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CITYCHAMP WATCH & JEWELLERY GROUP LIMITED

冠城鐘錶珠寶集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 256)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board of directors (the “**Board**”) of Citychamp Watch & Jewellery Group Limited (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022 together with comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

		2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest and dividend income from			
banking business		151,157	136,539
Interest expenses from banking business		<u>(17,631)</u>	<u>(42,375)</u>
Net interest and dividend income from			
banking business	5a	133,526	94,164
Service fees and commission income from			
banking business		197,450	287,291
Service fees and commission expenses from			
banking business		<u>(32,087)</u>	<u>(63,921)</u>
Net service fees and commission income			
from banking business	5b	165,363	223,370
Trading income from banking business	5c	38,631	36,197
Service fees and commission income from			
financial business	5d	949	5,900
Interest income from financial business	5d	173	330
Sales of goods from non-banking and			
financial businesses	5e	1,248,281	1,555,114
Rental income from non-banking and			
financial businesses	5e	<u>20,465</u>	<u>16,024</u>
Total revenue		1,607,388	1,931,099
Cost of sales from non-banking and			
financial businesses		(604,727)	(745,224)
Other income and other net gains or losses	6	15,916	40,881
Selling and distribution expenses		(448,443)	(535,895)
Administrative expenses		(626,594)	(698,022)
Share of loss of joint ventures		(28)	(83)
Share of profit of associates		16,740	323
Finance costs from non-banking business	7	<u>(70,532)</u>	<u>(67,351)</u>
Loss before income tax	8	(110,280)	(74,272)
Income tax expense	9	<u>(9,157)</u>	<u>(31,104)</u>
Loss for the year		<u>(119,437)</u>	<u>(105,376)</u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other comprehensive income		
Item that will not be subsequently reclassified to profit or loss		
– Remeasurement of net defined benefit obligations	30,123	42,515
– Change in fair value of financial assets at fair value through other comprehensive income	(118,001)	33,127
	(87,878)	75,642
Items that may be subsequently reclassified to profit or loss		
– Exchange differences on translation to presentation currency	(144,540)	(9,893)
– Share of other comprehensive income of associates	(153)	188
– Release of exchange reserve to profit or loss upon disposal of a subsidiary	–	(744)
	(144,693)	(10,449)
Other comprehensive income for the year	(232,571)	65,193
Total comprehensive income for the year	(352,008)	(40,183)
Loss for the year attributable to:		
Owners of the Company	(111,051)	(100,907)
Non-controlling interests	(8,386)	(4,469)
	(119,437)	(105,376)

		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
Total comprehensive income for the year attributable to:			
Owners of the Company		(329,347)	(35,727)
Non-controlling interests		<u>(22,661)</u>	<u>(4,456)</u>
		<u>(352,008)</u>	<u>(40,183)</u>
Loss per share attributable to owners of the Company			
– Basic	12	<u>HK(2.55) cents</u>	<u>HK(2.32) cents</u>
– Diluted		<u>HK(2.55) cents</u>	<u>HK(2.32) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets			
Cash and deposits		4,314,638	6,531,968
Due from clients		2,678,772	3,068,719
Due from banks		1,929,640	2,034,190
Trading portfolio investments		28,093	86,130
Financial assets at fair value through other comprehensive income		296,080	504,117
Derivative financial assets		2,888	34,608
Trade receivables	13	336,640	378,227
Other financial assets at amortised cost		1,571,725	1,852,934
Inventories		1,935,923	2,193,281
Income tax recoverable		218	460
Interests in joint ventures		491	519
Interests in associates		122,202	113,687
Property, plant and equipment		1,285,314	1,348,154
Investment properties		170,906	210,159
Intangible assets	14	43,254	52,411
Goodwill	15	1,092,012	1,151,788
Deferred tax assets		8,585	9,179
Assets of a disposal group held for sale		24,988	–
Non-current assets held for sales		5,138	–
Other assets		309,736	391,888
Total assets		16,157,243	19,962,419

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Liabilities			
Due to banks		1,099	15,126
Due to clients		9,987,678	12,750,292
Derivative financial liabilities		12,622	47,955
Trade payables	16	198,994	409,555
Contract liabilities		41,946	26,510
Income tax payables		36,878	32,559
Borrowings	17	958,135	1,176,635
Provisions		387	379
Lease liabilities		48,886	77,228
Deferred tax liabilities		52,776	55,180
Due to a shareholder		12,000	12,000
Due to directors		81,515	73,515
Other liabilities		545,466	661,945
Total liabilities		11,978,382	15,338,879
Equity			
Equity attributable to owners of the Company			
Share capital		435,189	435,189
Reserves		3,577,624	3,925,944
		4,012,813	4,361,133
Non-controlling interests		166,048	262,407
Total equity		4,178,861	4,623,540
Total liabilities and equity		16,157,243	19,962,419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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, Uglan House, South Church Street, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is Units 1902–04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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

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

The Group has completed the disposal of 30% equity interests of Shun Heng Finance Holdings Limited and its subsidiaries (“**Shun Heng Group**”) for a cash consideration of HK\$8,670,000 in May 2022.

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

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

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

(a) Adoption of new or revised HKFRSs – effective 1 January 2022

In the current year, the Group has applied for the first time the following new or revised standards, amendments and interpretations (the “**new or revised HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2022:

Amendments to HKAS 16	Property, plant and equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs Standards 2018–2020
Amendments to HKFRS 3	Reference to the Conceptual Framework

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

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKFRS 16	Liability in a Sale and Leaseback ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

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

² Effective for annual periods beginning on or after 1 January 2024

³ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

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

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

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

Amendments to HKAS 1, Non-current Liabilities with Covenants

The amendments modify the requirements introduced by the amendments to HKAS 1 issued in 2020, Classification of Liabilities as Current or Non-current (“**the 2020 Amendments**”) on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

The amendments also specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity’s right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of this amendments, the entity should also apply this amendments for that period.

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

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

Amendments to HKAS 8, Definition of Accounting Estimates

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

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

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

Amendments to HKFRS 16, Liability in a Sale and Leaseback

The amendments add subsequent measurement requirements for a sale and leaseback transaction, where the transfer of the asset satisfies the requirements in HKFRS 15, Revenue from Contracts with Customers to be accounted for as a sale. HKFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place. However, HKFRS 16 had not specified how to measure the transaction when reporting after that date. The amendments add to the sale and leaseback requirements in HKFRS 16, thereby supporting the consistent application of the accounting standard.

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

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

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

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

3.2 Historical cost convention

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

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

3.3 Functional and presentation currency

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

4. SEGMENT INFORMATION

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

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

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

2022

	Watches and timepieces <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Banking and financial businesses <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:					
Net interest and dividend					
income from banking business	–	–	133,526	–	133,526
Net service fees and commission					
income from banking business	–	–	165,363	–	165,363
Trading income from banking					
business	–	–	38,631	–	38,631
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	1,248,281	–	–	–	1,248,281
Rental income from non-banking					
and financial businesses	–	20,465	–	–	20,465
Total revenue	1,248,281	20,465	338,642	–	1,607,388
Segment results	(4,513)	7,239	32,966	–	35,692
Unallocated corporate income					
and expenses, net	–	–	–	(92,152)	(92,152)
Share of loss of joint ventures	–	–	–	(28)	(28)
Share of profit of associates	–	–	–	16,740	16,740
Finance costs	(28,869)	–	(352)	(41,311)	(70,532)
(Loss)/profit before income tax	(33,382)	7,239	32,614	(116,751)	(110,280)
Income tax expense	(2,069)	–	(4,404)	(2,684)	(9,157)
(Loss)/profit for the year	(35,451)	7,239	28,210	(119,435)	(119,437)

	Watches and timepieces <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Banking and financial businesses <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	4,195,392	196,124	11,277,691	–	15,669,207
Unallocated corporate assets:					
Interests in joint ventures	–	–	–	491	491
Interests in associates	–	–	–	122,202	122,202
Trading portfolio investments	–	–	–	28,093	28,093
Financial assets at fair value through other comprehensive income	–	–	–	296,080	296,080
Cash and deposits	–	–	–	13,630	13,630
Other unallocated corporate assets	–	–	–	27,540	27,540
Consolidated total assets	4,195,392	196,124	11,277,691	488,036	16,157,243
Segment liabilities	951,371	36,145	10,104,603	–	11,092,119
Unallocated corporate liabilities:					
Borrowings	–	–	–	540,375	540,375
Due to a shareholder	–	–	–	12,000	12,000
Lease liabilities	–	–	–	28,849	28,849
Other unallocated corporate liabilities (<i>note</i>)	–	–	–	305,039	305,039
Consolidated total liabilities	951,371	36,145	10,104,603	886,263	11,978,382
Other segment information					
Interest income and other interest income	365	4	29	17	415
Expected credit losses on trade receivables	(11,770)	–	–	–	(11,770)
Reversal of expected credit loss on other assets	740	364	159	1	1,264
Provision of expected credit losses on due from banks and customers	–	–	(711)	–	(711)
Reversal of expected credit losses for other financial assets at amortised cost	–	–	1,737	–	1,737
Provision for litigation risks, net	–	–	(11)	–	(11)
Provision for inventories	(24,917)	–	–	–	(24,917)
Reversal of provision for inventories	19,668	–	–	3,037	22,705
Depreciation and amortisation	(58,550)	–	(25,642)	(7,284)	(91,476)
Additions to non-current assets	40,257	–	52,120	–	92,377
Net deficit on revaluation of investment properties	–	(9,564)	–	–	(9,564)

Note: Other unallocated corporate liabilities mainly included amounts due to a related company and associates as at 31 December 2022.

