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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Citychamp Watch & Jewellery Group Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee, or to the bank, the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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)**

- (1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION;  
(2) SPECIAL DIVIDEND; AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial adviser to Citychamp Watch & Jewellery Group Limited****Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders**

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Terms used in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 8 to 37 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 38 of this circular. A letter from Merdeka Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 39 to 80 of this circular.

A notice convening the EGM to be held at 11:00 a.m. on Thursday, 25 March 2021 at Studio 1, 7/F, W Hong Kong, 1 Austin Road West, Kowloon, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM or any adjournment thereof (as the case may be) is enclosed with this circular. Whether or not you intend to attend such meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) if you so wish.

25 February 2021

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Accounting Date”	30 June 2020
“Accounts”	the consolidated accounts of the Company which contains the pro forma accounts of the Remaining Group and the Disposal Group as at the Accounting Date
“Announcement”	the announcement of the Company dated 16 December 2020 in relation to the Disposal and the Special Dividend
“Associates”	has the meaning ascribed thereto under the Listing Rules, as amended from time to time
“Bendura Bank”	Bendura Bank AG, a fully-licensed bank headquartered in the principality of Liechtenstein
“Board”	the board of Directors
“Business”	the watches and other businesses currently conducted by each of International Volant Group, EBOHR Group, Jia Cheng Group, Joyful Surplus Group, Sharptech, Unique Leader and Sure Best
“Business Day(s)”	means a day (excluding Saturday, Sunday, Hong Kong public holidays and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon) on which licensed banks in Hong Kong are generally open for business and a trading day on the Stock Exchange
“CHF”	Swiss Franc, the lawful currency of Switzerland and Liechtenstein
“Company”	Citychamp Watch & Jewellery Group Limited, a limited liability company incorporated in the Cayman Islands, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 0256)

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## DEFINITIONS

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“Completion”	completion of the sale and purchase of the Sale Shares and the Sale Loans in accordance with the terms of the Sale and Purchase Agreement
“Completion Accounts”	the consolidated accounts of the Company which contains the pro forma accounts of the Remaining Group and the Disposal Group as at the Cut-off Date
“Completion Date”	3 Business Days after the fulfilment of conditions precedent in accordance with the Sale and Purchase Agreement (or any other dates to be agreed among the Parties in writing, but not later than the Long Stop Date)
“Condition(s)”	the condition(s) precedent for Completion
“Conditions Fulfilment Date”	28 February 2021 (or such other date as the Company and the Purchaser agree in writing)
“Connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable to the Company comprising Consideration for the Sale Shares and Consideration for the Sale Loans, plus Interest
“COVID-19”	Novel coronavirus (COVID-19)
“Cut-off Date”	last day of the month prior to the Completion Date
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loans pursuant to the terms and conditions of the Sale and Purchase Agreement
“Disposal Group”	collectively, International Volant Group, EBOHR Group, Jia Cheng Group, Joyful Surplus Group, Sharptech, Unique Leader and Sure Best
“EB Brand”	EB Brand Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company as at the date of this circular and immediately prior to Completion
“EB Brand Sale Loan”	all obligations, liabilities and debts owing or incurred by EB Brand to the Company from time to time

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## DEFINITIONS

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“EB Brand Sale Shares”	100 ordinary shares in the issued share capital of EB Brand
“EGM”	the extraordinary general meeting to be convened and held by the Company to consider and, if thought fit, approve the Sale and Purchase Agreement and the Disposal contemplated thereunder
“Encumbrances”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Euro”	the lawful currency of the European Union
“GBP”	British Pound Sterling, the lawful currency of the United Kingdom of Great Britain and Northern Ireland
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Financial Reporting Standards”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Independent Board Committee”	a board committee which shall consist only of independent non-executive Directors, namely Dr. Kwong Chun Wai, Michael, Mr. Zhang Bin, Mr. Kam, Eddie Shing Cheuk and Mr. Li Ziqing
“Independent Shareholders”	any shareholder of the Company that is not required to abstain from voting at a general meeting to approve a connected transaction in accordance with the Listing Rules
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons

