A YEAR OF
改變 拓展

Interim Report 中期報告 2022

CHANGE
新開始



Corporate Information

Board of Directors

EXECUTIVE DIRECTORS

HON Kwok Lung BBS (*Chairman*)
SIU Chun Wa (*Co-Chief Executive Officer*)
HAO Xiaohui (*Co-Chief Executive Officer*)
SHI Tao
BI Bo
SIT Lai Hei
HON Hau Wong
Teguh HALIM

INDEPENDENT NON-EXECUTIVE DIRECTORS

KWONG Chun Wai, Michael
ZHANG Bin
KAM, Eddie Shing Cheuk
LI Ziqing

Audit Committee

KAM, Eddie Shing Cheuk
(*Committee Chairman*)
KWONG Chun Wai, Michael
ZHANG Bin
LI Ziqing

Remuneration Committee

KAM, Eddie Shing Cheuk
(*Committee Chairman*)
HON Kwok Lung
SIU Chun Wa
KWONG Chun Wai, Michael
ZHANG Bin
LI Ziqing

Nomination Committee

HON Kwok Lung (*Committee Chairman*)
SIU Chun Wa
KWONG Chun Wai, Michael
ZHANG Bin
KAM, Eddie Shing Cheuk
LI Ziqing

Risk Management Committee

SIT Lai Hei (*Committee Chairman*)
SHI Tao
BI Bo
HAO Xiaohui

CFO & Company Secretary

FONG Chi Wah

Auditor

BDO Limited

Principal Bankers

Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
Industrial Bank Co., Ltd. Hong Kong Branch
Bank of Communications Co., Ltd.
Hong Kong Branch

Hong Kong Branch Share Registrar

Tricor Secretaries Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Registered Office

P.O. Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Principal Office

Units 1902-04, Level 19
International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Websites

www.irasia.com/listco/hk/citychamp
www.citychampwj.com



Management Discussion and Analysis

Our Strategy

The Group takes a long-term perspective in formulating our corporate strategy. We engage capital and people where we identify opportunities to generate returns which exceed our cost of capital over the long term and invest in the existing and new businesses. It is our intention to remain a conglomerate with different businesses capable of generating sustainable long-term growth.

Financial Highlights

	Six months ended 30 June		Variation %
	2022 HK\$'000	2021 HK\$'000	
Total revenue	857,771	994,585	-13.8
Operating expenses	554,367	626,975	-11.6
Gross profit generated from non-banking and financial businesses	354,308	460,459	-23.1
Gross profit generated from banking and financial businesses	162,660	169,796	-4.2
EBITDA	33,850	89,839	-62.3
Loss before tax	(51,392)	(6,230)	-724.9
Net loss after tax	(54,650)	(27,521)	-98.6
Earnings per share attributable to owners of the Company for the period			
– Basic	(HK1.20 cents)	(HK0.63 cent)	-90.5
– Diluted	(HK1.20 cents)	(HK0.63 cent)	-90.5

	30 June	31 December	Variation %
	2022 HK\$'000	2021 HK\$'000	
Total assets	16,940,637	19,962,419	-15.1
Total liabilities	12,591,321	15,338,879	-17.9
Total equity	4,349,316	4,623,540	-5.9

Operating Results

For the six months ended 30 June 2022, the Group recorded total revenue of approximately HK\$857,771,000 (six months ended 30 June 2021: HK\$994,585,000), a decrease of HK\$136,814,000 or 13.8% over the corresponding period last year.

Operating expenses (including selling and distribution expenses and administrative expenses) for the six months ended 30 June 2022 was approximately HK\$554,367,000 (six months ended 30 June 2021: HK\$626,975,000), a decrease of HK\$72,608,000 or 11.6% over the corresponding period last year.

Operating Results (Continued)

Gross profit generated from non-banking and financial businesses for the six months ended 30 June 2022 was approximately HK\$354,308,000 (six months ended 30 June 2021: HK\$460,459,000), a decrease of HK\$106,151,000 or 23.1% over the corresponding period last year.

Gross profit generated from banking and financial businesses for the six months ended 30 June 2022 was approximately HK\$162,660,000 (six months ended 30 June 2021: HK\$169,796,000), a decrease of HK\$7,136,000 or 4.2% over the corresponding period last year.

EBITDA for the six months ended 30 June 2022 was approximately HK\$33,850,000 (six months ended 30 June 2021: HK\$89,839,000), a decrease of HK\$55,989,000 or 62.3% over the corresponding period last year.

Net loss after tax for the six months ended 30 June 2022 was approximately HK\$54,650,000 (six months ended 30 June 2021: HK\$27,521,000), an increase of HK\$27,129,000 or 98.6% over the corresponding period last year.

Performance

Notwithstanding the challenging environment, we have formulated certain actions to deal with the issues arose for each of the key business. Our Group comprises three key divisions – watches and timepieces businesses, banking and financial businesses, and various investment businesses.

- I. Watches and timepieces businesses
 - I.A – local proprietary brands
 - I.B – foreign proprietary brands
 - I.C – non-proprietary brands
 - I.D – others
- II. Banking and financial businesses
 - II.A – Bendura Bank AG
 - II.B – Shun Heng Finance Holding (Hong Kong) Limited
- III. Various investment business
 - III.A – listed equity investment
 - III.B – property investment
 - III.C – other marketable securities



Performance (Continued)

I.A LOCAL PROPRIETARY BRANDS

Zhuhai Rossini Watch Industry Limited

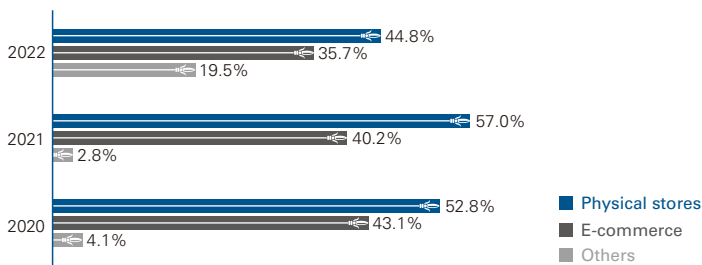
For the six months ended 30 June 2022, Zhuhai Rossini Watch Industry Limited ("Rossini"), a 91%-subsidiary of the Group, recorded revenue of HK\$243,035,000, a decrease of HK\$97,823,000 or 28.7%, from HK\$340,858,000 for the same period last year. Net profit after tax attributable to owners of the Company for the period under review was HK\$16,786,000, representing a decrease of HK\$42,213,000 or 71.5% from HK\$58,999,000 in the same period last year.

The outbreak of COVID-19 since 2020 has enlarged the challenges of business from physical stores in Mainland China. Although global epidemic situation is subsiding, the rebound of COVID-19 in Mainland China in early 2022 brings a negative impact to non-essential goods demand in the market again. To cope with this difficult time, Rossini implements diversified sales models and flexible policies, and responds to market competition effectively so as to reduce the impact.

During the first half of 2022, the rebound of the COVID-19 in Mainland China led to reduction in customers visiting physical stores. To cope with the physical sales reduction, Rossini adjusted its business strategy and put more focus on minimizing the existing inventory during the reporting period. By placing stringent cost controls on new product and organising various promotion sales events, Rossini successfully turned the existing inventory into sales revenue. In addition, considering the market potential, Rossini kept encouraging regional sale offices to expand their POS into shopping malls of the third-tier and fourth-tier cities to facilitate the market penetration of Rossini products in the entire Mainland China.

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

For the six months ended 30 June



Performance (Continued)**I.A LOCAL PROPRIETARY BRANDS (Continued)****Zhuhai Rossini Watch Industry Limited (Continued)**

E-commerce sales for the six months ended 30 June 2022 decreased to HK\$86,718,000 from HK\$136,827,000 for the same period last year, representing a decrease of approximately 36.6%.

Considering the changing consumer preference, Rossini directed more focus on e-commerce and omnichannel capabilities to offset the current weak demand from physical stores. Specifically, it kept expanding its penetration through online distributors on leading e-commerce platforms including Taobao, Tmall, JD and Pinduoduo. Rossini's e-commerce team seized the current trend and as a result, e-commerce livestreaming took off. During the first half of 2022, developing proprietary livestreaming team was at top priority for Rossini's e-commerce team. With the coordination of various online promotion events, it is believed that Rossini's brand awareness will be strengthened, eventually making Rossini the market leader of the watch industry in terms of e-commerce.

Affected by the rebound of the COVID-19 and the partial lockdown of several cities in Mainland China, tourism remained one of the most impacted industries. As such, Rossini's revenue from the industrial tourism was also inevitably affected. Its tourist number for the six months ended 30 June 2022 was significantly reduced to approximately 1,000 from approximately 30,000 over the corresponding period. Revenue from the industrial tourism was merely approximately HK\$749,000, representing a significant decrease of approximately 68.1% over the corresponding period last year.

EBOHR Group

EBOHR Group is composed of EB Brand Limited, EBOHR Luxuries International Limited ("EBOHR") and its subsidiaries (the "EBOHR Group").

Revenue of EBOHR Group for the six months ended 30 June 2022 was HK\$152,613,000, a decrease of HK\$15,834,000 or 9.4% from HK\$168,447,000 for the same period last year. Net loss after tax for the six months ended 30 June 2022 was HK\$8,122,000, compared with a profit of HK\$4,306,000 for the same period last year.



Performance (Continued)

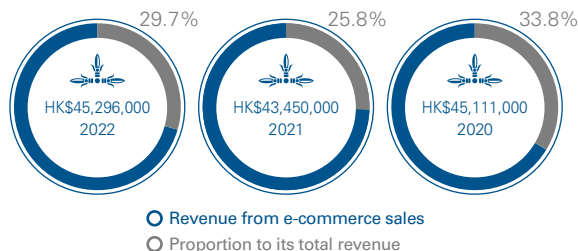
I.A LOCAL PROPRIETARY BRANDS (Continued)

EBOHR Group (Continued)

The rebound of the COVID-19 in 2022 continuously brought a negative economic impact on the entire Mainland China. People remained cautious in their consumption, especially in non-essential goods, leading to overall decrease in watch demand. In addition, the competition from smart-watches also exercised a strong pressure on traditional watch sales. During the first half of 2022, revenue from physical stores decreased approximately 25.5% compared to the same period last year. The partial lockdown and social restriction policy in Mainland China significantly limited the number of customers in physical stores, eventually bringing negative impact to the sales revenue. Considering the current unstable COVID-19 situation and market demands, EBOHR would keep focus on stringent cost control and turning the existing inventory into cash. Furthermore, EBOHR would also put effort on enhancing its brand awareness among the new-generation, aiming to expand the customer base for a better market penetration to improve its sales performance.

EBOHR's revenue earned from e-commerce sales

For the six months ended 30 June



On the other hand, the sales revenue of e-commerce in the first half of 2022 also inevitably affected by the even-weaker market environment. Since certain category of revenue has been redefined as e-commercial, revenue from e-commerce showed a slight increase in the first half of 2022. If the same definition is applied to 2021, there would have been a decrease of 20.6% in e-commerce revenue in the first half of 2022.

Under the challenging market environment, EBOHR focused on preparing for the upcoming market recovery. Specifically, to further enhance the competitiveness of EBOHR, the R&D team put a lot efforts on the development of smart watches. The target was to produce its own brand-new smart watch series, aiming to penetrate the smart watch markets that is considered to have promising growth potential in the foreseeable future. In addition, by utilizing the social platform as one of the main promotion strategies, it is believed that EBOHR can further reduce the e-commerce expenses to achieve greater profitability.



Performance (Continued)

I.A LOCAL PROPRIETARY BRANDS (Continued)

EBOHR Group (Continued)

Due to the reduced market demand, EBOHR also controlled the number of new products launched in the first half of 2022 to minimize the additional inventory. Furthermore, EBOHR organised various online and offline promotion sales events, which successfully turned the existing inventory into cash. It is believed that all measures taken now would eventually become the necessary driving force for the growth of EBOHR when the market recovers eventually.

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 30 June 2022. Ernest Borel Group recorded revenue and net loss after tax for the six months ended 30 June 2022 of HK\$53,598,000 (six months ended 30 June 2021: HK\$77,047,000) and HK\$6,235,000 (six months ended 30 June 2021: HK\$11,720,000), respectively.

Mainland China remains as the core market of the Ernest Borel Group. Revenue from Mainland China was approximately HK\$51,234,000 for the six months ended 30 June 2022, accounting for approximately 95.6% of its total revenue.

The extensive distribution network of the Ernest Borel Group covers retail markets in Mainland China, Hong Kong, Macau, South Asian countries, Europe, USA. As at 30 June 2022, Ernest Borel Group had 794 POS, comprising 683 POS in Mainland China, 99 POS in Hong Kong, Macau and South Asian countries and 12 POS in Europe, USA and India.