2021

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

	Watches and timepieces <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Banking and financial businesses <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	4,698,865	211,466	14,301,170	–	19,211,501
Unallocated corporate assets:					
Interests in joint ventures	–	–	–	519	519
Interests in associates	–	–	–	113,687	113,687
Trading portfolio investments	–	–	–	48,820	48,820
Financial assets at fair value through other comprehensive income	–	–	–	497,970	497,970
Cash and deposits	–	–	–	18,529	18,529
Other unallocated corporate assets	–	–	–	71,393	71,393
Consolidated total assets	4,698,865	211,466	14,301,170	750,918	19,962,419
Segment liabilities	1,296,786	33,292	13,088,159	–	14,418,237
Unallocated corporate liabilities:					
Borrowings	–	–	–	695,188	695,188
Due to a shareholder	–	–	–	12,000	12,000
Lease liabilities	–	–	–	41,484	41,484
Other unallocated corporate liabilities (<i>note</i>)	–	–	–	171,970	171,970
Consolidated total liabilities	1,296,786	33,292	13,088,159	920,642	15,338,879
Other segment information					
Interest income and other interest income	1,517	2	211	133	1,863
Expected credit losses on trade receivables	(2,361)	–	–	–	(2,361)
Expected credit loss on other assets	(474)	(3)	(78)	(231)	(786)
Provision of expected credit losses on due from banks and customers	–	–	(593)	–	(593)
Reversal of expected credit losses for other financial assets at amortised cost	–	–	2,014	–	2,014
Provision for litigation risks, net	–	–	(21)	–	(21)
Provision for inventories	(29,325)	–	–	–	(29,325)
Reversal of provision for inventories	18,154	–	–	–	18,154
Depreciation and amortisation	(86,583)	–	(13,187)	(18,117)	(117,887)
Additions to non-current assets	51,511	–	151,780	–	203,291
Net surplus on revaluation of investment properties	–	12,736	–	–	12,736

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

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

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

	Revenue from external customers		Non-current assets	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Hong Kong	45,156	42,808	356,307	245,563
PRC	1,009,151	1,344,064	1,500,222	1,464,976
Switzerland	3,137	3,250	373,416	459,970
United Kingdom	51,391	56,735	5,863	10,661
Liechtenstein	337,520	353,731	477,416	694,301
Others	161,033	130,511	1,233	1,247
	1,607,388	1,931,099	2,714,457	2,876,718

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

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

The Group has a large number of customers and there is no significant revenue that is more than 10% of the Group's revenue derived from specific external customers for the years ended 31 December 2022 and 2021.

5. REVENUE

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

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

Revenue recognised during the year is as follows:

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest and dividend income from banking business arising from:		
Interest income – due from banks	63,380	54,792
Interest income – due from clients	29,205	37,400
Interest income from mortgage loans	30,726	22,181
Interest income from money market papers	(445)	(585)
Interest income from financial assets	25,879	21,066
Dividend income from trading securities	168	922
Negative interest expense on due to clients	2,244	763
	<u>151,157</u>	<u>136,539</u>
Interest expenses from banking business arising from:		
Interest expense on due to banks	(13,771)	(42,215)
Interest expense on due to clients	(3,936)	–
Negative interest expenses/(income) on due from banks and clients	76	(160)
	<u>(17,631)</u>	<u>(42,375)</u>
Net interest and dividend income from banking business	<u><u>133,526</u></u>	<u><u>94,164</u></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Service fee and commission income from banking business arising from:		
Commission income from loans	6,394	6,785
Brokerage fees	32,276	50,703
Custody account fees	25,032	28,703
Commission on investment advice and asset management	48,822	106,952
Commission income from service fees	31,723	41,413
Commission income from fiduciary fees	347	390
Commission income from retrocession	5,298	5,144
Other commission income	47,558	47,201
	<u>197,450</u>	<u>287,291</u>
Service fees and commission expenses from banking business	<u>(32,087)</u>	<u>(63,921)</u>
Net service fees and commission income from banking business	<u><u>165,363</u></u>	<u><u>223,370</u></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Debt instruments	13	25
Securities	3	183
Forex and precious metals	38,597	52,691
Funds	18	(16,702)
	<hr/>	<hr/>
Trading income from banking business	38,631	36,197
	<hr/> <hr/>	<hr/> <hr/>

(d) **Revenue from financial business**

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Service fees and commission income	949	5,900
Interest income	173	330
	<hr/>	<hr/>
Revenue from financial business	1,122	6,230
	<hr/> <hr/>	<hr/> <hr/>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Sales of goods	1,248,281	1,555,114
Rental income	20,465	16,024
	<hr/>	<hr/>
Revenue from non-banking business and financial businesses	1,268,746	1,571,138
	<hr/> <hr/>	<hr/> <hr/>

6. OTHER INCOME AND OTHER NET GAINS OR LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss on disposal of a subsidiary	(10,395)	(469)
Gain on disposal of interests in associates	423	–
Gain on fair value changes in trading portfolio Investments from non-banking business, net	61	2,290
Gain/(loss) on fair value changes in derivative financial liabilities from non-banking business	2,182	(1,647)
Net (deficit)/surplus on revaluation of investment properties	(9,564)	12,736
Gain on disposal of property, plant and equipment	3,378	925
(Loss)/gain on modification of leases	(149)	7,664
Bank and other interest income from non-banking business	415	1,863
Dividend income from trading portfolio investments from non-banking business	128	11
Dividend income from financial assets at fair value through other comprehensive income	10,578	11,594
Other operating income	9,106	14,992
Government subsidies (<i>note a</i>)	4,612	9,014
Provision of litigation risks	(11)	(21)
Provision of expected credit losses for due from banks and clients	(711)	(593)
Reversal of expected credit losses for other financial assets at amortised cost	1,737	2,014
Exchange gain/(loss), net	3,216	(19,672)
Other sundry income, net	910	180
	15,916	40,881

Note:

- (a) Government subsidies mainly comprised of unconditional subsidies received for subsidising the Group's business.

7. FINANCE COSTS FROM NON-BANKING BUSINESS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest charged on bank borrowings, bank overdrafts and other borrowings	67,827	65,182
Interest on lease liabilities	2,705	2,169
	70,532	67,351

8. LOSS BEFORE INCOME TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories recognised as expense, including:	604,727	745,224
– Reversal of provision for inventories	(22,705)	(18,154)
– Provision for inventories	24,917	29,325
Depreciation and amortisation	91,476	117,887
– Depreciation for owned assets (<i>note (a)</i>)	61,493	75,331
– Depreciation for right-of-use assets (<i>note (a)</i>)	29,809	41,820
– Amortisation of intangible assets (<i>note (b)</i>)	174	736
Short term lease expenses	23,059	29,050
Auditor's remuneration	4,900	4,900
Gross rental income	(20,465)	(16,024)
Less: direct operating expenses	2,586	2,280
Net rental income	(17,879)	(13,744)
Research and development expenses (<i>note (b)</i>)	22,809	39,711
(Reversal of)/provision of expected credit losses on other assets	(1,264)	786
Expected credit losses on trade receivables	11,770	2,361
Advertising	82,833	92,010

Notes:

- (a) Depreciation expense of HK\$14,936,000 (2021: HK\$18,241,000) has been included in cost of sales from non-banking and financial businesses, HK\$23,204,000 (2021: HK\$24,902,000) in selling and distribution expenses and HK\$53,162,000 (2021: HK\$74,008,000) in administrative expenses.
- (b) Amortisation expenses and research and development expenses had been included in the administrative expenses.