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## DEFINITIONS

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“Interest”	Interest payable by the Purchaser to the Company for each of the Second Payment, Third Payment and Fourth Payment at 6% p.a. and for the purpose of each of the Payments, the Interest payable for each Payment shall be $\text{Interest} \times 365/\text{elapsed days}$
“International Volant”	International Volant Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company as at the date of this circular and immediately prior to Completion
“International Volant Sale Loan”	all obligations, liabilities and debts owing or incurred by International Volant to the Company from time to time
“International Volant Sale Shares”	10,000 ordinary shares in the issued share capital of International Volant
“Jia Cheng”	Jia Cheng Investment Limited, a company incorporated in British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company as at the date of this circular and immediately prior to Completion
“Jia Cheng Sale Loan”	all obligations, liabilities and debts owing or incurred by Jia Cheng to the Company from time to time
“Jia Cheng Sale Shares”	1 ordinary share in the issued share capital of Jia Cheng
“Joyful Surplus”	Joyful Surplus International Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company as at the date of this circular and immediately prior to Completion
“Joyful Surplus Sale Loan”	all obligations, liabilities and debts owing or incurred by Joyful Surplus to the Company from time to time
“Joyful Surplus Sale Shares”	10,000 ordinary shares in the issued share capital of Joyful Surplus
“Latest Practicable Date”	18 February 2021, being the latest practicable date prior to the printing of this circular for ascertaining information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Long Stop Date”	30 June 2021 (or such other date as the Purchaser and the Company may agree in writing)
“Material Adverse Change”	any change (or effect) which has a material and adverse effect on the financial position, business or property, results of operations, business prospects or assets of the Disposal Group
“Merdeka”	Merdeka Corporate Finance Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO, is the independent financial adviser appointed to advise the Independent Board Committee and Independent Shareholders in respect of the Disposal
“Metasequoia Capital”	Hong Kong Metasequoia Capital Management Limited, a company incorporated in Hong Kong with limited liability and licensed to conduct Type 4 (advisory on securities) and Type 9 (asset management) regulated activities under the SFO
“Mr. Hon”	Mr. Hon Kwok Lung, the chairman and an executive Director as well as a controlling shareholder of the Company
“PRC” or “Mainland China”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Tycoon Idea Global Limited, a company incorporated in British Virgin Islands with limited liability
“Purchaser’s Guarantor”	Sincere View International Ltd., a company incorporated in British Virgin Islands with limited liability
“Remaining Group”	the Group immediately after Completion
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 16 December 2020 entered into among the Company, the Purchaser and the Purchaser’s Guarantor in respect of the sale and purchase of the Sale Shares and the Sale Loans

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## DEFINITIONS

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“Sale Loans”	collectively, the International Volant Sale Loan, the EB Brand Sale Loan, the Jia Cheng Sale Loan, the Joyful Surplus Sale Loan, the Sharptech Sale Loan, the Unique Leader Sale Loan and the Sure Best Sale Loan
“Sale Shares”	collectively, the International Volant Sale Shares, the EB Brand Sale Shares, the Jia Cheng Sale Shares, the Joyful Surplus Sale Shares, the Sharptech Sale Shares, the Unique Leader Sale Shares and the Sure Best Sale Shares
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of ordinary shares in the share capital of the Company
“Sharptech”	Sharptech International Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company as at the date of this circular and immediately prior to Completion
“Sharptech Sale Loan”	all obligations, liabilities and debts owing or incurred by Sharptech to the Company from time to time
“Sharptech Sale Shares”	100 ordinary shares in the issued share capital of Sharptech
“Shun Heng”	Shun Heng Finance Holding (Hong Kong) Limited, which consists of two subsidiaries, namely, Shun Heng Securities Limited which holds Type 1 (dealing in securities) licence under the SFO, and Hong Kong Metasequoia Capital Management Limited which holds Type 4 (advisory on securities) and Type 9 (asset management) licences under the SFO
“Special Dividend”	the special cash dividend intended to be declared and paid by the Company to the Shareholders subject to the approval of the Shareholders at the EGM and Completion taking place
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Sure Best”	Sure Best Management Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company as at the date of this circular and immediately prior to Completion
“Sure Best Sale Loan”	all obligations, liabilities and debts owing or incurred by Sure Best to the Company from time to time
“Sure Best Sale Shares”	1 ordinary share in the issued share capital of Sure Best
“Target Companies”	collectively, International Volant, EB Brand, Jia Cheng, Joyful Surplus, Sharptech, Unique Leader and Sure Best
“Unique Leader”	Unique Leader Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company as at the date of this circular and immediately prior to Completion
“Unique Leader Sale Loan”	all obligations, liabilities and debts owing or incurred by Unique Leader to the Company from time to time
“Unique Leader Sale Shares”	1 ordinary share in the issued share capital of Unique Leader
“US\$”	United States dollars, the lawful currency of the USA
“USA”	the United States of America
“%”	per cent.