Performance (Continued)

I.B FOREIGN PROPRIETARY BRANDS (Continued)

Ernest Borel Holdings Limited (Continued)

During the first half of 2022, the sales performance in Hong Kong, Macau and South Asian countries were still heavily affected by the COVID-19. In addition, the rebound of COVID-19 in Mainland China further adversely affected the performance of Ernest Borel, especially revenue from physical sales. To reduce the negative impact from the COVID-19, Ernest Borel on the one hand actively explored markets of third-tier and fourth-tier cities in Mainland China with relatively high potential, aiming a higher market penetration and brand awareness over the local watch industry. On the other hand, Ernest Borel kept optimising the e-commerce distribution channel. Coupled with the stringent cost control towards different platforms, it eventually achieved a relatively satisfactory sales performance in the challenging first half of 2022.

To reduce sales uncertain risks brought from the global repeated epidemic and external economy, Ernest Borel Group closely monitored and strictly controlled the number of new products launched in the first half of 2022. It also optimised the inventory structure to improve the turnover rate for higher liquidity. Under the current weak market demand, a sophisticated cost control mechanism is always the key for maintaining the competitiveness.

Other Foreign Proprietary Brands

Collectively, Corum, Eterna and The Dreyfuss Group Limited (the “Dreyfuss Group”) contributed revenue and net loss after tax for the six months ended 30 June 2022 of HK\$129,928,000 (six months ended 30 June 2021: HK\$93,970,000) and HK\$10,002,000 (six months ended 30 June 2021: HK\$30,095,000), respectively.

All the markets, including the Swiss watches market, were significantly impacted by the COVID-19 since 2020, the closure of many shops around the world and the shutdown of international tourism have taken a heavy toll on the “Swiss Made” watch industry. However, with the gradual recovery of the global economy from the pandemic, the demand of Swiss watches also showed a rebound trend in the first half of 2022. Benefiting from the rebound trend, revenue of Corum has increased significantly compared to same period in 2021. In addition, Corum has drastically reduced the operating expenses by reviewing all the contracts and negotiating with all suppliers. The improved sales performance and stringent cost control successfully reduced the loss of Corum in the first half of 2022. To achieve further improvement on the performance, Corum conducted a comprehensive examination on its existing business strategy and brand positioning. In the second half of 2022, Corum would adopt a more-targeted marketing strategy, with its strength on high-end watches production, aiming to gradually rebuild its reputation and brand awareness all over the world.



Performance (Continued)**I.B FOREIGN PROPRIETARY BRANDS (Continued)****Other Foreign Proprietary Brands (Continued)**

During the first half of 2022, although the market demand for Swiss watches started to rebound, Eterna did not benefit from such recovery. Eterna's strongest markets remained in Europe, and accordingly its sale revenue was not only affected by the COVID-19 but also the recent Ukraine War. Despite the sale revenue still maintained at a similar level compared to the same period in 2021, Eterna successfully managed to achieve higher gross profit by leveraging the existing inventory. To further minimize the cost in future, Eterna is undergoing an integration process with Corum. Once the integration is duly completed, it is believed that performance of Eterna will be significantly improved.

The performance of the Dreyfuss Group was slightly improved as a result of the slow recovery of both UK and global economy from the COVID-19; revenue increased approximately 10.7% compared to the same period last year. UK is still the Dreyfuss Group's largest single market, representing approximately 76% of its total turnover for the six months ended 30 June 2022. During the period, the Dreyfuss Group worked closely with UK major customers by building strong relationships through regular online meetings and providing desirable watches at compelling price to increase profitability. It also continued to develop strategic international markets to lessen the dependence on UK market. By actively exploring global markets with growth potential and strengthen the brand awareness outside UK market, it is expected that when the global market is recovered from the COVID-19, the effort of the Dreyfuss Group makes today will turn into the catalyst for the long-term growth.

In addition, the Dreyfuss Group aims to gain a greater presence in online business by focusing on customer needs, as well as pushing exclusive orders into large specialist retailers. The Dreyfuss Group also recognizes the growing significance of social media in influencing consumption among young customers. It actively develops its marketing strategy via social media. The online advertising strategy successfully raises the brand awareness and market covers among different level of customer, resulted in an approximately 63.4% increment in sales revenue from e-commerce in the first half of 2022.

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.



Performance (Continued)

I.C NON-PROPRIETARY BRANDS

Currently, the Group held four distribution companies. Collectively, distribution companies contributed revenue and net loss after tax for the six months ended 30 June 2022 of HK\$82,943,000 (six months ended 30 June 2021: HK\$122,320,000) and HK\$3,075,000 (six months ended 30 June 2021: net profit after tax HK\$1,733,000) respectively.

I.D OTHERS

Other non-major subsidiaries of the Group also engaged in other non-major categories of watch and timepieces businesses, which collectively contributed revenue and net loss after tax for the six months ended 30 June 2022 of HK\$23,870,000 (six months ended 30 June 2021: HK\$15,377,000) and HK\$2,150,000 (six months ended 30 June 2021: HK\$12,359,000) respectively.

II.A BENDURA BANK AG

Revenue of Bendura Bank AG (“Bendura Bank” or the “Bank”) for the six months ended 30 June 2022 was HK\$161,538,000, a decrease of HK\$6,675,000 or 4.0% from HK\$168,213,000 for the same period last year. Net profit after tax attributable to owners of the Company for the six months ended 30 June 2022 was HK\$11,323,000, representing an increase of HK\$2,639,000 or 30.4% from HK\$8,684,000 for the same period last year.

Generally, the higher half-year profit contributed from reduction on the expenses side while total operating income remained at the same level as previous-year period.

Net income from interest and dividends increased by HK\$5,085,000 or 10.9% to HK\$51,553,000 for the first half of 2022 from HK\$46,468,000 for the same period last year as a result of an expanded loan book and the recent increase in key interest rates. Nevertheless, the Bank continues to face negative interest rates in Swiss francs.

As a negative consequence of the decreased Asset under Management (AuM), net commission and fee income decreased by 23.9% to HK\$86,957,000 for the first half of 2022 from HK\$114,205,000 for the same period last year. The restrained customer behaviour in the first half of 2022 also contributed to the drop in net commission and fee income.

Income from trading amounted to HK\$23,028,000, approximately HK\$15,488,000 or 205.4% above HK\$7,540,000 for the same period last year. This was mainly due to a negative valuation adjustment of HK\$11,138,000 resulting from a fund in liquidation in the trading portfolio booked in previous year.

Operating expenses amounted to HK\$134,592,000, 8.9% lower than HK\$147,765,000 for the same period last year. This was mainly due to reduction in personnel expenses.



Performance (Continued)

II.A BENDURA BANK AG (Continued)

At the end of June 2022, assets under management (AuM) reduced by CHF0.5 billion to CHF3.6 billion from 31 December 2021. This was due to unfavourable market movements and a net new money outflow of CHF357 million in the first six months of 2022, as a result of the Ukraine event.

Total assets amounted to HK\$11,300,744,000, HK\$2,513,649,000 less than HK\$13,814,393,000 as at 31 December 2021. Amounts due from clients decreased to HK\$2,859,415,000 in June 2022 from HK\$3,068,719,000 in December 2021.

Effects of the war in Ukraine including the sanctions against Russian which massively impede existing business and basically render new business in the affected regions impossible and have certain but not significant impact to the revenue of the Bank due to relatively low proportion of asset under management from Russian clients. The Bank has to be incredibly careful that there are no sanction violations. As a result, all business relationships are thoroughly checked and special attention is paid to international payment transactions. The percentage of AuM of clients from Eastern Europe decreased while that of clients from Western Europe increased due to the crisis.

As a result of the Bank's longstanding works, in particular the continuous endeavours to improve Bendura's reputation and its perception in the local banking sector, the Bank becomes one of member banks of Liechtenstein Bankers Association and Dr. Peter Krenn, CEO of the Bank, has been appointed as a board member of Liechtenstein Bankers Association. The Liechtenstein Bankers Association is the domestic and international voice of the banks operating in and out of Liechtenstein. It is Liechtenstein's most significant associations and plays a key role in the successful development of the financial centre.

As one of the largest construction projects in Liechtenstein in recent years, the Bank has moved into its new building in Benden, which has laid the foundation for its future growth. The opening ceremony was held on 5 May 2022. The project, with an investment of approximately CHF40 million, underlines the Bendura Group's long-term commitment to Liechtenstein and its headquarters in Gamprin-Benden. The usable space be increased from approximately 2,500 m² to more than approximately 5,350 m², with just under 800 m² in the new part of the building being offered for rent to interested third parties.

Bendura Bank continues to expand in trading and investment consulting for discrete clients. Considering the strong growth in advisory mandates and tailor-made strategy solutions, the Bank has launched a portfolio which invests globally and focuses primarily on Asian assets, a portfolio which focuses on Eastern Europe, and a portfolio which follows an Environment, Social and Governance ("ESG") integrated investment process including ESG impact investments. These allow clients to combine any two or three of the above portfolios to fit the clients' investment and ESG strategies.



Performance (Continued)

II.B SHUN HENG FINANCE HOLDING (HONG KONG) LIMITED

The Group conducts securities and asset management businesses under the umbrella of Shun Heng Finance Holding (Hong Kong) Limited (“Shun Heng Finance Holding”), which was 60% owned by the Group before 19 May 2022. It comprises Shun Heng Securities Limited and Hong Kong Metasequoia Capital Management 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 the underwriting business for bonds issued by Chinese enterprises.

Hong Kong Metasequoia Capital Management Limited, 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.

On 19 May 2022, the Group disposed 30% equity interests of Shun Heng Finance Holding and Shun Heng Finance Holding becomes 30% owned by the Group and thus is not a subsidiary of the Company since then.

For the period up to the date of disposal, Shun Heng Finance Holding contributed revenue and net loss after tax attributable to owners of the Company of HK\$1,122,000 and HK\$2,285,000 respectively (six months ended 30 June 2021: HK\$1,583,000 and net loss after tax of HK\$1,245,000 respectively).



Performance (Continued)**III.A LISTED EQUITY INVESTMENT****Citychamp Dartong Company Limited**

As at 30 June 2022, financial assets at fair value through other comprehensive income of the Group was HK\$432,872,000. HK\$128,168,000 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 engages in real estate, enameled wire, banking and new energy. As at 30 June 2022, the Group owned 30,389,058 shares of Citychamp Dartong at the market price of RMB3.6 per share (equivalent to HK\$4.22 per share) with the fair value of HK\$128,168,000. The shares held by the Group accounted for 2.04% of the total issued share capital of Citychamp Dartong as at 30 June 2022. Such fair value accounted for 0.8% of the Group’s total assets.

The Group incurred a net loss on fair value change through other comprehensive income in investment in Citychamp Dartong of HK\$18,965,000 for the six months ended 30 June 2022, as a result of decrease in the share price of Citychamp Dartong from RMB3.95 (equivalent to HK\$4.84) as at 31 December 2021 to RMB3.6 (equivalent to HK\$4.22) as at 30 June 2022.

This is the Group’s long-term investment due held for dividend yield and long-term capital gain. Given its substantial land bank for development and profitability of certain business segments, we are optimistic about the future prospects of Citychamp Dartong.

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 30 June 2022, the investment in Min Xin was HK\$298,829,000, i.e. 88,150,000 shares at the market price of HK\$3.39 per share as at 30 June 2022. 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 30 June 2022.

The Company incurred a net loss on fair value change in Min Xin’s investment of HK\$52,008,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: net gain of HK\$1,763,000), as a result of decrease in the share price of Min Xin from HK\$3.98 as at 1 January 2022 to HK\$3.39 as at 30 June 2022. For the six months ended 30 June 2022, there was no dividend income from Min Xin.



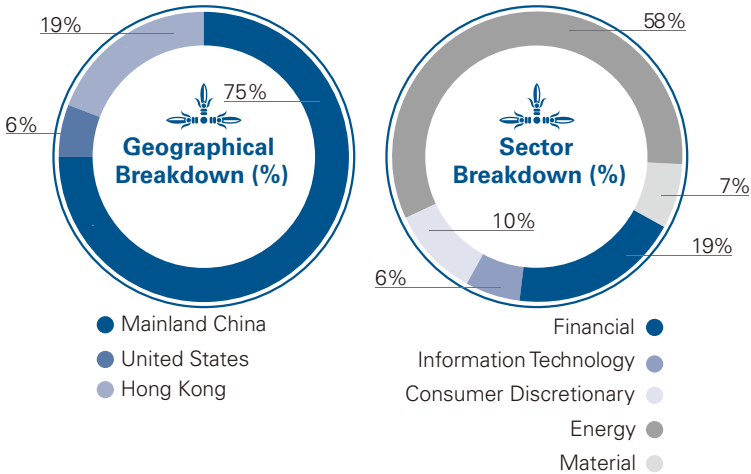
Performance (Continued)

III.B.PROPERTY INVESTMENT

The property in Mainland China and Hong Kong owned by the Group have been leased out, with stable rental returns to the Group. During the period, these investment properties generated rental income of HK\$9,124,000 (six months ended 30 June 2021: HK\$6,770,000). Net profit after tax from the property investment business for the six months ended 30 June 2022 was HK\$8,515,000 (six months ended 30 June 2021: HK\$6,196,000).