9. INCOME TAX EXPENSE

For the year ended 31 December 2022 and 2021, Hong Kong profit tax has been provided for certain subsidiaries within the Group and is calculated at 16.5% on the estimated assessable profits (2021: 16.5%). The subsidiaries established in the PRC are subject to income taxes at tax rates ranging between 15% and 25% (2021: 15% and 25%). Overseas tax is calculated at the rates applicable in the respective jurisdictions.

The Group is also subject to PRC withholding tax at the rate of 5% (2021: 5%) in respect of dividend income derived from PRC incorporated company.

	2022	2021
	HK\$'000	HK\$'000
Current tax for the year		
Hong Kong	201	1,186
PRC	3,878	18,427
Liechtenstein	5,944	12,290
Switzerland	948	1,497
Over-provision in respect of prior years		
Hong Kong	–	(1,140)
Deferred tax for the year	<u>(1,814)</u>	<u>(1,156)</u>
Total income tax expense	<u>9,157</u>	<u>31,104</u>

10. DISPOSAL OF SUBSIDIARIES

In May 2022, the Group has completed the disposal of 30 % equity interests of Shun Heng Group at for a cash consideration of 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 year ended 31 December 2022 were set out as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
Cash and deposits	38,270
Trade receivables	4,629
Trading portfolio investments	3,442
Property, plant and equipments	1,487
Intangible assets	7,246
Goodwill	3,080
Other assets	3,862
Trade payables	(25,780)
Deferred tax liabilities	(981)
Lease liabilities	(1,426)
Other liabilities	(702)
	<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)
	<u>(17,340)</u>
Loss on disposal	<u>10,395</u>

11. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2022 (2021: Nil).

12. LOSS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss		
Loss attributable to owners of the Company		
for the purpose of calculating basic and diluted loss per share	<u>(111,051)</u>	<u>(100,907)</u>
	2022	2021
	Number	Number
	of shares	of shares
	'000	'000
Number of shares		
Weighted average number of shares for the purpose of calculating basic and diluted loss per share	<u>4,351,889</u>	<u>4,351,889</u>

The diluted loss per share is the same as the basic loss per share, as the Group has no dilutive potential ordinary shares for the years ended 31 December 2022 and 2021.

13. TRADE RECEIVABLES

As at 31 December 2022, the Group's trade receivable is amounted to HK\$336,640,000 (2021: HK\$378,227,000), in which HK\$336,640,000 (2021: HK\$372,197,000) is arising from watches and timepieces business and none is arising from financial business (2021: HK\$6,030,000).

The Group's trading terms with its customers of watches and timepieces business are mainly on credit, except for certain customers, where payment in advance is required. The credit period is generally for a period of one to six months (2021: one to six months) for major customers. The credit term for customers is determined by the management according to industry practice together with consideration of their creditability. In view of the aforementioned and the fact that the Group's trade receivables relate to a wide range of customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
1 to 3 months	192,527	219,217
4 to 6 months	28,459	36,300
Over 6 months	115,654	116,680
	<u>336,640</u>	<u>372,197</u>

14. INTANGIBLE ASSETS

	Supplier and distribution networks <i>HK\$'000</i>	Brand names <i>HK\$'000</i>	Trading rights <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2022				
Opening carrying amount	183	44,982	7,246	52,411
Amortisation	(174)	-	-	(174)
Disposal of subsidiaries	-	-	(7,246)	(7,246)
Exchange realignment	(9)	(1,728)	-	(1,737)
	<u>-</u>	<u>43,254</u>	<u>-</u>	<u>43,254</u>

As at 31 December 2022, intangible assets of HK\$43,254,000 (2021: HK\$45,165,000) are attributable to watches and timepieces business. As at 31 December 2021, intangible assets of HK\$7,246,000 are attributable to financial business.

15. GOODWILL

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Year ended 31 December		
Opening carrying amount	1,151,788	1,144,071
Disposal of subsidiaries	(3,080)	–
Exchange realignment	(56,696)	7,717
	<u>1,092,012</u>	<u>1,151,788</u>
Closing carrying amount	<u>1,092,012</u>	<u>1,151,788</u>

16. TRADE PAYABLES

As at 31 December 2022, the Group's trade payable is amounted to HK\$198,994,000 (2021: HK\$409,555,000), in which HK\$198,994,000 (2021: HK\$286,617,000) is arising from watches and timepieces business and none is arising from financial business (2021: HK\$122,938,000).

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
1 to 3 months	128,811	251,146
4 to 6 months	6,530	15,994
Over 6 months	63,653	19,477
	<u>198,994</u>	<u>286,617</u>
	<u>198,994</u>	<u>286,617</u>

17. BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank overdrafts (note 17.1)	51,910	58,305
Bank borrowings (note 17.1)	864,725	1,086,830
Other loans (note 17.2)	41,500	31,500
	<u>958,135</u>	<u>1,176,635</u>

17.1 Bank overdrafts and bank borrowings

As at 31 December 2022, the amount of the Group's bank overdrafts and bank borrowings repayable within one year or on demand is HK\$639,674,000 (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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Borrowings payable:		
Within one year	<u>339,289</u>	<u>416,386</u>
In the second year	376,557	215,119
In the third to fifth year	149,358	480,543
After fifth year	<u>51,431</u>	<u>33,087</u>
	<u>577,346</u>	<u>728,749</u>
	<u>916,635</u>	<u>1,145,135</u>

The abovementioned borrowings are charged at floating rates ranging from 0% to 6.58% (2021: 0% to 5.75%) per annum.

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

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

- (vii) a legal charge over the Group's property, plant and equipment with the carrying amount of HK\$259,439,000 (2021: HK\$286,559,000) as at 31 December 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 Min Xin Shares as at 31 December 2022 and 2021;
- (ix) a standby letter of credit with the correspondent borrowings' balances as at 31 December 2022; and
- (x) personal 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.

The directors of the Company are not aware of any breach of covenant during the year ended 31 December 2022 and up to the date of this announcement.

17.2 Other loans

As at 31 December 2022 and 2021, other loans is unsecured, charged at 5% per annum and repayable within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULT

For the year ended 31 December 2022, the Group recorded total revenue of approximately HK\$1,607,388,000 (31 December 2021: HK\$1,931,099,000), a decrease of HK\$323,711,000 or 16.8% over 2021.

Operating expenses (including selling and distribution expenses and administrative expenses) for the year ended 31 December 2022 was approximately HK\$1,075,037,000 (31 December 2021: HK\$1,233,917,000), a decrease of HK\$158,880,000 or 12.9% over 2021.

Gross profit generated from non-banking and financial businesses for the year ended 31 December 2022 was approximately HK\$664,019,000 (31 December 2021: HK\$825,914,000), a decrease of HK\$161,895,000 or 19.6% over 2021.

Gross profit generated from banking and financial businesses for the year ended 31 December 2022 was approximately HK\$338,642,000 (31 December 2021: HK\$359,961,000), a decrease of HK\$21,319,000 or 5.9% over 2021.

The EBITDA for the year ended 31 December 2022 was approximately HK\$51,728,000 (31 December 2021: HK\$110,966,000), a decrease of HK\$59,238,000 or 53.4% over 2021.

Net loss after tax for the year ended 31 December 2022 was approximately HK\$119,437,000 (31 December 2021: HK\$105,376,000).

PERFORMANCE

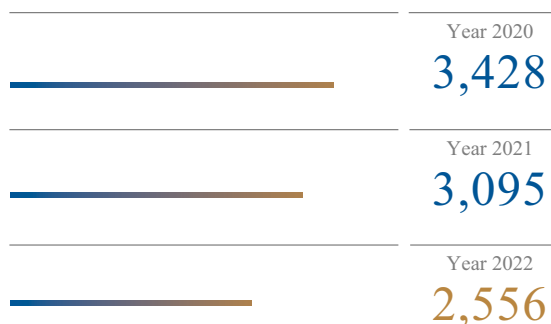
Our Group comprises three key divisions – watches and timepieces businesses, banking and financial businesses, and various investment businesses.