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. HON Kwok Lung (*Chairman*)  
Mr. SHANG Jianguang (*Chief Executive Officer*)  
Mr. SHI Tao  
Mr. LAM Toi Man  
Mr. BI Bo  
Ms. SIT Lai Hei  
Mr. HON Hau Wong  
Mr. Teguh HALIM

*Independent Non-Executive Directors:*

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

*Registered Office:*

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

*Principal Office:*

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

25 February 2021

*To Shareholders*

Dear Sir or Madam,

- (1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION;  
(2) SPECIAL DIVIDEND; AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 16 December 2020 in relation to the Disposal and the Special Dividend. The Company announced that after trading hours of the Stock Exchange on 16 December 2020, the Company, the Purchaser and the Purchaser's Guarantor entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares and the Sale Loans of the Target Companies at consideration comprising (i) the

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## LETTER FROM THE BOARD

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consideration for the Sale Shares of HK\$1.5 billion; and (ii) the consideration for the Sale Loans of HK\$2.03 billion (being the face value of the Sale Loans as at 30 June 2020), to be paid by the Purchaser (or its nominee(s)) to the Company (or its nominee(s)), subject to adjustment at Completion. The gross proceeds to be received by the Company from the Disposal shall be HK\$3.53 billion, which will be settled in four ways by the Purchaser by (i) a cashier order issued by a licensed bank in Hong Kong, (ii) a banker's draft drawn against a licensed bank in Hong Kong, (iii) by telegraphic transfer to the designated bank accounts of the Company (or its nominee(s)) or as the Company may direct in writing, or (iv) by such other method as the Purchaser and the Company agree in writing. Subject to approval of the Shareholders of the necessary resolution(s) at the EGM and Completion having taken place, the Board proposes the payment of the Special Dividend to the Shareholders whose names appear on the register of members of the Company on a record date to be determined.

As the highest applicable percentage ratio under the Listing Rules in respect of the Disposal exceeds 75%, if materialized, the Disposal will constitute a very substantial disposal of the Company pursuant to Chapter 14 of the Listing Rules. As such, the transactions contemplated under the Disposal are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. Also, as at the date of this circular, the Purchaser is indirectly owned by Mr. Hon and Ms. Lam Suk Ying, spouse of Mr. Hon, as to 80% and 20%, respectively. As Mr. Hon is the chairman of the Board and the controlling shareholder of the Company, the Purchaser is an Associate of Mr. Hon and thus a connected person of the Company. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement, circular and Independent Shareholders' approval at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors has been established to give advice and recommendation to the Independent Shareholders on the terms of the Sale and Purchase Agreement as well as on voting at the EGM regarding the Disposal. Merdeka has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, (i) details of the Sale and Purchase Agreement and the Special Dividend; (ii) financial information of the Disposal Group; (iii) unaudited pro forma financial information of the Remaining Group; (iv) recommendation of the Independent Board Committee to the Independent Shareholders; (v) the letter of advice from Merdeka to the Independent Board Committee and the Independent Shareholders; and (vi) the notice of EGM, at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated under the Disposal, and the Special Dividend respectively.

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## LETTER FROM THE BOARD

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### THE SALE AND PURCHASE AGREEMENT

#### Date

16 December 2020 (after trading hours)

#### Parties

Vendor: the Company

Purchaser: Tycoon Idea Global Limited, a company incorporated in British Virgin Islands with limited liability

Purchaser's Guarantor: Sincere View International Ltd., a company incorporated in British Virgin Islands with limited liability

#### Assets to be disposed of

Subject to the terms and conditions of the Sale and Purchase Agreement, the Company, as the legal and beneficial owner, has conditionally agreed to sell the Sale Shares and the Sale Loans, and the Purchaser has conditionally agreed to purchase the Sale Shares and the Sale Loans, free from all Encumbrances and together with all rights and entitlements which the Company has in the Sale Shares and the Sale Loans with effect from the Completion Date.

The Sale Shares represent all the issued shares of each of International Volant, EB Brand, Jia Cheng, Joyful Surplus, Sharptech, Unique Leader and Sure Best. The Sale Loans represent the entire sum owing by the Disposal Group to the Company as at the Completion Date. As at the date of the Sale and Purchase Agreement, the amount of the Sale Loans is HK\$2.03 billion. The Sale Loans are principally general working capital loans provided by the Company for operation of business of the Disposal Group.