III.C.OTHER MARKETABLE SECURITIES

The Group has acted as the founder investor and invested US\$5.12 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 US\$10.24 million. The rest of the fund was subscribed by other investors with the capital of US\$5.12 million. As of 30 June 2022, the total net asset value of the Fund was US\$11.63 million, composed of US\$0.41 million and US\$11.22 million for the Group and other investors respectively.



Performance (Continued)

HEADQUARTER AND OTHER SUBSIDIARIES

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 six months ended 30 June 2022 was HK\$56,849,000 (six months ended 30 June 2021: HK\$51,895,000).

Financial Position

(1) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

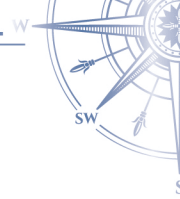
As at 30 June 2022, the Group had non-pledged cash and bank balances of approximately HK\$3,535,322,000 (31 December 2021: HK\$6,531,968,000). Based on the borrowings of HK\$1,097,846,000 (31 December 2021: HK\$1,176,635,000), due to a shareholder of HK\$12,000,000 (31 December 2021: HK\$12,000,000), due to directors of HK\$77,389,000 (31 December 2021: HK\$73,515,000), due to a related company of HK\$123,000,000 (31 December 2021: HK\$88,000,000), due to an associate of HK\$43,900,000 (31 December 2021: HK\$10,000,000) and shareholders' equity of HK\$4,128,251,000 (31 December 2021: HK\$4,361,133,000), the Group's gearing ratio (being borrowings plus due to a shareholder plus due to directors plus due to a related company and due to an associate divided by shareholders' equity) was 33% (31 December 2021: 31%).

As at 30 June 2022, the Group's borrowings amounting to HK\$336,428,000 were repayable within one year, representing 30.6% of the total borrowings.

(2) CHARGE ON ASSETS

As at 30 June 2022, the Group's borrowings were mainly secured by:

- (a) corporate guarantee 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 land and buildings with the carrying amount of HK\$284,273,000 (31 December 2021: HK\$309,573,000).



Financial Position (Continued)

(3) CAPITAL COMMITMENT

As at 30 June 2022, capital commitments were approximately HK\$270,000,000 in total (31 December 2021: HK\$270,000,000) for investment in an associate – Citychamp Allied International Limited and a property project.

Except for the above, the Group had no other material capital commitments as at 30 June 2022.

Financial Review

(1) TOTAL ASSETS

Total assets decreased to HK\$16,940,637,000 as at 30 June 2022 from HK\$19,962,419,000 as at 31 December 2021.

Cash and deposits

	30 June 2022	31 December 2021	Increase/ (decrease) Amount	%
	HK\$'000	HK\$'000	HK\$'000	
Cash and bank balance	98,410	107,175	(8,765)	-8.2
Cash held on behalf of clients	–	122,339	(122,339)	-100.0
Sight deposits with central banks	3,436,912	6,302,454	(2,865,542)	-45.5

Due from banks

	30 June 2022	31 December 2021	Increase/ (decrease) Amount	%
	HK\$'000	HK\$'000	HK\$'000	
Due from banks on a daily basis	2,661,604	1,830,121	831,483	45.4
Due from banks other claims	302,722	204,332	98,390	48.2
Valuation adjustments	(818)	(263)	(555)	-211.0



Financial Review (Continued)**(2) INVESTMENTS**

The investment as at 30 June 2022 included (a) trading portfolio investments of HK\$23,292,000; (b) derivative financial assets of HK\$17,881,000; (c) other financial assets at amortised cost of HK\$1,494,385,000; and (d) other financial assets at fair value through other comprehensive income of HK\$432,872,000 (the "Investments").

(a) Trading portfolio investments of HK\$23,292,000

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Equity Instruments		
Listed equity instruments in Hong Kong at market value	444	626
Listed equity instruments outside Hong Kong at market value	1,664	3,944
Total equity instruments	2,108	4,570
Debt instruments		
Unlisted debt instruments of financial institutions	4,959	7,234
Investment fund units		
Unlisted investment fund units	9,629	67,780
Investments in other financial products	6,596	6,546
Total trading portfolio investments	23,292	86,130

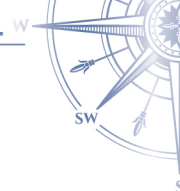
It is the objective of the Group to maintain certain level of liquidity in the form of trading portfolio investments for unplanned capital expenditure. The liquidity is usually parked with the listed equities in order to generate short term return.

As at 30 June 2022, there were HK\$444,000 invested in a variety of listed equities in Hong Kong and HK\$1,664,000 invested in Mainland China and overseas markets.

The debt instruments of HK\$4,959,000 invested in the Mainland China by PRC company.

Trading assets of CHF1.2 million (equivalent to HK\$9,629,000) 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\$6,596,000 invested by Eternal Brands Limited, a subsidiary of the Group.



Financial Review (Continued)

(2) INVESTMENTS (Continued)

(b) Derivative financial assets of HK\$17,881,000

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Forward and option contracts	17,881	34,608

In the derivative financial assets of HK\$17,881,000, 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 30 June 2022, forward contracts of HK\$14,784,000 related to FX swaps were 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 using currency swaps and deposited with the Swiss National Bank (SNB). Income from the interest component of currency swaps exceeded the expense of SNB negative interest and the reduced level of interest from banks. During the first half of 2022, Bendura Bank recorded HK\$9,122,000 profits with FX swaps.



Financial Review (Continued)**(2) INVESTMENTS (Continued)**

(c) Other financial assets at amortised cost of HK\$1,494,385,000

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Listed debt instruments, at amortised cost		
Issued by:		
Governments and public sector	200,380	334,076
Financial institutions	878,173	1,014,986
Corporations	415,832	503,872
	1,494,385	1,852,934

As at 30 June 2022, Bendura Bank invested in listed debt instruments issued by government and public sector, financial institutions and corporations amounting to HK\$1,494,385,000. The portfolio was composed of 84 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 held-to-maturity investment is 2.1 years, while the modified duration of the portfolio is only 1.84%. Largest single investments are bonds issued by International Bank for Reconstruction and Development (CHF9 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 30 June 2022 are as follows:

Issuer	Nature of interest rate	Sector	Maturity date	Value (CHF'000)
Ind & Comm Bk Chn/London	Floating	Financial corporations	14 December 2022	4,780
Bank Of Montreal	Fixed	Financial corporations	22 December 2023	4,947
Amazon.Com Inc	Fixed	Non-financial corporations	12 May 2026	6,917
Henkel Ag & Co Kgaa	Fixed	Non-financial corporations	17 November 2026	6,923
Bank Of Nova Scotia	Floating	Financial corporations	05 October 2022	7,511
Abn Amro Bank Nv	Floating	Financial corporations	19 July 2022	7,645
Dbz Bank Ltd	Fixed	Financial corporations	26 October 2026	8,700
Intl Bk Recon & Develop	Fixed	Financial corporations	19 March 2024	9,446
Esm Tbill	Zero Coupon	General governments	16 March 2023	12,997
Others				112,078
Total				181,944
HKD Equivalent to (in '000)				1,494,385

Collectively, listed debt instruments at amortised cost accounted for 8.8% of the Group's total assets.



Financial Review (Continued)

(2) INVESTMENTS (Continued)

(c) Other financial assets at amortised cost of HK\$1,494,385,000 (Continued)

As at 31 December 2021, Bendura Bank 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 held-to-maturity investment is 1.95 years. Largest single investments are bond issued by UK Treasury Bill (CHF15 million) and followed by ESM Treasury Bill (CHF13 million). Both are double-A issuers. Risk concentration is analysed 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
Dbn 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 (in '000)				1,852,934

(d) Other financial assets at fair value through other comprehensive income of HK\$432,872,000

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Listed equity instruments in Hong Kong	298,829	350,837
Listed equity instruments outside Hong Kong	128,168	147,133
Unlisted equity investment	5,875	6,147
	432,872	504,117



Financial Review (Continued)**(2) INVESTMENTS (Continued)**

(d) Other financial assets at fair value through other comprehensive income of HK\$432,872,000 (Continued)

Listed equity instruments of HK\$128,168,000 related to investment in Citychamp Dartong and HK\$298,829,000 related to investment in Min Xin. Details of investments in Citychamp Dartong and Min Xin are set out on division III.A of this management discussion and analysis.

(3) TOTAL LIABILITIES

Total liabilities decreased to HK\$12,591,321,000 as at 30 June 2022 from HK\$15,338,879,000 as at 31 December 2021, mainly attributable to decrease in due to clients.

Due to clients

	30 June 2022 HK\$'000	31 December 2021 HK\$'000	Increase/ (decrease) Amount HK\$'000	%
Due to clients – precious metals	190,231	121,250	68,981	56.9
Other amounts due to clients, mainly bank deposits	10,152,401	12,629,042	(2,476,641)	(19.6)

(4) GROSS PROFIT FROM NON-BANKING AND FINANCIAL BUSINESSES

Gross profit from non-banking and financial businesses was HK\$354,308,000, a decrease of HK\$106,151,000 or 23.1%.

(5) EBITDA

EBITDA was HK\$33,850,000, a decrease of HK\$55,989,000 or 62.3%.

(6) SELLING AND DISTRIBUTION EXPENSES

Total selling and distribution expenses was HK\$237,615,000, a decrease of HK\$43,293,000 or 15.4%.

(7) ADMINISTRATIVE EXPENSES

Total administrative expenses was HK\$316,752,000, a decrease of HK\$29,315,000 or 8.5%.

(8) SHARE OF PROFIT OF ASSOCIATES

The share of profit of Fair Future Industrial Limited (“Fair Future”), a 25% owned associate and Shun Heng Finance Holding, a 30% owned associate of the Group, was HK\$4,023,000 (six months ended 30 June 2021: HK\$20,000). Fair Future is one of the leading OEM quartz watch manufacturers in Mainland China.



Financial Review (Continued)

(9) FINANCE COSTS FROM NON-BANKING BUSINESS

Finance costs from non-banking business was HK\$32,370,000, representing a decrease of HK\$6,630,000 or 17.0%. It was composed of the interest charged on bank borrowings, bank overdrafts and lease liabilities.

(10) NET LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Net loss attributable to owners of the Company was HK\$52,094,000 (six months ended 30 June 2021: HK\$27,396,000).

(11) INVENTORIES

Inventories was HK\$2,038,881,000, a decrease of 7.0% from HK\$2,193,281,000 as at 31 December 2021.

(12) EVENTS AFTER REPORTING PERIOD

As of the date of this report, the Group has no significant events after the reporting period required to be disclosed.

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 til now. The COVID-19 has brought tremendous adverse impact on the supply and demand of a large number of industries and hence global economy generally. Sudden change of income and wealth as well as the psychological and emotional effect resulted in drop in demand of general consumption. Temporary or permanent closures of physical stores or shopping malls, owing to social distancing measures, lockdowns and travel restrictions, further deteriorated the general economy.

The rebound of the COVID-19 in early 2022 brought adverse impact to the entire economy in China. The number of customers in physical stores drop significantly due to partial lockdown and social restriction policy, resulting in reduction in the sales revenue.

To overcome the adverse impacts of the COVID-19, the watch and timepieces businesses have adopted a number of remediate actions, including implementation of inventory minimization, new launch products control, operation cost control, investigation of new sales model, exploring new distribution channels such as e-commerce and new retailing tactics, etc.

The COVID-19 led to greater opportunities in e-commerce and omnichannel as the customer behavior has been changed due to the social distancing measures. Our long-standing preparation efforts on e-commerce development has now become one of our important strategies for competition. We will also put effort on enhancing brand awareness of our local brand watches among the new generation, targeting to expand customer base. With the improving demand when the economy is gradually recovered, it is believed that a satisfactory return will be achieved soon.



The Impact of the COVID-19 on the Group (Continued)

For banking business, the COVID-19 led to limited operation of Bendura Bank and reduction in client interaction which adversely affected its revenue during the reporting period. To overcome this situation, Bendura Bank focused on stringent cost control such as personal expenses and pushed all digitalization projects for the employees to have full access to all necessary information when working at home. The revised design of e-Banking version enables rapid and registered access to archive data. This led to a massive 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.

Review of Financial Statements

The audit committee of the Company (the "Audit Committee") has reviewed the Group's unaudited financial statements for the six months ended 30 June 2022. Based on this review and discussions with the management, the Audit Committee was satisfied that the unaudited financial statements for the six months ended 30 June 2022 were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the six months ended 30 June 2022.

Corporate Governance

The board of directors of the Company (the "Board") committed to maintain a standard of corporate governance that is consistent with market practices. We believe that an appropriate mix of skills, experience and perspectives within the Board helps strengthen its effectiveness.