WATCHES AND TIMEPIECES BUSINESSES

I.A. Local Proprietary Brands

Zhuhai Rossini Watch Industry Limited

Rossini's Number of Distribution Outlets

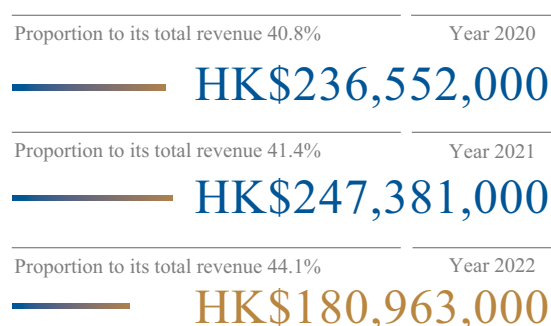


Proportions to Rossini's total revenue by different types of sales

	31 December 2022	31 December 2021	31 December 2020
Physical stores	52.7%	55.8%	54.1%
E-commerce	44.1%	41.4%	40.8%
Other	3.2%	2.8%	5.1%

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

Rossini's Revenue Earned from E-Commerce Sales



For the year ended 31 December 2022, Zhuhai Rossini Watch Industry Limited (“**Rossini**”), a 91% subsidiary of the Group, recorded revenue of HK\$410,153,000, a decrease of HK\$187,776,000 or 31.4% from HK\$597,929,000 in 2021. Net profit after tax attributable to owners of the Company for the year ended 31 December 2022 was HK\$27,579,000, representing a decrease of HK\$72,484,000 or 72.4%, from HK\$100,063,000 in 2021.

In view of the lasting impact of COVID-19, Rossini implemented diversified sales models and flexible policies, by streamlining branch management, conducting in-depth follow-up analysis continuously, strengthening branch communication, making timely countermeasures, and implementing the most relevant operational plans to cope with this difficult time.

Owing to the high cost of directly-operated stores in the physical sales network structure, low revenue and operating losses were encountered and their risk was considered relatively high. Rossini adjusted the sales network structure in a timely manner, and took measures to limit the losses of those directly-operated stores that had no sales prospects or significant losses. Instead, Rossini focused on the consignment model, so as to effectively ensure the operating efficiency of the region and entities.

To enhance inventory turnover and increase cash inflow, Rossini diversified its sales channel by multiple way and speed up the sales of slow-moving watches. It conducted Spring group purchase plans, Summer promotion activities, and carried out internal sales for employees.

Under the impact of COVID-19, online sales became relatively important. Thus Rossini has focused on strengthening this area of operations. However, due to the continuing of COVID-19 in 2022 has greatly reduced customers’ buying incentives, the online sales has also weakened in 2022. For the year ended 31 December 2022, e-commerce sales decreased to HK\$180,963,000 from HK\$247,381,000 comparing to last year, representing a decrease of HK\$66,418,000 or 26.85%.

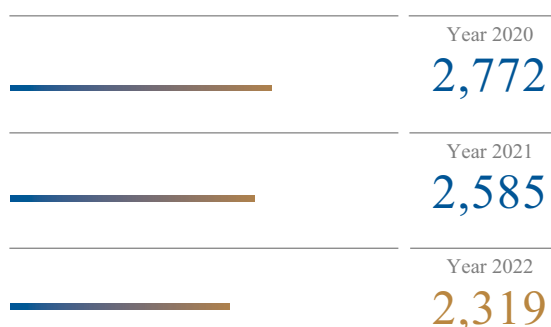
The live broadcast e-commerce industry has entered a period of standardised development. Brand self-broadcasting is becoming an important communication scene for brands. Rossini gradually built a professional live broadcast team, and made the live broadcast a regular marketing channel. It also planned in the aspects of host design, live broadcast scene, theme content, etc., and carried out a series of live broadcasts with special themes such as new factory live broadcasts, product releases live broadcasts, looking for breakthroughs and making greater use of the advantages of interest-oriented e-commerce to stand out in the track.

Since the outset of COVID-19, the tourism industry has been adversely affected. Throughout the year of 2022, the number of tourists coming to Rossini was approximately 3,600 (2021: approximately 40,000), and revenue from which was approximately HK\$374,000 (2021: approximately HK\$3,792,000), representing a decrease of approximately 90.1% over the prior year. Affected by the situation in Hong Kong and Macau, Rossini has actively carried out live broadcast business with the view to increase the number of tourists to Rossini. Rossini has strengthened communication with relevant departments in Zuhai to keep abreast of market trends and policies. It is expected to receive more tour groups in 2023. The strong recovery of the tourism industry is conducive to the growth of tourists to Rossini and will inject new vitality into the sales increment from tourists in 2023.

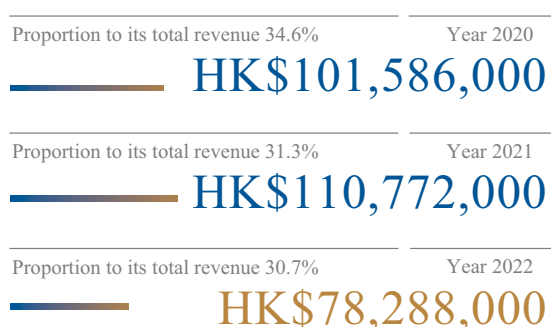
In 2023, in the face of severe challenges in post-COVID-19 era, Rossini will actively respond, and promote and implement various innovative thinking with the aim of increasing revenue.

EBOHR Group

EBOHR's Number of Distribution Outlets



EBOHR's Revenue Earned from E-Commerce Sales



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

Revenue from watches and timepieces business of EBOHR Group for the year ended 31 December 2022 was HK\$255,398,000, a decrease of HK\$98,352,000 or 27.8%, from HK\$353,750,000 in 2021. Net loss after tax from watches and timepieces business for the year ended 31 December 2022 was HK\$24,703,000, compared with net profit after tax of HK\$3,959,000 in 2021.

Apart from watches and timepieces business, EBOHR Group’s investment properties also contributed rental income and net profit of HK\$12,061,000 during the year ended 31 December 2022 (31 December 2021: HK\$7,273,000) which was recorded in property investment segment result.

The drop in revenue was mainly attributable for several reasons. Firstly, the rise in unemployment rate, the reduction in wages and the closure of enterprises led to the decrease in expenditure and spending. Secondly, shopping malls transferred the operating costs to our points of sales by increasing rate of commission and increasing the amount of required promotions. The unchanged cost, the increasing commission rate, the low-price watches, the limited flow of people, and the low sales volume, causes in a decline in revenue. Thirdly, affected by COVID-19, physical stores in many areas could not operate due to risk control policy. Several stores with good performance in previous years had been closed for four months. Those points of sales not only missed the golden period of sales, but also the normal daily sales.

In order to improve operating efficiency, EBOHR has comprehensively revamped the directly-operated stores, and adopted the strategies of transferring from direct sales to consignment and distribution to control losses for directly-operated stores with uncertainty or significant losses.

EBOHR was aware of weak brand-building, which affected the sales. Thus, the sales strategy of EBOHR in 2022 was different from the conventional ones. For example, through various boutique touring exhibitions, watch art exhibitions, new product launches, concert sponsorships, rewarded interactions on self-media platforms, etc., resources are used to maximise the exposure of the EBOHR brand at a relatively low cost. At the same time, with the help of WeChat public account, Weibo, Douyin and other new media channels, brand promotion and promotion have been strengthened.

Regarding e-commerce, the retail sales in 2022 dropped compared to the previous year, causing downward pressure on overall sales. For the year ended 31 December 2022, the e-commerce sales decreased to HK\$78,288,000 from HK\$110,772,000 last year, representing a decrease of HK\$32,484,000 or 29.3%. From the retail sales of several major platforms showed that Tmall, JD.com's self-operated, Third-party, and Xinxuan platforms have experienced significant decline, particularly Xinxuan, which has experienced a 49% drop. The retail sales of JD.com's POP and Pinduoduo platforms have increased slightly, but the base has shrunk.

In the coming year, EBOHR will develop suitable new products for the e-commerce market in order to increase their unit prices and profit margins. In terms of brand building, EBOHR will strengthen communication and cooperation with traditional e-commerce platforms such as Tmall, JD.com, and Vipshop, while actively promoting "new" e-commerce, micro-commerce, and live-streaming e-commerce businesses such as Pinduoduo, Douyin, Kuaishou, and Aikuku, to encourage and assist the regional offices in developing their e-commerce distributors to improve performance in new ways.

I.B. Foreign Proprietary Brands

Ernest Borel Holdings Limited

The Group held 62.69% equity interest in Ernest Borel Holdings Limited ("**Ernest Borel**"), together with its subsidiaries, the "**Ernest Borel Group**") as at 31 December 2022.

For the year ended 31 December 2022, Ernest Borel Group recorded revenue of approximately HK\$130,039,000, representing a decrease of HK\$13,632,000 or 9.5% over HK\$143,671,000 in 2021. Net loss after tax attributable to the owners of the Company was HK\$7,536,000, representing a decrease of HK\$14,897,000 or 66.4% over HK\$22,433,000 in 2021.

Mainland China remains as the core market of the Ernest Borel Group. Revenue from Mainland China was approximately HK\$124,555,000 for the year ended 31 December 2022, accounting for approximately 95.8% of its total revenue.