Environmental, Social, and Governance Performance

Good Environmental, Social and Governance, or ESG, practices have always been an integral part of the Group's business strategy and management approach. As a good corporate citizen, the Group committed to contributing to its different stakeholders by way of supporting the well-beings of our employees and their families, the community and society at large, and advocating environmental protection and efficient use of resources. We supported a wide range of charitable activities, with an emphasis on education and social welfare. We believe that it is worthwhile to support our community and helping businesses and individuals.

To adapt to the new requirements of the Listing Rules on ESG commencing from 2020, the Group has set up a working group responsible for the ESG issues, identifying the importance, reviewing the process, evaluating the effectiveness and strengthening of relevant disclosures.

Risk Management

We monitor our risks and uncertainties facing the Group and formulate and adopt appropriate risk management measures against each principal risk and uncertainty. In view of our increasing focus on private banking, fund management and securities trading businesses, risk management will continue to be of great importance for the Group. To cope with the legal risks of money laundering and tax fraud, Bendura Bank has enhanced the due diligence process on its customers, including review of their business models, economic activities and financial background.

Outlook

The military incursion in Ukraine, the first major conflict on European land, in the late February 2022 has adversely affected the political and economic stabilities in the region that is important to our overseas business. The tough economic sanctions against Russia from the west has been retaliated by cutting off the supply of oil and gas to European countries. The general supply chain crisis and the specific oil and gas crisis have developed panic among consumers and businesses, inflicting significant economic harm in the short term. Undoubtedly, the inflation rates and interests of the US, the UK and a number of European countries significantly increase in 2022. Such crisis is expected to radically change the global economic landscape. However, the scenario of recession is ruled firstly by massive fiscal stimulus providing a major boost to demand and helping restore confidence among consumers and businesses and secondly by the fact that the COVID-19 is regarded as a flu and the disrupted life becomes normal in many countries. Once the adverse impact of the war between Russia and Ukraine is limited and given stronger business and consumer confidence, it is likely that the demand for watch is gaining momentum internationally in the medium term.

For Mainland China, public health objectives, which reflect the central government's unwavering resolve to avoid mass fatalities due to relatively low vaccination rates among the elderly and less effective vaccines, have long trumped economic goals. However, managing the trade-off between fighting the virus and inflicting economic harm has become exceptionally difficult. The recent resurgence in infections shows the severity and unpredictability of the lock-down-driven disruption. However, once the zero-tolerance approach is adjusted in the beginning of 2023, with the long-term positive economic fundamental, Mainland China is expected to remain one of the world's resilient and fundamentally sound market for watch.

In this turbulent period, Bendura Bank continues to exercise prudent risk management, demonstrate strong financial stability and deliver respective results. Bendura Bank also continues to put strong emphasis on building up the asset under management and developing the Asian markets that are considered the engines of the global growth.

Outlook (Continued)

COVID-19 has profoundly transformed lives and businesses all over the world and cast spotlight on how we operate our businesses. In a time of unprecedented disruption, we embarked on a strategic reset to sharpen the Group's focus. In order to consolidate and develop our watches and banking businesses, and to explore new business opportunities, the Group plans to establish a watch business development group, a banking business development group and a new business development group. The groups on the one hand mainly responsible for regular tracking, studying and analyzing the existing watches and banking businesses of the Group. On the other hand, they assist the Group on exploring, researching and demonstrating new businesses and timely provide constructive recommendation and suggestions to the managements. Our sharpened focus will give us the agility to navigate the waves of new business model and digital growth. As we recalibrate for growth in the challenging period ahead, we are committed to harnessing the power of the strategic thinking and technology and at the same time, strengthening our management team to achieve our goals and create a sustainable future for the Group.

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 30 June 2022, the Group had approximately 3,800 full-time staff in Hong Kong and Mainland China and approximately 260 in Europe. The remuneration packages offered to the employees are determined and reviewed on an arm's length basis with reference to the market conditions 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 employee's individual performance. All employees of the Group in Hong Kong have joined the mandatory provident fund schemes. Employees of Group's subsidiaries in Mainland China also participate in social insurance scheme administrated and operated by local authorities and contributions are made according to the local laws and regulations.

Interim Dividend

The Board has resolved not to distribute an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).



Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2022, the interests or short positions of the Directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(1) LONG POSITIONS IN SHARES OF THE COMPANY

As at 30 June 2022, certain Directors and the chief executive of the Company held long positions in the shares of the Company as follows:

Name of director	Beneficial owner	Number of shares held		Total interests	Percentage of shareholding
		Corporate interests	Family interests		
Hon Kwok Lung	3,500,000	3,026,105,515 ⁽¹⁾	1,374,000 ⁽²⁾	3,030,979,515	69.65%
Shi Tao	5,000,000	-	-	5,000,000	0.11%
Sit Lai Hei	-	200,000,000 ⁽³⁾	-	200,000,000	4.60%
Hon Hau Wong	1,750,000	-	200,000,000 ⁽⁴⁾	201,750,000	4.64%
Teguh Halim	3,000,000	-	3,000,000 ⁽⁵⁾	6,000,000	0.14%

Notes:

The percentage of shareholding is calculated on the basis of the Company's issued share capital of 4,351,888,206 shares as at 30 June 2022.

- The 3,026,105,515 shares comprise of 1,646,126,000 shares held by Full Day Limited ("Full Day"), which is wholly-owned by Mr. Hon Kwok Lung and 1,379,979,515 shares held by Sincere View International Limited ("Sincere View"), which is owned as to 80% by Mr. Hon Kwok Lung and 20% by his spouse.
- 1,374,000 shares were held by Ms. Lam Suk Ying, spouse of Mr. Hon Kwok Lung.
- The 200,000,000 shares were held by Qiangda Limited, a wholly-owned subsidiary of Fengrong Investment (Hong Kong) Company Limited ("Fengrong Hong Kong"). Fengrong Hong Kong is wholly-owned by Fujian Fengrong Investment Company Limited ("Fujian Fengrong"), which is owned as to approximately 68.5% by Ms. Sit Lai Hei.
- Mr. Hon Hau Wong is deemed to have an interest in 200,000,000 shares which were held by Qiangda Limited, a wholly-owned subsidiary of Fengrong Hong Kong. Fengrong Hong Kong is wholly-owned by Fujian Fengrong which is owned as to approximately 31.5% by Ms. Lu Xiaojun, spouse of Mr. Hon Hau Wong.
- 3,000,000 shares were held by Mr. Teguh Halim's wife.



Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares (Continued)

(2) LONG POSITION IN SHARES OF THE ASSOCIATED CORPORATIONS OF THE COMPANY

Name of director	Name of associated corporation	Nature of interest	Percentage of shareholding
Sit Lai Hei	Zhuhai Rossini Watch Industry Limited ⁽¹⁾	Corporate ⁽²⁾	9%
Hon Hau Wong	Zhuhai Rossini Watch Industry Limited ⁽¹⁾	Family Interest ⁽²⁾	9%

Notes:

- Zhuhai Rossini Watch Industry Limited ("Rossini") is owned as to 91% indirectly by the Company and 9% by Fujian Fengrong. Rossini is an associated corporation of the Company within the meaning of Part XV of the SFO.
- The interest in Rossini was held by Fujian Fengrong, which is owned as to approximately 68.5% by Ms. Sit Lai Hei, an Executive Director of the Company (the "Executive Director"), and 31.5% by Ms. Lu Xiaojun. Both Ms. Sit Lai Hei and Ms. Lu Xiaojun are daughters-in-law of Mr. Hon Kwok Lung, an Executive Director. Mr. Hon Hau Wong, being an Executive Director and the husband of Ms. Lu Xiaojun, is also deemed to be interested in the 31.5% interest in Fujian Fengrong.

Save as disclosed above, as at 30 June 2022, no other person had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2022, the following persons hold interests of 5% or more of the issued share capital of the Company, as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Nature of interest	No. of shares held	Percentage of shareholding
Sincere View International Limited	Beneficial owner	1,379,979,515	31.71%
Full Day Limited	Beneficial owner	1,646,126,000	37.83%
Hon Kwok Lung ⁽¹⁾	Corporate interest, beneficial owner and family interest	3,030,979,515	69.65%
Lam Suk Ying ⁽¹⁾	Beneficial owner and family interest	3,030,979,515	69.65%

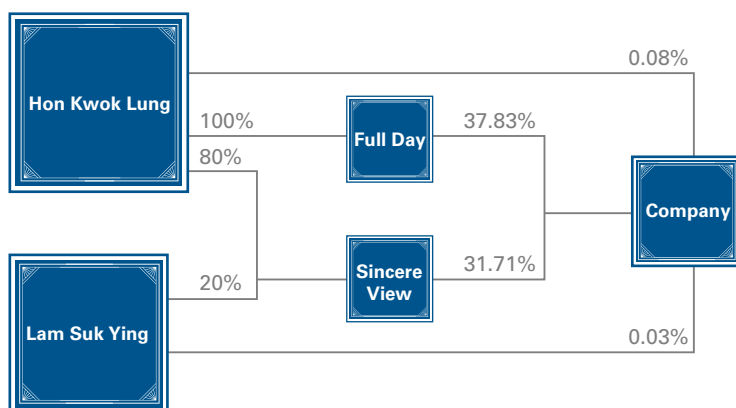


Substantial Shareholders' Interests in Shares and Underlying Shares (Continued)

Note:

The percentage of shareholding is calculated on the basis of the Company's issued share capital of 4,351,888,206 shares as at 30 June 2022.

1. Mr. Hon Kwok Lung and Ms. Lam Suk Ying, his spouse, are deemed to have an interest in the same parcel of 3,030,979,515 shares, which comprise 1,379,979,515 shares held by Sincere View, 1,646,126,000 shares held by Full Day, 3,500,000 shares held by Mr. Hon Kwok Lung and 1,374,000 shares are held by Ms. Lam Suk Ying. The shareholding structure was summarised in the following chart:



Save as disclosed above, as at 30 June 2022, no other person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or short position in the shares and underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.



Corporate Governance Code

During the six months period ended 30 June 2022, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules, except with the details disclosed below:

- **CG CODE C.1.6**

CG Code C.1.6 stipulates that independent non-executive directors of the Company (the “Independent Non-executive Director”) should generally attend general meetings. One Independent Non-executive Director did not attend the annual general meeting of the Company held on 27 May 2022 due to other business engagement.

Due to the unstable COVID-19 situation in Hong Kong, certain directors of the Company participated in the annual general meeting of the Company on 27 May 2022 by video conferencing, and such directors, including the chairpersons of the board committees, were available to answer questions at the meeting pursuant to code provision F.2.2 of the CG Code.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as the Company’s code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry of the Directors, the Directors have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2022.

Connected Transactions

1. VERY SUBSTANTIAL DISPOSAL

On 16 December 2020, after trading hours, the Company (as the vendor), Tycoon Idea Global Limited (the “Purchaser”, which is an associate of Mr. Hon Kwok Lung and therefore connected person of the Company under the Listing Rules) and Sincere View International Ltd. (the “Purchaser’s Guarantor”) 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, all the issued shares of (the “Sale Shares”) and the entire sum owing to the Company (the “Sale Loans”) by each of the following target companies: 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 at consideration comprising (i) the consideration for the Sale Shares of HK\$1.5 billion; and (ii) the consideration for the Sale Loans of HK\$2.03 billion (being the face value of the Sale Loans as at 30 June 2020), to be paid by the Purchaser (or its nominee(s)) to the Company (or its nominee(s)), subject to adjustment at completion of the transaction. The gross proceeds to be received by the Company shall be HK\$3.53 billion, which will be settled in four stages by the Purchaser by (i) a cashier order issued by a licensed bank in Hong Kong, (ii) a banker’s draft drawn against a licensed bank in Hong Kong, (iii) by telegraphic transfer to the designated bank accounts of the Company (or its nominee(s)) or as the Company may direct in writing, or (iv) by such other method as the Purchaser and the Company agree in writing.



Connected Transactions (Continued)

1. VERY SUBSTANTIAL DISPOSAL (Continued)

The above connected transaction was approved by independent shareholders at the extraordinary general meeting of the Company held on 25 March 2021. Pursuant to the terms of the Sale and Purchase Agreement, the completion of transaction is subject to the satisfaction or waiver (where applicable) of a number of conditions and, accordingly, may or may not proceed. The Company, the Purchaser, and the Purchaser's Guarantor (collectively, the "Parties") have entered into supplemental agreements to the Sale and Purchase Agreement on 25 June 2021 and 30 September 2021 to extend the Long Stop Date to 31 December 2021.

On 3 January 2022, the Company received a written notice from the Purchaser in relation to the termination of the Sale and Purchase Agreement. The Board of Directors believed that continuously waiting for the Completion to take place is not at the best interest of the Company and the shareholders as a whole. Accordingly, the Parties entered into a termination agreement on the same date pursuant to which the Parties have mutually agreed to terminate the Sale and Purchase Agreement.

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

2. SHARE DISPOSAL

On 12 July 2022, VGB Limited (the "Vendor", wholly-owned subsidiary of the Company) and Full Day Limited (the "Purchaser", which is an associate of Mr. Hon Kwok Lung and therefore connected person of the Company under the Listing Rules) entered into the Share Disposal Agreement, pursuant to which, the Vendor has agreed to sell, and the Purchaser has agreed to acquire, 4,800,000 shares of Ernest Borel Holdings Limited ("Ernest Borel") at a consideration of HK\$12 million at HK\$2.5 per Ernest Borel share by OTC.

The transaction price of the disposal is at the premium of the then recent average closing price per Ernest Borel share. On that basis, the Board consider that the terms of the Share Disposal Agreement are fair and reasonable. The proceeds from the disposal amount to HK\$12 million, which is received in cash on settlement.

After the disposal, the Vendor owns approximately 62.69% of issued share capital of Ernest Borel. Ernest Borel still remains as a subsidiary of the Company.

Details are set out in the announcement of the Company dated 12 July 2022.



Disclosure of Directors' Information Pursuant to Rule 13.51B(1) of the Listing Rules

Changes in the biographical details of the directors of the Company since the publication of the 2021 annual report are set out below:

1. Mr. Teguh Halim has been re-designated as chairman of Ernest Borel Holdings Limited (a company listed on the Main Board of the Stock Exchange, Stock Code: 1856) on 5 January 2022.
2. Mr. Kam, Eddie Shing Cheuk was an independent non-executive director of AVIC Joy Holdings (HK) Limited (a company listed on the Main Board of the Stock Exchange, Stock Code: 260) from 22 April 2022 to 3 August 2022. Mr. Kam has been appointed as the Chief Executive Officer of Get Nice Holdings Limited (a company listed on the Main Board of the Stock Exchange, Stock Code: 64) on 1 June 2022.

Board Committees

AUDIT COMMITTEE

The Audit Committee currently comprises following members:

Independent Non-executive Directors

Kam, Eddie Shing Cheuk (*Committee Chairman*)

Kwong Chun Wai, Michael

Zhang Bin

Li Ziqing

During the period under review, the Audit Committee met with the Company's external auditor, the Board and senior management. The Audit Committee reviewed the financial reporting and other information to Shareholders (including a review of the unaudited financial statements for the six months ended 30 June 2022), the works done by internal audit for the reporting period and performed other duties set out in the terms of reference. The Audit Committee also reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the Board and senior management.



Board Committees (Continued)

REMUNERATION COMMITTEE

The remuneration committee of the Company (the “Remuneration Committee”) currently comprises following members:

Independent Non-executive Directors

Kam, Eddie Shing Cheuk
(Committee Chairman)
Kwong Chun Wai, Michael
Zhang Bin
Li Ziqing

Executive Directors

Hon Kwok Lung
Siu Chun Wa

The Remuneration Committee makes recommendations to the Board on the Company’s policy and structure for all Directors’ and senior management’s remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. The Remuneration Committee also makes recommendations to the Board on the remuneration packages of individual Executive Directors and senior management. The Remuneration Committee ensures that no Director or any of his/her associates is involved in deciding his/her own remuneration.

NOMINATION COMMITTEE

The nomination committee of the Company (the “Nomination Committee”) currently comprises following members:

Executive Directors

Hon Kwok Lung (Committee Chairman)
Siu Chun Wa

Independent Non-executive Directors

Kwong Chun Wai, Michael
Zhang Bin
Kam, Eddie Shing Cheuk
Li Ziqing

The principal duties of the Nomination Committee are to review the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, independence from or relationship with other members of the Board, experience (professional or otherwise), skills, knowledge and length of service) of the Board, identify and nominate individuals suitably qualified to become board members and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors. The Nomination Committee also develops, maintains and reviews the board diversity policy. The Nomination Committee is also responsible for assessing the independence of Independent Non-executive Directors.



Board Committees (Continued)

RISK MANAGEMENT COMMITTEE

The risk management committee of the Company (the “Risk Management Committee”) currently comprises following members:

Executive Directors

Sit Lai Hei (*Committee Chairman*)

Hao Xiaohui

Shi Tao

Bi Bo

The principal duties of the Risk Management Committee are to evaluate and determine the risk appetite that the Group is willing to take in achieving its strategic objectives, to oversee the Group’s risk management system on an ongoing basis and conduct a review on the effectiveness of the system at least once annually, and to identify significant risks to which the Group is exposed and develop plans and measures to management or mitigate such significant risks.

Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any Company’s listed securities (whether on the Stock Exchange or otherwise).

Appreciation

Our financial performance and strategic moves reflected the joint efforts of the Board and management in successfully pursuing our mission. Our performance could not have achieved without the leadership of the Board and our management team. I would like to express my deep gratitude to our employees, customers, suppliers, bankers, professional consultants, business partners, and Shareholders for their support.

Hon Kwok Lung

Chairman

Hong Kong, 30 August 2022

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest income from banking business		62,225	69,711
Interest expenses from banking business		(10,672)	(23,243)
Net interest income from banking business	6a	51,553	46,468
Service fees and commission income from banking business		104,044	145,046
Service fees and commission expenses from banking business		(17,087)	(30,841)
Net service fees and commission income from banking business	6b	86,957	114,205
Trading income from banking business	6c	23,028	7,540
Service fees and commission income from financial business	6d	949	1,351
Interest income from financial business	6d	173	232
Sales of goods from non-banking and financial businesses	6e	685,987	818,019
Rental income from non-banking and financial businesses	6e	9,124	6,770
Total revenue		857,771	994,585
Cost of sales from non-banking and financial businesses		(340,803)	(364,330)
Other ordinary income and other net gains or losses	7	14,920	29,496
Selling and distribution expenses		(237,615)	(280,908)
Administrative expenses		(316,752)	(346,067)
Share of loss of joint ventures		(83)	(26)
Share of profit of associates		4,023	20
Finance costs	8	(32,853)	(39,000)
Loss before income tax	9	(51,392)	(6,230)
Income tax expense	10	(3,258)	(21,291)
Loss for the period		(54,650)	(27,521)

Condensed Consolidated Statement of
Comprehensive Income (Continued)

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
– Change in fair value of financial assets at fair value through other comprehensive income	16	(70,973)	(7,094)
– Remeasurement of net defined benefit obligation		264	645
		(70,709)	(6,449)
Item that may be subsequently reclassified to profit or loss			
– Exchange differences on translation to presentation currency		(100,550)	(96,790)
		(100,550)	(96,790)
Other comprehensive income for the period		(171,259)	(103,239)
Total comprehensive income for the period		(225,909)	(130,760)
Loss for the period attributable to:			
Owners of the Company		(52,094)	(27,396)
Non-controlling interests		(2,556)	(125)
		(54,650)	(27,521)
Total comprehensive income for the period attributable to:			
Owners of the Company		(218,854)	(123,821)
Non-controlling interests		(7,055)	(6,939)
		(225,909)	(130,760)
Loss per share attributable to owners of the Company for the period			
– Basic	13	(HK1.20 cents)	(HK0.63 cent)
– Diluted		(HK1.20 cents)	(HK0.63 cent)

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Assets			
Cash and deposits		3,535,322	6,531,968
Due from clients	14	2,859,415	3,068,719
Due from banks	14	2,963,508	2,034,190
Trading portfolio investments	15	23,292	86,130
Financial assets at fair value through other comprehensive income	16	432,872	504,117
Derivative financial assets	17	17,881	34,608
Trade receivables	18	344,898	378,227
Other financial assets at amortised cost	19	1,494,385	1,852,934
Inventories	20	2,038,881	2,193,281
Income tax recoverable		–	460
Interests in joint ventures		435	519
Interests in associates		126,380	113,687
Property, plant and equipment	21	1,296,085	1,348,154
Investment properties	22	210,159	210,159
Intangible assets	23	43,254	52,411
Goodwill	24	1,100,683	1,151,788
Deferred tax assets		6,809	9,179
Other assets		446,378	391,888
Total assets		16,940,637	19,962,419

Condensed Consolidated Statement of
Financial Position (Continued)

As at 30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Liabilities			
Due to banks		299	15,126
Due to clients		10,342,632	12,750,292
Derivative financial liabilities	17	40,480	47,955
Trade payables	25	210,276	409,555
Contract liabilities		18,883	26,510
Income tax payables		35,137	32,559
Borrowings	26	1,097,846	1,176,635
Provisions		350	379
Lease liabilities		60,536	77,228
Deferred tax liabilities		54,104	55,180
Due to a shareholder		12,000	12,000
Due to directors		77,389	73,515
Other liabilities		641,389	661,945
Total liabilities		12,591,321	15,338,879
EQUITY			
Equity attributable to owners of the Company			
Share capital		435,189	435,189
Reserves		3,693,062	3,925,944
		4,128,251	4,361,133
Non-controlling interests		221,065	262,407
Total equity		4,349,316	4,623,540
Total liabilities and equity		16,940,637	19,962,419

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Equity attributable to owners of the Company			
	Share capital HK\$'000 (Unaudited)	Share premium account* HK\$'000 (Unaudited)	Other reserve* HK\$'000 (Unaudited)	Goodwill arising on consolidation* HK\$'000 (Unaudited)
At 1 January 2021	435,189	682,028	(13,560)	(15,300)
Transactions with owners				
Deemed acquisition of non-controlling interests (note 29)	-	-	(21,794)	-
Dividend paid to non-controlling interests	-	-	-	-
Total transactions with owners	-	-	(21,794)	-
Comprehensive income				
Loss for the period	-	-	-	-
Other comprehensive income				
Exchange differences on translation to presentation currency	-	-	-	-
Changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-
Remeasurement of net defined benefit obligation	-	-	-	-
Total comprehensive income	-	-	-	-
At 30 June 2021	435,189	682,028	(35,354)	(15,300)

Condensed Consolidated Statement of
Changes in Equity (Continued)

For the six months ended 30 June 2022

Equity attributable to owners of the Company							
Statutory reserve*	Exchange fluctuation reserve*	Fair value through other comprehensive income reserve**	Revaluation reserve for property, plant and equipment*	Retained profits*	Total	Non- controlling interests	Total equity
HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
106,209	7,523	(29,116)	34,916	3,210,790	4,418,679	317,548	4,736,227
-	-	-	-	-	(21,794)	(38,694)	(60,488)
-	-	-	-	-	-	(11,991)	(11,991)
-	-	-	-	-	(21,794)	(50,685)	(72,479)
-	-	-	-	(27,396)	(27,396)	(125)	(27,521)
-	(89,744)	-	-	-	(89,744)	(7,046)	(96,790)
-	-	(7,094)	-	-	(7,094)	-	(7,094)
-	-	-	-	413	413	232	645
-	(89,744)	(7,094)	-	(26,983)	(123,821)	(6,939)	(130,760)
106,209	(82,221)	(36,210)	34,916	3,183,807	4,273,064	259,924	4,532,988

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2022

	Equity attributable to owners of the Company			
	Share capital HK\$'000 (Unaudited)	Share premium account* HK\$'000 (Unaudited)	Other reserve* HK\$'000 (Unaudited)	Goodwill arising on consolidation* HK\$'000 (Unaudited)
At 1 January 2022	435,189	682,028	(35,379)	(15,300)
Transactions with owners				
Deemed acquisition of non-controlling interests (note 29(b))	-	-	(17,198)	-
Deemed disposal of non-controlling interests (note 29(a))	-	-	3,170	-
Dividend paid to non-controlling interests	-	-	-	-
Capital reduction	-	-	-	-
Disposal of subsidiaries	-	-	-	-
Release of other reserve upon the disposal of subsidiaries	-	-	(8,482)	-
Total transactions with owners	-	-	(22,510)	-
Comprehensive income				
Loss for the period	-	-	-	-
Other comprehensive income				
Exchange differences on translation to presentation currency	-	-	-	-
Changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-
Remeasurement of net defined benefit obligation	-	-	-	-
Total comprehensive income	-	-	-	-
At 30 June 2022	435,189	682,028	(57,889)	(15,300)

* These reserve accounts comprise the consolidated reserves of HK\$3,693,062,000 (31 December 2021: HK\$3,925,944,000) in the condensed consolidated statement of financial position.

The entire balance of fair value through other comprehensive income reserve belongs to non-recycling portion.