The extensive distribution network of the Ernest Borel Group covers retail markets in Mainland China, Hong Kong, Macau and Southeast Asian countries. As at 31 December 2022, Ernest Borel Group had more than 817 POS (31 December 2021: 825 POS), comprising around 660 POS in Mainland China, around 44 POS in Hong Kong and Macau, and 113 POS in other countries mainly in Southeast Asia and Europe.

During 2022, affected by the COVID-19, a large number of physical stores were forced to suspend or postpone operations, and the number of customers dropped sharply. The watch industry was experiencing an unprecedented market test, with massive inventory backlogs and cash shortages. Facing the sluggishness of the overall economy and the weakening of consumers' mentality and consumption, Ernest Borel took various measures in time to survive the adversity and struggled to maintain the normal operation of the company's business. In 2022, under the premise of ensuring the basic normal operation of the overall business, Ernest Borel reduced various operating costs by optimising the management structure, simplifying the work process, and strictly controlling marketing expenses.

The sales performance of the e-commerce department strives to grow steadily, Ernest Borel improved the operational capabilities and profitability of each e-commerce platform, and actively communicated with the platforms to obtain more support. In addition to stabilising the three traditional e-commerce platforms of Tmall, JD.com and Vipshop, Ernest Borel also expanded other types of sales channels. It integrated e-commerce with live broadcast, upgraded traditional e-commerce comprehensively, adopted the "new retail & live broadcast" model, cultivated brand anchors, and stimulated the potential of the consumer market. Furthermore, Ernest Borel coordinated and planned the overall product structure of the e-commerce system to improve the sales success rate of e-commerce exclusive styles. It developed brand cross-border cooperation projects, implemented a variety of marketing models with fashion accessories, broadened the boundaries of the brand's consumer market, and strived for sales growth points.

Post COVID-19, with the recovery of the global economy, especially the Mainland China economy, the watch industry will usher in a new development cycle. In the future, Ernest Borel will promote the optimisation and upgrading of enterprises through a series of adjustment measures, dig deep into the potential of the brand consumer market, activate consumption momentum, and realise a new situation of online and offline integrated development. In preparation for the approaching new journey, the Ernest Borel team will work together to write our own new chapter.

Other Foreign Proprietary Brands

Collectively, Corum, Eterna and The Dreyfuss Group Limited (the "**Dreyfuss Group**") contributed revenue and net loss after tax for the year ended 31 December 2022 of HK\$255,566,000 (31 December 2021: HK\$194,054,000) and HK\$30,572,000 (31 December 2021: HK\$82,826,000), respectively.

In 2022, despite some decline in the major markets, the Swiss watchmaking disclosed a solid growth that led to record performance, increased to 11.4% compared to 2021.

However, the economic context remained uncertain for several reasons. The health situation has still impact on the demand, especially in Mainland China. Moreover, the geopolitical situation in Europe, with the war in Ukraine having very low impact on our current demand, but from an industrial production perspective, brands had to cope with shortages of raw materials, price increases. As a consequence with the over capacity, the lead time had drastically increased among all our subcontractors and suppliers, putting pressure on the final delivery of our watches.

Asia, Europe and United States are still the major markets for Corum. The sales revenue of Corum for the year 2022 was HK\$176,000,000, representing a substantial increase of 58.34% as previous year.

Corum actively adopted the “asset management” strategy to reduce costs as much as possible by reducing the number of redundant sales points and focusing on brand value promotion to increase sales profit margins. The management paid close attention to the level of accounts receivable and its recovery situation by means of collecting receivables and negotiating old contracts, so as to reduce bad debts and other situations.

The most important markets of Eterna continued to be in Europe, mainly with our two partners, Luxury Brand International GmbH and Wisa Lux. But there was also a growing interest in Asia, namely with the partner in Vietnam – Top Ten – (managed through the subsidiary in Malaysia), and also with Eterna (Asia) (located in Hong Kong) for the Greater China markets. At the same time, Eterna, through its other sister company in Mainland China, Centenaire Trading has also made a considerable inroad within the Mainland market, which bodes well for the coming years. The trend in the United States is toward online sales, with a number of potential online partners showing interest in collaborations with Eterna. Moving forward, the plan is to concentrate on a limited number of core collection, which will allow the sales team to focus more effectively.

United Kingdom (“UK”) is the Dreyfuss Group’s largest single market, representing 85% of its revenue for the year ended 31 December 2022. Pre- COVID-19, the majority of our UK sales have been via High Street retailers. The continuation of COVID-19 in 2022 also affected the business due to unprecedented lockdowns and supply chain issues. The situation of UK High Street closures outdoor activities and were eased in 2022 but High Street confidence remained low, yet the high uptake of vaccines throughout the year and rising customer confidence in 2022 second half brought growth to Dreyfuss, particularly in the online market where it is forecasting positive growth in 2023.

The Dreyfuss Group’s key strategy in 2022 was to continue to increase profitability by continuing to review policies and relationships with customers, increase our online presence and marketing output, and keep costs low wherever possible and generally navigate the continuing COVID-19 situation and the new 2022 cost of living crisis in the UK and globally as best as possible.

In 2022, the Dreyfuss Group continued to develop the website that is used for sales of our own watches. Accessibility for our customers and our employees have improved with the new website. The Dreyfuss Group continued our online marketing campaign to increase our brand awareness, exposure and reputation in a key market segment for us. The Dreyfuss Group also promoted our in-house artwork across the social media platforms. The achievement of the above marketing campaigns has been to increase confidence and the Dreyfuss Group's image in the eyes of our major and independent customers for our products, as in the past we did not advertise as much.

The Dreyfuss Group conquered market share in the worldwide markets. While the negative war impact on the decreased overall consumption spending gradually revealed in the European market, Brexit also had a negative impact on our export business. In light of global recovery from the COVID-19, it was a decent timing to reach out. In particular the Dreyfuss Group have approached new potential distributors in India, Taiwan, Kuwait, Saudi Arabia and America markets. The strategy moving forwards is to focus resources on profitable sales growth opportunities in key markets, particularly through the distributor network, with increased use of cash in advance from distributors for smaller markets.

I.C. Non-Proprietary Brands

Currently, the Group holds four distribution companies. Collectively, distribution companies contributed revenue and net loss after tax for the year ended 31 December 2022 of HK\$156,769,000 (31 December 2021: HK\$231,594,000) and HK\$8,561,000 (31 December 2021: net profit after tax of HK\$2,249,000), respectively.

I.D. Watches and Timepieces Business – Others

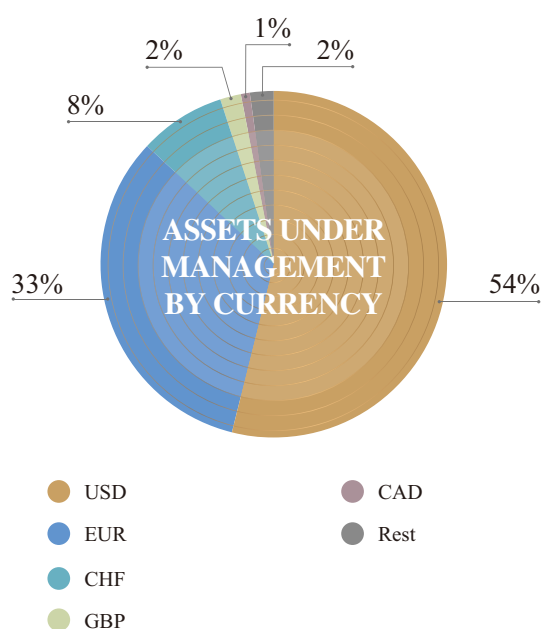
Other non-major subsidiaries of the Group are also engaged in other non-major categories of watches and timepieces businesses, which collectively contributed revenue and net loss after tax for the year ended 31 December 2022 of HK\$40,356,000 (31 December 2021: HK\$34,116,000) and HK\$3,574,000 (31 December 2021: net loss after tax of HK\$29,458,000), respectively.