Condensed Consolidated Statement of
Changes in Equity (Continued)

For the six months ended 30 June 2022

Equity attributable to owners of the Company							
Statutory reserve* HK\$'000 (Unaudited)	Exchange fluctuation reserve* HK\$'000 (Unaudited)	Fair value through other comprehensive income reserve** HK\$'000 (Unaudited)	Revaluation reserve for property, plant and equipment* HK\$'000 (Unaudited)	Retained profits* HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non- controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
106,209	1,804	4,011	34,916	3,147,655	4,361,133	262,407	4,623,540
-	-	-	-	-	(17,198)	(20,397)	(37,595)
-	-	-	-	-	3,170	2,557	5,727
-	-	-	-	-	-	(2,255)	(2,255)
-	-	-	-	-	-	(8,800)	(8,800)
-	-	-	-	-	-	(5,392)	(5,392)
-	-	-	-	8,482	-	-	-
-	-	-	-	8,482	(14,028)	(34,287)	(48,315)
-	-	-	-	(52,094)	(52,094)	(2,556)	(54,650)
-	(96,051)	-	-	-	(96,051)	(4,499)	(100,550)
-	-	(70,973)	-	-	(70,973)	-	(70,973)
-	-	-	-	264	264	-	264
-	(96,051)	(70,973)	-	(51,830)	(218,854)	(7,055)	(225,909)
106,209	(94,247)	(66,962)	34,916	3,104,307	4,128,251	221,065	4,349,316

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	(2,871,185)	3,003,983
Cash flows from investing activities		
Dividend received	–	9,050
Payment for the purchase of property, plant and equipment	(38,045)	(106,663)
Proceeds on disposal of property, plant and equipment	–	18,266
Decrease/(increase) in other financial assets at amortised costs	298,155	(631,238)
Other cash flows arising from investing activities	248	2,432
Net cash outflow from disposal of subsidiaries	(29,600)	–
Cash paid to non-controlling interests for capital reduction of a subsidiary	(8,800)	–
Net cash generated from/(used in) investing activities	221,958	(708,153)
Cash flows from financing activities		
Acquisition of non-controlling interests	(37,595)	(60,488)
Proceeds from the partial disposal of non-controlling interests	5,727	–
Repayments of borrowings	(168,255)	(367,710)
Proceeds from borrowings	104,414	200,765
Advance from a related company	35,000	79,000
Advanced from directors	8,107	–
Repayment to directors	(4,233)	(4,233)
Interest paid	(26,164)	(33,361)
Dividend paid to non-controlling interests	(2,255)	–
Net cash used in financing activities	(85,254)	(186,027)
Net (decrease)/increase in cash and cash equivalents	(2,734,481)	2,109,803
Cash and cash equivalents at the beginning of the period (note)	6,351,324	5,447,595
Effect of foreign exchange rates changes	(135,408)	(220,711)
Cash and cash equivalents at the end of the period (note)	3,481,435	7,336,687

Note: Cash and cash equivalents comprised cash and bank balances and bank overdrafts for the purpose of condensed consolidated statements of cash flows.



Notes to the Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

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, 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 period, 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.

The Group has completed the disposal of 30% equity interests of Shun Heng Finance Holdings Limited and its subsidiaries (“Shun Heng Group”) at HK\$8,670,000 in May 2022. Details of the transactions are set out in note 12 of the unaudited condensed interim financial information.

Other than the aforementioned transactions, there was no significant change in the Group’s operations during the period.

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. Basis of Preparation

The unaudited condensed interim financial information (“the Unaudited Interim Financial Information”) has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants and with the applicable disclosure provisions in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Unaudited Interim Financial Information is 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.

The Unaudited Interim Financial Information for the six months ended 30 June 2022 was approved for issue by the board of directors of the Company on 30 August 2022.



For the six months ended 30 June 2022

3. Summary of Significant Accounting Policies

The Unaudited Interim Financial Information has been prepared in accordance with the accounting policies and method of computation used in the 2021 Annual Financial Statements, except for the adoption of the new or amended Hong Kong Financial Reporting Standards (“HKFRSs”), which include individual HKFRSs, HKAS and Interpretations. The Group has not early adopted any new HKFRSs that have been issued but are not yet effective. The Unaudited Interim Financial Information should be read in conjunction with the 2021 Annual Financial Statements.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group’s accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Group makes estimates and assumptions concerning the future. Such estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

Estimated impairment of goodwill

The Group tests on an annual basis whether goodwill has suffered any impairment. The recoverable amounts of the cash generating units (“CGUs”) have been determined based on value-in-use calculations or fair value less cost of disposal (“FVLCD”) whichever is higher. The value-in-use calculations require the use of judgement and estimates of the future cash flows expected to arise from the CGUs, the timeframe for the cash flows forecast and the suitable discount rates in order to calculate the present value. In the process of estimating expected future cash flows, management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Calculation of FVLCD involves the selection of valuation model, adoption of key assumption, and input data, which are subject to management judgement.

Provision for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective estimated net realisable value. The assessment of the provision involves management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of inventories and provision charge/write-back in the period in which such estimate has been changed.

For the six months ended 30 June 2022

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Depreciation and amortisation

The Group depreciates and amortises its property, plant and equipment and intangible assets with definite useful lives using straight-line method over their respective estimated useful lives, starting from the date on which the assets are put into productive use. The estimated useful lives reflect the directors' estimate of the period that the Group intends to derive future economic benefits from the use of these assets.

Estimated impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables on a forward-looking basis. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade and other receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. Other receivables is considered 12-months expected credit losses. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in the operating results of customers, actual or expected significant adverse changes in business and customers' financial position. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management.

Impairment assessment of non-financial assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The recoverable amount is determined based on value-in-use calculation or FVLCD. The calculations of value-in-use require the use of judgement and estimates of the future cash flows expected to arise from the CGUs, the timeframe for the cash flows forecast and the suitable discount rates in order to calculate the present value. In the process of estimating expected future cash flows, management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of non-financial assets within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Calculation of FVLCD involves the selection of valuation model, adoption of key assumption, and input data, which are subject to management judgement.

Income taxes

The Group is subject to income taxes in Hong Kong, Switzerland, United Kingdom, Liechtenstein and the PRC. Significant judgement is required in determining the amount of the provision for income taxes and the timing of the payments of related taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

For the six months ended 30 June 2022

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Warranty provision

Warranty provision is made for expenditure associated with future variable services and repair cost related to warranty claims. The management makes an assessment of the future costs related to this work by using the proportion of actual tasks related to warranty work as the basis for the calculation. The assessment of provision involves management judgement and estimates. When the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of warranty provision and provision charge/write-back in the period in which such estimate has been changed.

Estimation of defined benefit obligations

The Group operates four defined benefit plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with HKAS 19, Employee Benefits. Under this method, the cost of providing pensions is charged to the profit or loss in accordance with the advice of the actuaries who carry out a full valuation of the plans. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. All actuarial gains and losses are recognised in full, in the year in which they occur, in other comprehensive income.

Management appointed actuaries to carry out a full valuation of these pension plans to determine the pension obligations that are required to be disclosed and accounted for in the accounts in accordance with the requirements of HKFRSs.

The actuaries use assumptions and estimates in determining the fair value of the defined benefit plans and evaluate and update these assumptions on an annual basis. Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

Valuation adjustments on credit positions

Various factors can influence the expected credit loss allowances for credit positions. Management considers factors such as external rating and days past due to determine the HKFRS 9 staging allocation. Management further estimates the exposure at default, probability of default as well as loss given default to calculate the expected credit losses allowance.

For the six months ended 30 June 2022

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Provisions

The Group recognises provisions for imminent threats if in the opinion of the responsible experts the probability that losses will occur is greater than the probability that they will not occur and if their amount can be reliably estimated. In judging whether the creation of a provision and its amount are reasonable, the best-possible estimates and assumptions as at the end of reporting periods are applied. If necessary, these will be adjusted to reflect new knowledge and circumstances at a later date. New knowledge may have a significant effect to profit or loss.

As part of the normal business activities of banking business, the Group is exposed to a wide range of legal risks. These include in particular risks relating to litigation. The Group recognises provisions for such litigation risks if the Group's management and its legal advisors are of the opinion that an outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount. The amount of the provisions and their timing are by their nature subject to uncertainty. However, these uncertainties are evaluated as being low since it was possible to reliably estimate the individual amounts and the majority of the recognised provisions will probably become due within one year.

Research and development costs

In accordance with the accounting policy set out in note 4.12 of 2021 Annual Financial Statements, costs associated with research activities are expensed in profit or loss as they are incurred, while costs that are directly attributable to development activities are recognised as intangible assets provided they meet all the requirements as set out in note 4.12 of 2021 Annual Financial Statements. This requires the management to make judgements to distinguish the research phase and development phase of the projects being undertaken. Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the application of research, findings or other knowledge to a plan or design for the production of new or substantially improved materials devices, products, processes, systems or services before the start of commercial production or use. Determining the amounts to be expensed in profit or loss or to be capitalised required management to make judgement, and assumptions regarding the expected progress and outcome of the research and development activities the future expected cash generation of the assets, discount rates to be applied, and also the expected period of, probable future economic benefits. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the projects. Hence research costs are generally recognised as expenses in the period in which they are incurred.

For the six months ended 30 June 2022

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Right-of-use assets

The Group uses its incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Going concern assumption

The directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its financial obligations, as and when they fall due. Certain plans and measures as stated in note 3.3 of 2020 Annual Financial Statements have been taken and are being taken to manage the Group’s liquidity needs and to improve its financial position.

Should the Group be unable to continue as a going concern, adjustment would have to be made to write down the carrying value of the Group’s assets to their net realisable amounts, and to provide for further liabilities that might arise. The effect of these potential adjustments has not been reflected in the condensed consolidated financial statements.

Fair value measurement

A number of assets and liabilities included in the Group’s condensed consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group’s financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the “fair value hierarchy”):

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: observable inputs other than quoted price included with Level 1; and
- Level 3: unobservable inputs are inputs for which market data are not available.



For the six months ended 30 June 2022

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Fair value measurement (Continued)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures the following items at fair value:

- Due from banks – precious metals
- Due to clients – precious metals
- Trading portfolio investments
- Derivative financial assets
- Derivative financial liabilities
- Financial assets at fair value through other comprehensive income
- Investment properties

5. 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) manufacture 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.



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2022

5. Segment Information (Continued)

	Six months ended 30 June 2022				
	Watches and timepieces HK\$'000 (Unaudited)	Property investments HK\$'000 (Unaudited)	Banking and financial businesses HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue:					
Net interest income from banking business	-	-	51,553	-	51,553
Net service fees and commission income from banking business	-	-	86,957	-	86,957
Trading income from banking business	-	-	23,028	-	23,028
Service fees and commission income from financial business	-	-	949	-	949
Interest income from financial business	-	-	173	-	173
Sales of goods from non-banking and financial businesses	685,987	-	-	-	685,987
Rental income from non-banking and financial businesses	-	9,124	-	-	9,124
Total revenue	685,987	9,124	162,660	-	857,771
Segment results	3,085	8,180	12,455	-	23,720
Unallocated corporate income and expenses, net	-	-	-	(35,804)	(35,804)
Share of loss of joint ventures	-	-	-	(83)	(83)
Share of profit of associates	-	-	1,247	2,776	4,023
Loss on disposal of subsidiaries	-	-	(10,395)	-	(10,395)
Finance costs	(13,300)	-	(519)	(19,034)	(32,853)
Profit/(loss) before income tax	(10,215)	8,180	2,788	(52,145)	(51,392)
Income tax expense	(1,376)	335	(2,184)	(33)	(3,258)
Profit/(loss) for the period	(11,591)	8,515	604	(52,178)	(54,650)

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

5. Segment Information (Continued)

	Six months ended 30 June 2021				
	Watches and timepieces HK\$'000 (Unaudited)	Property investments HK\$'000 (Unaudited)	Banking and financial businesses HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue:					
Net interest income from banking business	-	-	46,468	-	46,468
Net service fees and commission income from banking business	-	-	114,205	-	114,205
Trading income from banking business	-	-	7,540	-	7,540
Service fees and commission income from financial business	-	-	1,351	-	1,351
Interest income from financial business	-	-	232	-	232
Sales of goods from non-banking and financial businesses	818,019	-	-	-	818,019
Rental income from non-banking and financial businesses	-	6,770	-	-	6,770
Total revenue	818,019	6,770	169,796	-	994,585
Segment results	45,162	6,142	13,706	-	65,010
Unallocated corporate income and expenses, net	-	-	-	(32,234)	(32,234)
Share of loss of joint ventures	-	-	-	(26)	(26)
Share of profit of associates	-	-	-	20	20
Finance costs	(19,372)	-	(55)	(19,573)	(39,000)
Profit/(loss) before income tax	25,790	6,142	13,651	(51,813)	(6,230)
Income tax expense	(15,253)	54	(5,598)	(494)	(21,291)
Profit/(loss) for the period	10,537	6,196	8,053	(52,307)	(27,521)

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

6. Revenue

The Group is principally engaging in manufacture 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 net trading income. 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.