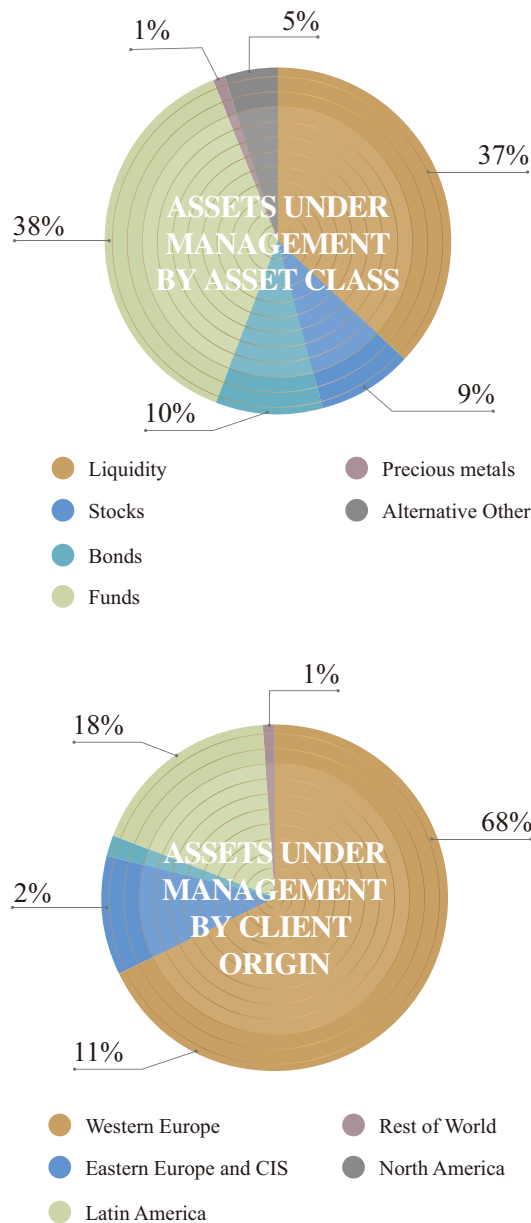
BANKING AND FINANCIAL BUSINESS

II.A Bendura Bank AG

Assets Under Management

For the year ended	CHF'000,000
31 December 2020	3,686
31 December 2021	4,050
31 December 2022	3,614





Revenue of Bendura Bank AG (“**Bendura Bank**” or the “**Bank**”) and its subsidiaries (the “**Bendura Group**”) for the year ended 31 December 2022 was HK\$337,520,000, a decrease of HK\$16,211,000 or 4.6% from HK\$353,731,000 over 2021. Net profit of the Bendura Group after tax attributable to owners of the Company for the year ended 31 December 2022 was HK\$27,890,000 a decrease of HK\$2,712,000 or 8.9% from HK\$30,602,000 over 2021, compared with net profit after tax of HK\$30,602,000 in 2021. In spite of lower net income from commission and service fee, net profit after tax was close to the previous year’s level mainly due to the increase in interest income as a result of the increase in interest rate.

Due to the higher interest rate environment and the continued high quality of loan portfolio, net interest income increased by 41.8% from HK\$94,164,000 in 2021 to HK\$133,526,000 in 2022.

Net income from commission and service fee activities recorded HK\$165,364,000, showing a decrease of 26.0% over the previous year. This was due to lower client transactions and lower volume of assets under management. In addition, there was a lack of income from the fund business.

Assets under management dropped by CHF436 million compared to previous year, ending at CHF3,614 million in 2022. The decrease was partly performance-related and partly the result of a net outflow of assets.

Due to negative valuation adjustment of an investment in the trading portfolio in 2022, income from trading amounted to HK\$38,631,000, HK\$2,434,000 higher than the previous year.

Operating expenses amounted to HK\$303,357,000, representing a decrease of 0.2% compared to prior year, primarily due to decrease in number of employees and strict cost management. Annual depreciation costs rose to HK\$28,078,000 from HK\$14,118,000 in previous year due to the extension of bank building and multi-storey garage.

Though the total assets of the Bank for the year was HK\$10,964,556,000, HK\$2,849,837,000 less than that in 2021, it is mainly due to the drop in due from clients from HK\$3,068,719,000 to HK\$2,678,772,000 at the end of 2022. The total capital ratio of the Bank continued to be at a satisfactory level for the banking industry.

With the war between Russia and Ukraine, political situation in Europe had great uncertainty. In response, the US, the EU, the UK, Switzerland, Liechtenstein and other countries around the world have imposed strict sanctions on the Russian financial system. Bendura Bank have executed all the required sanction measures and its financial stability was not affected by the current situation.

In March 2022, Bendura Bank has been unanimously elected to become a member of the board of the Liechtenstein Bankers Association, which shows the continuous endeavours to improve its reputation and its perception in the local banking sector.

Dr. Markus Federspiel became new CEO of Bendura Bank in September 2022. At the same time, the board of management of the Bank has been expanded to five members. With new CEO and two new members of the board of management, the Board is equipped with a wide spectrum of skill sets and experience particularly relevant to the sustainable growth of the Bank.

As an innovative private bank, Bendura Bank continued to grow organically with regionally-focused mandates and advisory services for clients. The Bank will focus on strengthening existing core markets as well as on developing and expanding markets of the future. The Bank may also forge strategic partnership with external asset manager, which showed interest to profit from the Bank's emerging market expertise, especially the Asian Dragon mandates as one of the current new investing portfolio of the Bank.

The business result in 2022 enable the Bank to further strengthen its equity. The global economy is expected to continue to recover in 2023. The Bank will closely monitor further developments to ensure seamless service and business operations for clients. The Bank aims to keep its capital and liquidity levels stable and resilient.

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

The Group conducts securities and asset management businesses under the umbrella of Shun Heng Finance Holding (Hong Kong) Limited (“**Shun Heng Finance Holding**”), which was 30% owned by the Group as at 31 December 2022. It comprises Shun Heng Securities Limited and Hong Kong Metasequoia Capital Management Limited.

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 year ended 31 December 2022, Shun Heng Finance Holding contributed revenue and net loss after tax attributable to owners of the Company of HK\$1,122,000 and HK\$2,208,000 respectively (31 December 2021: HK\$6,230,000 and net loss after tax of HK\$420,000 respectively).

The Group disposed the remaining 7.14% and 22.86% equity interests of Shun Heng Finance Holding in December 2022 and March 2023 respectively.

III.A Listed Equity Investment

(1) Citychamp Dartong Company Limited

As at 31 December 2022, financial assets at fair value through other comprehensive income of the Group was HK\$296,080,000. HK\$32,124,000 was related to the listed equity investment in the equity share of Citychamp Dartong Company Limited (“**Citychamp Dartong**”). Citychamp Dartong is a company listed on the Shanghai Stock Exchange (Stock code: 600067) and engaged in real estate, enameled wire, banking and new energy. As at 31 December 2022, the Group owned 9,154,370 shares of Citychamp Dartong at the market price of RMB3.10 per share (equivalent to HK\$3.51 per share) with the fair value of HK\$32,124,000. The shares held by the Group accounted for 0.66% of the total issued share capital of Citychamp Dartong as at 31 December 2022. Such fair value accounted for 0.20% 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\$25,444,000 for the period ended 31 December 2022, as a result of the change in the share price of Citychamp Dartong during the period from 1 January 2022 to 31 December 2022. No dividend income from Citychamp Dartong was recognised by the Group for the year ended 31 December 2022.

(2) *Min Xin Holdings Limited*

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

Min Xin is a company engaged in financial services, securities trading, real estate development, toll road and manufacturing. As at 31 December 2022, the investment in Min Xin was HK\$258,280,000, i.e. 88,150,000 shares at the market price of HK\$2.93 per share. Such fair value of the investment accounted for 1.6% of the Group’s total assets. The shares held by the Company accounted for 14.76% of the total issued share capital of Min Xin as at 31 December 2022.

The Company incurred a net loss on fair value change in Min Xin’s investment of HK\$92,557,000 for the year ended 31 December 2022 (31 December 2021: net gain of HK\$17,630,000), as a result of decrease in the share price of Min Xin from HK\$3.98 as at 1 January 2022 to HK\$2.93 as at 31 December 2022. For the year ended 31 December 2022, the Company’s dividend income from Min Xin was HK\$10,578,000.

III.B Property Investment

The properties in Mainland China and Hong Kong owned by the Group have been leased out, with stable stream of rental income to the Group for the year under review. During the year, these investment properties generated rental income of HK\$20,465,000 (31 December 2021: HK\$16,024,000). Net profit after tax from the property investment business for the year ended 31 December 2022 was HK\$7,239,000 (31 December 2021: HK\$25,423,000).

HEADQUARTER AND OTHERS

Losses from administrative expenses, finance costs and income tax of the headquarter and other non-major subsidiaries and/or non-major categories of businesses for the year ended 31 December 2022 was HK\$96,605,000 (31 December 2021: HK\$128,066,000).

FINANCIAL POSITION

(1) Liquidity, Financial Resources and Capital Structure

As at 31 December 2022, the Group had non-pledged cash and bank balances of approximately HK\$4,314,638,000 (31 December 2021: HK\$6,531,968,000). Based on the borrowings of HK\$958,135,000 (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\$81,515,000 (31 December 2021: HK\$73,515,000), due to a related company of HK\$148,000,000 (31 December 2021: 88,000,000), due to an associate of HK\$10,000,000 (31 December 2021: 10,000,000) and shareholders' equity of HK\$4,012,813,000 (31 December 2021: HK\$4,361,133,000), the Group's gearing ratio (being borrowings plus due to a shareholder, directors, a related company and an associate divided by shareholders' equity) was 30% (31 December 2021: 31%).