Revenue recognised during the period is as follows:

(a) Net interest income from banking business

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income from banking business arising from:		
Interest income – due from banks	18,566	30,250
Interest income – due from clients	18,866	18,741
Interest income from trading securities	112	927
Interest income from mortgage loans	13,760	10,209
Interest income from financial assets	11,421	9,762
Interest expense from money market papers	(341)	(178)
Negative interest income on due to clients	(159)	–
	62,225	69,711
Interest expenses from banking business arising from:		
Interest expense on due to banks	(10,775)	(21,835)
Interest expense on due to clients	(18)	(1,247)
Negative interest income on due from banks and clients	121	(161)
	(10,672)	(23,243)
Net interest income from banking business	51,553	46,468

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

6. Revenue (Continued)

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Service fees and commission income from banking business arising from:		
Commission income from loans	2,112	3,322
Brokerage fees	19,825	23,717
Custody account fees	12,975	14,089
Commission on investment advice and asset management	25,841	55,153
Commission income from service fees	16,641	22,271
Commission income from fiduciary fees	184	227
Commission income from retrocession	3,068	2,177
Other commission income	23,398	24,090
	104,044	145,046
Service fees and commission expenses from banking business	(17,087)	(30,841)
Net service fees and commission income from banking business	86,957	114,205

(c) Trading income from banking business

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Debt instruments	(15)	1
Equity instruments	1	123
Forex and precious metals	23,028	18,554
Funds	14	(11,138)
Trading income from banking business	23,028	7,540

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

6. Revenue (Continued)

(d) Revenue from financial business

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Service fees and commission income	949	1,351
Interest income	173	232
Revenue from financial business	1,122	1,583

(e) Revenue from non-banking and financial businesses

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sale of goods	685,987	818,019
Rental income	9,124	6,770
Revenue from non-banking and financial businesses	695,111	824,789

7. Other Ordinary Income and Other Net Gains or Losses

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Exchange gain, net	9,952	8,185
Gain on fair value changes in trading portfolio investments, net (note 15)	1,725	632
Bank and other interest income from non-banking and financial business	248	2,432
Dividend income from financial asset at fair value through other comprehensive income ("FVOCI") (note 16)	–	8,815
Gain on disposal of property, plant and equipment	228	861
Government subsidies	1,929	3,323
Other sundry income	838	5,248
	14,920	29,496

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

8. Finance Costs

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests on lease liabilities	1,729	1,091
Interests charged on bank borrowings and bank overdrafts	31,124	37,909
	32,853	39,000


9. Loss Before Income Tax

The Group's loss before income tax was arrived at after charging:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	52,208	56,697
Amortisation of intangible assets	181	372

10. Income Tax Expense

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax for the period		
PRC	757	15,466
Liechtenstein	2,987	6,433
Switzerland	338	964
Deferred tax for the period	(824)	(1,572)
Total income tax expense	3,258	21,291



Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

10. Income Tax Expense (Continued)

For both the six months ended 30 June 2022 and 2021, no provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong. The subsidiaries established in the PRC are subject to income taxes at tax rates ranging between 15% and 25% (six months ended 30 June 2021: between 15% and 25%). Overseas tax is calculated at the rates applicable in the respective jurisdictions.

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

11. Dividends

The directors do not recommend the payment of an interim dividend for the period ended 30 June 2022 (six months ended 30 June 2021: Nil).

12. Disposal of Subsidiaries

In May 2022, the Group has completed the disposal of 30 % equity interests of Shun Heng Group at HK\$8,670,000 to several related parties (the other shareholders of Shun Heng Finance Holdings Limited) and a third party. Following the disposal, the Company's effective equity interest in Shun Heng Group decreased from 60% to 30% and Shun Heng Group would be an associate of the Group. The Group recognised a loss on disposal of approximately HK\$10,395,000. Details of the Group's loss on disposal of the Shun Heng Group for the period ended 30 June 2022 were set out as follows:

	HK\$'000 (Unaudited)
Net assets disposal of:	
Cash and deposits	38,270
Trade receivables	4,629
Trading portfolio investments	3,442
Intangible assets	7,245
Goodwill	3,080
Other assets	5,350
Trade payables	(25,780)
Other liabilities	(3,109)
	<u>33,127</u>
Non-controlling interests	<u>(5,392)</u>
	27,735
Less: proceeds from disposal	(8,670)
Less: Fair value of 30% equity interests in Shun Heng Group	(8,670)
Loss on disposal	<u>10,395</u>

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

12. Disposal of Subsidiaries (Continued)

	HK\$'000 (Unaudited)
Net cash inflow arising on disposal:	
Cash consideration received	8,670
Less: Cash and deposits disposed of	(38,270)
Net cash outflow for the period ended 30 June 2022	(29,600)

13. Loss Per Share

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	(52,094)	(27,396)

	Number of shares	
	Six months ended 30 June	
	2022	2021
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of shares for the purpose of calculating basic and diluted loss per share	4,351,889	4,351,889

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

14. Due from Banks and Clients

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Due from clients – mortgage loans	1,973,752	1,969,124
Due from clients – other	894,963	1,109,003
Valuation adjustments for default risk	(9,300)	(9,408)
Total due from clients	2,859,415	3,068,719
Due from banks on a daily basis	2,661,604	1,830,121
Due from banks other claims	112,536	83,218
Due from banks – precious metals	190,187	121,114
Valuation adjustments for default risk	(819)	(263)
Total due from banks	2,963,508	2,034,190

15. Trading Portfolio Investments

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Equity instruments		
Listed equity instruments in Hong Kong at market value	444	626
Listed equity instruments outside Hong Kong at market value	1,664	3,944
Total equity instruments	2,108	4,570
Debt instruments		
Unlisted debt instruments of financial institutions	4,959	7,234
Investment fund units		
Unlisted investments fund units	9,629	67,780
Investments in other financial products	6,596	6,546
Total trading portfolio investments	23,292	86,130

The investments under trading portfolio investments are held for trading purposes.

There is no transfer under the fair value hierarchy classification for the six months ended 30 June 2022 and 2021.

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

15. Trading Portfolio Investments (Continued)

The fair value loss during the period was amounted to HK\$1,725,000 (six months ended 30 June 2021: fair value gain of HK\$632,000), which has been recognised in the condensed consolidated statement of comprehensive income as “other ordinary income and other net gains or losses” (note 7) for six months ended 30 June 2022.

16. Financial Assets at Fair Value through Other Comprehensive Income

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Listed equity instruments in Hong Kong (note (a))	298,829	350,837
Listed equity instruments outside Hong Kong (note (b))	128,168	147,133
Unlisted equity investments	5,875	6,147
Total	432,872	504,117

Notes:

- (a) As at 30 June 2022 and 31 December 2021, the listed equity investments in Hong Kong represented 14.76% equity interest in Min Xin Holdings Limited (“Min Xin Shares”). As at 30 June 2022 and 31 December 2021, the Group held 88,150,000 Min Xin Shares. No dividend income (six months ended 30 June 2021: HK\$8,815,000) was recognised by the Group in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2022.
- (b) As at 30 June 2022 and 31 December 2021, the listed equity investments outside Hong Kong represented 2.04% equity interest in Citychamp Dartong Company Limited (“Citychamp Dartong Shares”) listed on the Shanghai Stock Exchange in the PRC. As at 30 June 2022 and 31 December 2021, the Group held 30,389,058 Citychamp Dartong Shares. No dividend income was recognised by the Group in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2022 and 2021.

During the six months ended 30 June 2022, the decrease in fair value of financial assets at fair value through other comprehensive income of HK\$70,973,000 (six months ended 30 June 2021: HK\$7,094,000) has been dealt with in other comprehensive income and FVOCI reserve.

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

17. Derivative Financial Instruments

	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Derivative financial assets		
Forward and option contracts	17,881	34,608
Derivative financial liabilities		
Forward and option contracts	40,480	46,308
Interest rate swap contracts	–	1,647
	40,480	47,955

Forward and option contracts arising in banking business

The Group's subsidiaries under the banking business segment act as an intermediary to offer derivative products including interest rate and currency forwards and swap to its customers. These derivative positions are managed through entering back-to-back deals with external parties to ensure the remaining exposures are within acceptable risk levels.

The following tables and notes provide an analysis of the nominal amounts of derivatives and the corresponding fair values as at the year ended date. The nominal amounts of the derivatives indicate the volume of transactions outstanding as at the reporting date; they do not represent amounts at risk.

	30 June 2022		
	Nominal amount	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)
Non-hedging instruments			
– Currency derivatives	2,740,859	17,881	40,480

	31 December 2021		
	Nominal amount	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)
Non-hedging instruments			
– Currency derivatives	7,020,076	34,608	(46,308)
– Option	195	–*	–*
	7,020,271	34,608	(46,308)

* Represents the amount less than HK\$1,000

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

17. Derivative Financial Instruments (Continued)

Forward and option contracts arising in banking business (Continued)

The remaining term to maturity of derivatives does not represent the Group's intended holding period. Change in the fair value of forward and option contracts arising in banking business has been recognised in the condensed consolidated statement of comprehensive income under "Trading income from banking business".

18. Trade Receivables

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade receivables arising from watches and timepiece businesses (note (a))	344,898	372,197
Trade receivables arising from financial business (note (b)):		
– Margin clients	–	2,199
– Cash clients	–	3,708
– Clearing house	–	123
	–	6,030
Trade receivables, net	344,898	378,227

(a) The Group's trading terms with its customers of watches and timepieces businesses 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 (31 December 2021: one to six months) for major customers. Each customer has a maximum credit limit. The credit term for customers is determined by the management according to industry practice together with consideration of their creditability. Trade receivables are non-interest bearing.

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

18. Trade Receivables (Continued)

(a) (Continued)

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
1 to 3 months	239,879	219,217
4 to 6 months	7,780	36,300
Over 6 months	97,239	116,680
	344,898	372,197

(b) The settlement term of trade receivables arising from the financial business of securities dealing is two business days after trade date ("T+2").

In the opinion of the directors, ageing analysis is not meaningful in view of the business nature of securities dealing.

19. Other Financial Assets at Amortised Cost

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Listed debt instruments, at amortised cost	1,494,385	1,852,934
Issued by:		
Governments and public sector	200,380	334,076
Financial institutions	878,173	1,014,986
Corporations	415,832	503,872
	1,494,385	1,852,934

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

20. Inventories

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Raw materials	344,905	382,625
Work-in-progress	410,073	328,663
Finished goods and merchandise	1,283,903	1,481,993
	2,038,881	2,193,281

21. Property, Plant and Equipment

During the six months ended 30 June 2022, the Group acquired property, plant and equipment of HK\$366,484,000 (six months ended 30 June 2021: HK\$106,663,000). During the period, the Group has entered into several leases for offices and shops with right-of-use assets amounted to approximately HK\$1,076,000 (six months ended 30 June 2021: HK\$9,264,000) recognized. Property, plant and equipment of HK\$24,152,000 were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$9,915,000).

As at 30 June 2022, land and buildings in Switzerland with an aggregate carrying amount of HK\$81,351,000 (31 December 2021: HK\$103,641,000) have been pledged to secure banking facilities granted to the Group (note 26).

As at 30 June 2022, right-of-use assets in PRC with an aggregate carrying amount of HK\$202,922,000 (31 December 2021: HK\$205,932,000) have been pledged to secure banking facilities granted to the Group (note 26).

22. Investment Properties

As at 30 June 2022, the Group has not obtained the relevant title certificates for investment properties with an aggregate carrying amount of HK\$46,580,000 (31 December 2021: HK\$46,580,000). The Group's legal advisors have confirmed that the Group is the rightful and equitable owner of these investment properties. The directors are now in process of obtaining the title certificates from the relevant government authorities.

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

23. Intangible Assets

	Supplier and distribution networks HK\$'000	Brand names HK\$'000	Trading rights HK\$'000	Total HK\$'000
Six months ended 30 June 2022 (Unaudited)				
Opening carrying amount	183	44,982	7,246	52,411
Amortisation	(181)	–	–	(181)
Disposal of subsidiaries (note 12)	–	–	(7,246)	(7,246)
Exchange realignment	(2)	(1,728)	–	(1,730)
Closing carrying amount	–	43,254	–	43,254
Year ended 31 December 2021 (Audited)				
Opening carrying amount	833	46,336	7,246	54,415
Amortisation	(659)	(77)	–	(736)
Exchange realignment	9	(1,277)	–	(1,268)
Closing carrying amount	183	44,982	7,246	52,411

As at 30 June 2022, intangible assets of HK\$43,254,000 (31 December 2021: HK\$45,165,000) are attributable to watches and timepieces businesses while there is no intangible assets (31 December 2021: HK\$7,246,000) attributable to financial business.

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

24. Goodwill

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Balance at the beginning of period/year	1,151,788	1,144,071
Disposal of subsidiaries (note 12)	(3,080)	–
Exchange realignment	(48,025)	7,717
Balance at the end of period/year	1,100,683	1,151,788

As at 30 June 2022, goodwill of HK\$848,675,000 (31 December 2021: HK\$886,622,000) are attributable to watches and timepieces businesses while goodwill of HK\$252,008,000 (31 December 2021: HK\$265,166,000) are attributable to banking and financial businesses.

25. Trade Payables

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade payables arising from watches and timepiece businesses (note (a))	210,276	286,617
Trade payables arising from financial business (note (b)):		
– Cash clients	–	120,077
– Margin clients	–	2,533
– Clearing house	–	328
	–	122,938
Trade payables	210,276	409,555

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

25. Trade Payables (Continued)

- (a) Ageing analysis of trade payables arising from watches and timepieces businesses as at the reporting dates, based on invoice dates, is as follows:

	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
1 to 3 months	127,406	251,146
4 to 6 months	14,745	15,994
Over 6 months	68,124	19,477
	210,276	286,617

- (b) The settlement term of trade payables arising from the financial business of securities dealing is "T+2". Trade payables arising from financial business during the "T+2" period are current whereas those which are outstanding after the "T+2" period are repayable on demand.