(2) Charge on assets

As at 31 December 2022, the Group's borrowings were mainly secured by:

- (a) corporate guarantees provided by certain subsidiaries within the Group;
- (b) equity interest of certain subsidiaries within the Group; and
- (c) a legal charge over the Group's property, plant and equipment with the carrying amount of HK\$259,439,000 (2021: HK\$286,559,000).

(3) Capital commitment

Capital commitments as at 31 December 2022 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 purchase of property, plant and equipment.

Except for the above, the Group had no other material capital commitments as at 31 December 2022.

FINANCIAL REVIEW

(1) Total assets

Total assets decreased to HK\$16,157,243,000 as at 31 December 2022 from HK\$19,962,419,000 as at 31 December 2021.

Cash and deposits

	31 December 2022 HK\$'000	31 December 2021 HK\$'000	Increase/(decrease) Amount HK\$'000	%
Cash and bank balances	75,452	107,175	(31,723)	(29.6)
Cash held on behalf of clients	–	122,339	(122,339)	(100.0)
Sight deposits with central banks	<u>4,239,186</u>	<u>6,302,454</u>	<u>(2,063,268)</u>	<u>(32.7)</u>

Due from banks

	31 December 2022 HK\$'000	31 December 2021 HK\$'000	Increase/(decrease) Amount HK\$'000	%
Due from banks on a daily basis	1,594,134	1,830,121	(235,987)	(12.9)
Due from banks other claims	336,170	204,332	131,838	64.5
Valuation adjustments	(664)	(263)	(401)	(152.5)

(2) Investments

The investment as at 31 December 2022 included (a) trading portfolio investments of HK\$28,093,000; (b) derivative financial assets of HK\$2,888,000; (c) financial assets at amortised cost of HK\$1,571,725,000; and (d) financial assets at fair value through other comprehensive income of HK\$296,080,000 (the “Investments”).

(a) Trading portfolio investments of HK\$28,093,000

	31 December 2022 HK\$'000	31 December 2021 HK\$'000
Equity Instruments		
Listed equity instruments in Hong Kong at market value	451	626
Listed equity instruments outside Hong Kong at market value	<u>586</u>	<u>3,944</u>
Total equity instruments	<u>1,037</u>	<u>4,570</u>
Debt instruments		
Unlisted debt instruments of financial institutions	<u>190</u>	<u>7,234</u>
Total debt instruments	<u>190</u>	<u>7,234</u>
Investment fund units		
Unlisted investment fund units	<u>20,186</u>	<u>67,780</u>
Total investment fund units	<u>20,186</u>	<u>67,780</u>
Investments in other financial products	<u>6,680</u>	<u>6,546</u>
Total trading portfolio investments	<u><u>28,093</u></u>	<u><u>86,130</u></u>

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

As at 31 December 2022, there were HK\$451,000 invested in a variety of listed equities in Hong Kong and HK\$586,000 invested in Mainland China and overseas markets.

The debt instruments of HK\$190,000 invested in the Mainland China by PRC company.

Trading assets of CHF1.1 million (equivalent to HK\$8,882,000) 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\$6,680,000 invested by Eternal Brands.

(b) Derivative financial assets of HK\$2,888,000

	31 December 2022 HK\$'000	31 December 2021 HK\$'000
Derivative financial assets		
Forward and option contracts	<u>2,888</u>	<u>34,608</u>

In the derivative financial assets of HK\$2,888,000, there were forward and option contracts conducted by Bendura Bank.

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

As at 31 December 2022, forward contracts of HK\$2,888,000, whereof HK\$845,000 relate to FX swaps entered by Bendura Bank. Based upon risk/return considerations, client deposits denominated in foreign currencies were, in part, no longer invested on the interbank market but were swapped into Swiss francs or Euro using currency swaps and deposited with the Swiss National Bank (SNB) and Austrian National bank (OenB) accordingly. Income from the interest component of currency swaps exceeded the expense of SNB/OenB negative interest and the reduced level of interest from banks.

At as 31 December 2021, derivative financial assets of HK\$34,608,000 related to forward and option contracts were conducted by Bendura Bank.

(c) *Other financial assets at amortised cost of HK\$1,571,725,000*

	31 December 2022 HK\$'000	31 December 2021 HK\$'000
Listed debt instruments, at amortised cost		
<i>Issued by:</i>		
Governments and public sector	229,862	334,076
Financial institutions	901,527	1,014,986
Corporations	440,336	503,872
	<u>1,571,725</u>	<u>1,852,934</u>

BENDURA BANK AG invested in listed debt instruments issued by government and public sector, financial institutions and corporations amounting to HK\$1,571,725,000. The portfolio was composed of 97 listed debt instruments with different maturity, geography, segment and currency and hence, diversification is ensured. Almost all listed debt instruments were considered upper-medium-grade and are subject to low credit risk. The average remaining term of the HTM portfolio is 2.88 years, while the modified duration of the portfolio is only 1.89%. Largest single investments are bonds issued by International Bank for Reconstruction and Development (CHF9 million) and ESM Treasury Bill (CHF13 million). Both issuers are triple-A rated. Risk concentration is analyzed and presented to the senior management on a monthly basis.

Relatively major listed debt instruments as at 31 December 2022 are as follows:

Issuer	Nature of interest rate	Sector	Maturity date	Value (CHF'000)
IBM Corp	Fixed	Non-financial corporations	15 May 2024	4,501
State of Qatar	Fixed	General governments	14 March 2024	4,531
EFSF	Fixed	Financial corporations	15 December 2025	4,749
Bank of Montreal	Fixed	Financial corporations	22 December 2023	4,929
Amazon.com Inc	Fixed	Non-financial corporations	12 May 2026	6,571
Henkel AG & Co KGaA	Fixed	Non-financial corporations	17 November 2026	6,575
DBS Bank Ltd	Fixed	Financial corporations	26 October 2026	8,206
Intl Bk Recon & Develop	Fixed	Financial corporations	19 March 2024	9,005
ESM Tbill	Zero Coupon	General governments	16 March 2023	12,815
Others				124,219
Total				<u>186,101</u>
HKD Equivalent to (in '000)				<u>1,571,725</u>

Collectively, listed debt instruments, at amortised cost accounted for 9.7% of the Group's total assets.

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. Largest single investments are bond issued by UK Treasury Bill (CHF15 million) and ESM Treasury Bill (CHF13 million). Both are double-A issuers. Risk concentration is analyzed and presented to the senior management on a monthly basis.

Relatively major listed debt instruments as at 31 December 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 N.V.	Floating	Financial corporations	19 July 2022	7,310
Amazon.com Inc	Fixed	Corporations	12 May 2026	7,198
DBS Bank Ltd	Fixed	Financial corporations	26 October 2026	9,082
Henkel AG & Co KGaA	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				<u>133,285</u>
Total				<u>216,924</u>
HKD Equivalent to (<i>in '000</i>)				<u><u>1,852,934</u></u>

(d) *Other financial assets at fair value through other comprehensive income of HK\$296,080,000*

	31 December 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equity instruments in Hong Kong	258,280	350,837
Listed equity instruments outside Hong Kong	32,124	147,133
Unlisted equity investment	5,676	6,147
	296,080	504,117

Listed equity instruments of HK\$32,124,000 related to investment in Citychamp Dartong and HK\$258,280,000 related to investment in Min Xin. Details of investments in Citychamp Dartong and Min Xin are set out from page 38-39 of this announcement.

(3) **Goodwill and Intangible assets**

(a) *Goodwill*

Goodwill is arising from business combinations, and capitalised as assets in the consolidated statement of financial position. The Group engages professional valuer to conduct impairment testing on individual cash generating units (“CGUs”) every financial year. As at 31 December 2022, the net carrying amount of goodwill was HK\$1,092,012,000 (As at 31 December 2021: HK\$1,151,788,000), which mainly composed of the following CGUs:

		31 December 2022	31 December 2021
	Segment	<i>HK\$'000</i>	<i>HK\$'000</i>
Zhuhai Rossini Watch Industry Limited	Watches and timepieces	619,546	670,859
Bendura Group	Banking Business	259,131	262,086
Ernest Borel Group	Watches and timepieces	213,335	215,763
Others		–	3,080
Total		1,092,012	1,151,788

The decrease in Goodwill was solely due to the exchange rate difference between foreign currencies and Hong Kong Dollar as at 31 December 2021 and 31 December 2022 respectively.