In the opinion of the directors, ageing analysis is not meaningful in view of the business nature of securities dealing.

26. Borrowings

	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Bank overdrafts (note 26.1)	53,887	58,305
Bank borrowings (note 26.1)	1,005,459	1,086,830
Other loans (note 26.2)	38,500	31,500
	1,097,846	1,176,635

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

26. Borrowings (Continued)

26.1 Bank overdrafts and bank borrowings

As at 30 June 2022, the amount of the Group's bank overdrafts and bank borrowings repayable within one year or on demand is HK\$797,114,000 (31 December 2021: HK\$867,736,000).

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:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Borrowings payable:		
Within one year	336,428	416,386
In the second year	272,867	215,119
In the third to fifth year	406,665	480,543
After fifth year	43,386	33,087
	722,918	728,749
	1,059,346	1,145,135

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

- (i) corporate guarantees provided by certain subsidiaries within the Group as at 30 June 2022 and 31 December 2021;
- (ii) entire equity interest of certain subsidiaries within the Group as at 30 June 2022 and 31 December 2021;
- (iii) subordination deeds signed by the Directors of the Group as at 30 June 2022 and 31 December 2021;
- (iv) guarantee provided by the government of certain country as at 30 June 2022 and 31 December 2021;
- (v) personal guarantee provided by non-controlling interests of a subsidiary of the Group and certain independent third parties as at 30 June 2022 and 31 December 2021;

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

26. Borrowings (Continued)

26.1 Bank overdrafts and bank borrowings (Continued)

- (vi) certain assets of the non-controlling interests of a subsidiary of the Group and certain independent third parties as at 30 June 2022 and 31 December 2021;
- (vii) a legal charge over certain of the Group's land and buildings with the carrying amounts of HK\$284,273,000 (31 December 2021: HK\$309,573,000) as at 30 June 2022;
- (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 30 June 2022 and 31 December 2021;
- (ix) a standby letter of credit with the correspondent borrowings' balances as at 30 June 2022 and 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.

26.2 Other loans

As at 30 June 2022, other loans are unsecured, charge at 5% (31 December 2021: 5%) per annum and repayable within one year.

27. Capital Commitments

At the reporting date, the Group had the following outstanding commitments:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Contracted, but not provided for:		
– Investment in an associate – Citychamp Allied International Limited (note)	270,000	270,000

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

27. Capital Commitments (Continued)

Note:

On 28 September 2016, Union United Investment Limited ("Union United"), a wholly-owned subsidiary of the Company, entered into an agreement with Citychamp Dartong (Hong Kong) Limited ("CD(HK)") and Fengrong Investment (Hong Kong) Company Limited ("FI(HK)"), in relation to the formation of the joint venture company, which was subsequently set up and named Citychamp Allied International Limited ("JV Company") in the British Virgin Island. JV Company shall be owned as to 40% by FI(HK), 30% by CD(HK) and 30% by Union United. JV Company is engaged in potential overseas equity investment. Pursuant to the agreement, Union United agreed to contribute the maximum capital commitment of HK\$270,000,000 to JV Company. Details of the transaction are set out in the Company's announcement dated 28 September 2016.

28. Related Party Transactions

28.1 Other than those disclosed elsewhere in the Unaudited Condensed Consolidated Interim Financial Information, the following transactions were carried out with related parties:

- (i) Transactions with an associate, Fair Future Industrial Limited ("Fair Future") and its subsidiaries

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Purchases of goods	7,701	5,578

- (ii) Transactions between Shun Heng Securities Limited and the related parties of the Group

Name of related party	Nature of transaction	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Directors of the company and their close family members	Services fees and commission income	1	31
	Interest income	125	–
Related company	Services fees and commission income	14	–

The related company is controlled by Mr. Hon Kwok Lung, a director of the Company.

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

28. Related Party Transactions (Continued)

28.1 Other than those disclosed elsewhere in the Unaudited Condensed Consolidated Interim Financial Information, the following transactions were carried out with related parties: (Continued)

(iii) Outstanding balances included in trade receivables, other assets, trade payables and other liabilities.

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Dividend receivable from an associate [#]	10,000	10,000
Due from an associate (note (a)) [#]	38,340	38,316
Trade receivables from associates	2,719	4,224
Due from related companies (note (b)) [#]	1,065	1,065
Due to a shareholder (note (c))	12,000	12,000
Trade payables to associates	46,439	44,955
Due to directors (note (d))	77,389	73,315
Due to a related company (note (e))*	123,000	88,000
Due to an associate (note (f))*	43,900	10,000

[#] Included in other assets

* Included in other liabilities

Notes:

- (a) The balance was unsecured, interest-free and repayable on demand. The maximum outstanding balance of amounts due from associates during the period was HK\$38,340,000 (31 December 2021: HK\$38,316,000).
- (b) The amounts were due from companies of which Ms. Sit Lai Hei and Mr. Hon Hau Wong, directors of the Company are also the directors of the related companies. The balance was unsecured, interest-free and repayable on demand. The maximum amount outstanding during the period was HK\$1,065,000 (31 December 2021: HK\$1,065,000).
- (c) As at 30 June 2022, amounts due to a shareholder of aggregate principal amount of HK\$12,000,000 (31 December 2021: HK\$12,000,000) was unsecured, interest bearing at 5% per annum and repayable within one year.
- (d) As at 30 June 2022, amounts due to Mr. Shang Jianguang, ex-director of the Company and Mr Teguh Halim, a director of the Company, were unsecured, interest bearing 5% per annum and repayable within one year. During the six months ended 30 June 2022, interest expense of HK\$1,545,000 (30 June 2021: HK\$Nil) was payable to ex-director and the director.
- (e) As at 30 June 2022, amounts due to a related company of aggregate principal amount of HK\$123,000,000 (31 December 2021: HK\$88,000,000) was unsecured, interest bearing at 5% per annum and repayable within one year. The related company is controlled by Mr. Hon Kwok Lung, a director of the Company.
- (f) As at 30 June 2022, amounts due to associates of aggregate principal amount of HK\$43,900,000 (31 December 2021: HK\$10,000,000) was unsecured, interest bearing at 5% per annum and repayable within one year.

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

28. Related Party Transactions (Continued)

28.1 Other than those disclosed elsewhere in the Unaudited Condensed Consolidated Interim Financial Information, the following transactions were carried out with related parties: (Continued)

(iv) Financial guarantee provided to Fair Future

As 30 June 2022, the Group has provided a corporate guarantee in respect of a banking facility of up to HK\$145,000,000 (31 December 2021: HK\$145,000,000) granted to Fair Future. The corporate guarantee is ending on the expiry of the term of the revolving loan facility.

The above transactions were conducted in accordance with the terms mutually agreed between the Group, associates and the related companies controlled by the directors.

28.2 Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	5,533	5,592
Post-employment benefits	68	81
	5,601	5,673

29. Transactions with Non-Controlling Interests

(a) Deemed disposal of equity interest in Bendura Bank AG and its subsidiaries (the "Bendura Group")

In May 2022, Bendura Group disposed 918 treasury shares of Bendura Bank at cash consideration of CHF687,000 (equivalent to HK\$5,727,000). Following the disposal of treasury shares, the Company's effective equity interest in Bendura Group decreased by 0.39%. The Group recognised an increase in non-controlling interests of HK\$2,557,000 and an increase in equity attributable to owners of the Company of HK\$3,170,000.

For the six months ended 30 June 2022

29. Transactions with Non-Controlling Interests (Continued)

- (b) Deemed acquisition of additional interest in Bendura Bank AG and its subsidiaries (the “Bendura Group”)

In June 2022, Bendura Group repurchased 5,650 equity share of Bendura Bank at cash CHF4,351,000 (equivalent to HK\$34,013,000). Following the repurchase, the Company’s effective equity interest in Bendura Group increased by 2.73%. The Group recognised a decrease in non-controlling interests of HK\$18,306,000 and a decrease in equity attributable to owners of the Company of HK\$15,707,000.

In June 2022, the Company repurchased 500 equity shares of Bendura Bank at consideration of CHF437,000 (equivalent to HK\$3,582,000). Following the repurchase, the Company’s effective equity interest in Bendura Group increased by 0.3%. The Group recognised a decrease in non-controlling interests of HK\$2,091,000 and a decrease in equity attributable to owners of the Company of HK\$1,491,000.

In May 2021, Bendura Bank AG repurchased its 3,000 equity share at cash consideration of CHF2,456,000 (equivalent to HK\$20,997,000). Following the repurchase, the Company’s effective equity interest in Bendura group increased by 1.31% and the Company effectively hold 86.75% equity interest of Bendura Group. The Group recognised a decrease of in non-controlling interests of HK\$12,719,000 and a decrease in equity attributable to owners of the Company of HK\$8,278,000.

In June 2021, Bendura Bank AG repurchased its 6,000 equity share at cash consideration of CHF4,620,000 (equivalent to HK\$39,491,000). Following the repurchase, the Company’s effective equity interest in Bendura group increased by 2.75% and the Company effectively hold 89.5% equity interest of Bendura Group. The Group recognised a decrease of in non-controlling interests of HK\$25,975,000 and a decrease in equity attributable to owners of the Company of HK\$13,516,000.

For the six months ended 30 June 2022

30. Fair Value Measurements of Financial Instruments

The fair values of the Group's financial assets and financial liabilities are determined as follows:

- the fair values of listed equity investments, precious metal and debt instruments classified under due from banks, trading portfolio investments, financial asset at fair value through other comprehensive income and due to clients – precious metal are determined by reference to their quoted market prices at the reporting date in active markets and have been translated using the spot foreign currency rates at the end of the reporting periods where appropriate.
- the fair value of investment fund units under trading portfolio investments is determined by reference to their quoted market prices at the reporting date in active markets and have been translated using the spot foreign currency rates at the end of the reporting periods where appropriate.
- the fair value of certain equity investments under financial assets at fair value through other comprehensive income is determined based on the fair value of their underlying net assets.
- the fair values of unlisted debt instruments classified under trading portfolio investments have been determined using significant inputs, which are market observable, directly or indirectly.
- the fair values of derivative financial assets and liabilities classified at level 2 financial assets are marked to market using the foreign exchange forward rates ruling at the end of each reporting periods.
- the fair value of unlisted investment in insurance policy is determined based on amount value as stated in cash surrender value statement issued by insurer.
- the fair value of unlisted financial product investments is determined based on the latest transaction price.

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

30. Fair Value Measurements of Financial Instruments (Continued)

HKFRS 13 introduced a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The hierarchy groups financial assets and financial liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and financial liabilities. The fair value hierarchy has the following levels:

Level 1: unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2: observable direct and indirect inputs other than quoted prices included within Level 1; and

Level 3: unobservable inputs are inputs for which market data are not available.

	30 June 2022			
	Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Assets				
Due from banks – precious metals	–	190,187	–	190,187
Trading portfolio investments	2,108	11,555	9,629	23,292
Derivative financial assets	–	17,881	–	17,881
Financial assets at fair value through other comprehensive income	426,997	5,875	–	432,872
	429,105	225,498	9,629	664,232
Liabilities				
Due to clients – precious metals	–	190,230	–	190,230
Derivative financial liabilities	–	40,480	–	40,480
	–	230,710	–	230,710

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

30. Fair Value Measurements of Financial Instruments (Continued)

	31 December 2021			Total HK\$'000 (Audited)
	Level 1 HK\$'000 (Audited)	Level 2 HK\$'000 (Audited)	Level 3 HK\$'000 (Audited)	
Assets				
Due from banks – precious metals	–	121,114	–	121,114
Trading portfolio investments	4,570	72,002	9,558	86,130
Derivative financial assets	–	34,608	–	34,608
Financial assets at fair value through other comprehensive income	497,970	6,147	–	504,117
	<u>502,540</u>	<u>233,871</u>	<u>9,558</u>	<u>745,969</u>
Liabilities				
Due to clients – precious metals	–	121,250	–	121,250
Derivative financial liabilities	–	47,955	–	47,955
	<u>–</u>	<u>169,205</u>	<u>–</u>	<u>169,205</u>

There have been no significant transfers between Levels 1 and 2 in the reporting period.

The level in the fair value hierarchy within which the financial assets and financial liabilities are categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

Notes to the Unaudited Condensed Consolidated
Interim Financial Information (Continued)

For the six months ended 30 June 2022

30. Fair Value Measurements of Financial Instruments (Continued)

The fair value of unlisted investment funds classified as trading securities is Level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balances are provided as below.

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Opening balance at the beginning of period/year (Level 3 recurring fair value)	9,558	26,118
Fair value change during the period/year	455	(15,768)
Exchange realignment	(384)	(792)
Closing balance at the end of period/year (Level 3 recurring fair value)	9,629	9,558



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