(b) *Intangible assets*

Intangible assets are arising from business combinations, and capitalised as assets in the consolidated statement of financial position. They included supplier and distribution networks, brand names, patents and trading rights. As at 31 December 2022, the net carry amount of intangible assets was HK\$43,254,000 (As at 31 December 2021: HK\$52,411,000), which allocated to the following category:

	31 December 2022 HK\$'000	31 December 2021 HK\$'000
Supplier and distribution networks	–	183
Brand Names	43,254	44,982
Trading Rights	–	7,246
	<hr/>	<hr/>
Total	<u>43,254</u>	<u>52,411</u>

Brand name with indefinite useful lives amounted to HK\$43,254,000 are attributable to the CGU of Ernest Borel Group and the decrease in the value of brand names was solely due to the exchange rate difference between foreign currency and Hong Kong Dollar as at 31 December 2021 and 31 December 2022 respectively.

(4) **Total liabilities**

Total liabilities decreased to HK\$11,978,382,000 as at 31 December 2022 from HK\$15,338,879,000 as at 31 December 2021, mainly attributable to a decrease in due to clients.

Due to clients

	31 December 2022 HK\$'000	31 December 2021 HK\$'000	Increase/(decrease) Amount HK\$'000	%
Due to clients – precious metals	208,435	121,250	87,185	71.9
Other amounts due to clients, mainly bank deposits	<u>9,779,243</u>	<u>12,629,042</u>	<u>(2,849,799)</u>	<u>(22.6)</u>

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

Gross profit from non-banking and financial businesses was HK\$664,019,000, a decrease of HK\$161,895,000, or 19.6%.

(6) EBITDA

EBITDA was HK\$51,728,000, a decrease of HK\$59,238,000 or 53.4%.

(7) Selling and distribution expenses

Total selling and distribution expenses was HK\$448,443,000, a decrease of HK\$87,452,000 or 16.3%.

(8) Administrative expenses

Total administrative expenses was HK\$626,594,000, a decrease of HK\$71,428,000 or 10.2%.

(9) Share of profit of associates

The share of profit of associates is mainly arising from the share of profit from Fair Future Industrial Limited (“**Fair Future**”), a 25% owned associate of the Group, was HK\$16,740,000, representing an increase of HK\$16,417,000 or 5,082.7%. Fair Future is one of the leading OEM quartz watch manufacturers in Mainland China.

(10) Finance costs from non-banking business

Finance costs from non-banking business was HK\$70,532,000, representing an increase of HK\$3,181,000 or 4.7%. It was composed of the interest charged on corporate bonds and the interest charged on bank borrowings, bank overdrafts and lease liabilities.

(11) Loss attributable to owners of the Company

Loss attributable to owners of the Company was HK\$111,051,000 (31 December 2021: loss of HK\$100,907,000) for the year ended 31 December 2022.

(12) Inventories

Inventories was HK\$1,935,923,000, a decrease of HK\$257,358,000 or 11.7%.

THE IMPACT OF THE COVID-19 ON THE GROUP

The COVID-19 was first reported in late 2019 and has been spreading throughout the world continuously till now that the epidemic is becoming ease and the global economy is now under recovery. Mainland China is gradually liberalising the COVID-19 situation. The Company will follow up the latest market situation in real time, and adopt different marketing strategies in a targeted and differentiated manner according to the dynamic situation of the COVID-19 in each region and the market recovery situation, so as to seize sales opportunities and ensure continuous improvement.

During the year, to overcome the adverse impacts of the COVID-19, the watch and timepieces businesses have adopted a number of strategies, including conducting in-depth follow-up analysis continuously, taking measures to limit the losses, focusing more on e-commerce business, etc. The COVID-19 led to new opportunities in e-commerce as customer behavior has been changed due to the social distancing measures. Our longstanding preparation efforts on e-commerce development has began to bear fruit and become one of our important competitive advantage.

For banking business, the bank continued to closely monitor and assess on a situational basis as protection of our employees remains our top priority. The Board of Management had taken various measures in the course of the COVID-19, but also currently in connection with the energy shortage, and will closely monitor further developments in order to continue to ensure business operations for our 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.

OUTLOOK

Following the removal of its strict zero-COVID policy in the beginning of 2023, Mainland China is opening-up at an accelerating pace and its economy is growing resiliently. It is expected that the PRC government would suspend the economically disruptive policies in technology regulation, property, decarbonization and income redistribution in order to lift market sentiment and consumer confidence. Besides, there would be expansionary fiscal measures, stimulating the economy in 2023.

The market conditions in Mainland China and the rest of the world are expected to improve when the consumer confidence is gradually recovered and the demand for watches in Mainland China and all over the world is expected to be gaining momentum again. Such scenario supports the opportunities for which our local proprietary watches have positioned. It also supports the performance of our foreign proprietary watches.

Bendura Bank has focused on disciplined, risk managed growth. As we manage the challenges in front of us, we are also positioning ourselves to embrace the opportunities in not only in the existing core markets such as Eastern and Central Europe but also Hong Kong and Mainland China. Following the success in sharpening its brand in the Asian region in last few years, Bendura Bank intends to generate the momentum to serve the Asian customers, that promise the great potential.

As we recalibrate for growth in the continuously challenging period ahead, we are committed to harnessing the power of 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 31 December 2022, the Group had approximately 3,600 fulltime staff in Hong Kong and Mainland China and approximately 250 fulltime staff in Europe. The remuneration packages offered to the employees were determined and reviewed on an arm's length basis with reference to the market condition and individual performance. The Group also provides other benefits to its employees, including year-end double pay, medical insurance and retirement benefits, and incentive bonuses are offered with reference to the Group's operating results and employees' individual performance. All employees of the Group in Hong Kong have joined the provident fund schemes. Employees of Group's subsidiaries in Mainland China also have participated in social insurance scheme administrated and operated by local authorities and contributions were made according to the local laws and regulations.

FINAL DIVIDEND

The Board has resolved not to recommend to distribute a final dividend for the year ended 31 December 2022 (year ended 31 December 2021: nil).

CLOSURE OF REGISTER OF MEMBERS

The Company's Annual General Meeting is scheduled to be held on 23 May 2023 (the "**AGM 2023**"). For the purpose of determining the entitlement to attend and vote at the AGM 2023, the register of members of the Company will be closed from Thursday, 18 May 2023 to Tuesday, 23 May 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM 2023, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Wednesday, 17 May 2023.

CORPORATE GOVERNANCE CODE

Citychamp Watch & Jewellery Group Limited (the "**Company**") and its subsidiaries (the "**Group**") are committed to maintain a standard of corporate governance that is consistent with market practices.

The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for the year ended 31 December 2022 except with the details disclosed below:

CG Code C.1.6

CG Code C.1.6 stipulates that independent non-executive directors should generally attend general meetings. An independent non-executive director of the Company did not attend the 2022 Annual General Meeting due to other business commitment.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conducts for securities transactions by Directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2022.

BOARD OF DIRECTORS

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

BOARD COMMITTEES

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

Audit Committee

The Company has established an audit committee for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the independent non-executive directors of the Company, being Mr. Kam, Eddie Shing Cheuk (Chairman of the Committee), Dr. Kwong Chun Wai, Michael, Mr. Zhang Bin and Mr. Li Ziqing. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial matters including the review of the audited financial statements for the year ended 31 December 2022.

Remuneration Committee

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

Nomination Committee

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

Risk Management Committee

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

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

The Company did not buy back any Company’s listed shares (whether on the Stock Exchange or otherwise) during the year ended 31 December 2022.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee reviewed the consolidated financial statements for the year ended 31 December 2022 in conjunction with BDO Limited, the Company’s external auditor. Based on this review and discussions with management, the Audit Committee was satisfied that the consolidated financial statements for the year ended 31 December 2022 were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the year ended 31 December 2022.

SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's websites at www.irasia.com/listco/hk/citychamp and www.citychampwj.com. The annual report of the Company for the year ended 31 December 2022 will be available on the respective websites of the Stock Exchange and the Company, and despatched to the shareholders of the Company in due course.

APPRECIATION

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

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

Hong Kong, 30 March 2023

As at the date of this announcement, the executive directors of the Company are Mr. Hon Kwok Lung, Mr. Siu Chun Wa, Mr. Hao Xiaohui, Mr. Shi Tao, Ms. Sit Lai Hei, Mr. Hon Hau Wong and Mr. Teguh Halim; and the independent non-executive directors of the Company are Dr. Kwong Chun Wai, Michael, Mr. Zhang Bin, Mr. Kam, Eddie Shing Cheuk and Mr. Li Ziqing.