Details of International Volant, EB Brand, Jia Cheng, Joyful Surplus, Sharptech, Unique Leader and Sure Best are set out in the section headed "Information on the Disposal Group" in "Letter from the Board" in this circular.

#### Consideration

The Consideration comprises (i) the consideration for the Sale Shares of HK\$1.5 billion; and (ii) the consideration for the Sale Loans of HK\$2.03 billion (being the face value of the Sale Loans as at 30 June 2020), to be paid by the Purchaser (or its nominee(s)) to the Company (or its nominee(s)), subject to adjustment at Completion. The gross proceeds to be received by the Company from the Disposal shall be HK\$3.53 billion and shall be settled by the Purchaser in the following stages:

- (a) the consideration for the Sale Shares being HK\$1.5 billion shall be settled by way of cash at Completion;

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## LETTER FROM THE BOARD

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- (b) the consideration for the Sale Loans of HK\$2.03 billion shall be settled in the following manner:
- (i) HK\$400.0 million shall be offset by the Special Dividend at Completion (“**First Payment**”);
  - (ii) minimum of HK\$0.2 billion and maximum of HK\$1.6 billion, plus Interest within one year from the Completion Date (“**Second Payment**”);
  - (iii) minimum of HK\$0.2 billion and maximum of HK\$1.4 billion, plus Interest within the second year from the Completion Date (“**Third Payment**”); and
  - (iv) the remaining balance of up to HK\$1.23 billion, plus Interest within the third year from the Completion Date (“**Fourth Payment**”) (collectively, the “**Payments**”) (*note 1*).

*Note 1:* After the amendment of the financial figures of the consideration for the Sale Loans in the circular, there is now a discrepancy between the Announcement and the circular on the payment of the consideration for the Sale Loans. To clarify, the Fourth Payment should be the remaining balance up to HK\$1.23 billion, in place of HK\$1.4 billion as disclosed in the Announcement. Shareholders of the Company are reminded to refer to this circular for clarification.

The settlement of the consideration for the Sale Loans in four payments was arrived at after arm’s length negotiations between the Company and the Purchaser on normal commercial terms. Given that the Company has yet to identify specific potential acquisition targets and taking into account the prevailing low and fluctuating market interest rates, the Company considers that the settlement of the consideration for the Sale Loans in four payments will yield stable interest and financial return to the benefit of and is in the best interests of the Company and the Shareholders as a whole. In addition, as the Company considers that the consideration for the Sale Shares is sufficient for current operations of the Remaining Group, the Company is of the view that the settlement of the consideration for the Sale Loans in four payments will be able to facilitate the use of proceeds from the Sale Loans over the next three years more effectively.

The Company has conducted an internal risk assessment on the Sale Loans arrangement. To the best knowledge, information, and belief of the Directors, having made all reasonable enquiries, both the Purchaser and the Purchaser’s Guarantor have sufficient assets to repay the Sale Loans.

The Payments shall be settled in Hong Kong dollars by (i) a cashier order issued by a licensed bank in Hong Kong in favour of the Company, (ii) a banker’s draft drawn against a licensed bank in Hong Kong, (iii) telegraphic transfer to the designated bank accounts of the Company (or its nominee(s)) (or as the Company may direct in writing), or (iv) such other method as the Purchaser and the Company agree in writing.

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## LETTER FROM THE BOARD

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### **Adjustment of the Consideration**

If the difference of either net asset value of the Disposal Group and each of the members of Remaining Group or Sale Loans of Disposal Group and Remaining Group as shown in the Accounts and Completion Accounts does not exceed 20.0%, no adjustment of the Consideration shall be made.

If the difference between either net asset value of the Disposal Group and Remaining Group or Sale Loans of Disposal Group and each of the members of Remaining Group as shown in the Accounts and Completion Accounts exceeds 20.0%, then the First Payment shall be adjusted based on the amount exceeding 20.0% to be settled by way of cash at Completion.

The threshold of 20.0% was arrived at after arm's length negotiations and was a commercial decision between the Company and the Purchaser. The reasons for setting the threshold at 20.0% are to give greater certainty on the amount of Consideration and to contain the risk of potential loss on the Disposal. The Directors believe that the said threshold is fair and reasonable and is in the interests of the Company and Shareholders as a whole.

### **Conditions precedent**

Completion shall be subject to and conditional upon the following conditions:

- (1) the Company has obtained the Independent Shareholders' approval in relation to the Sale and Purchase Agreement and the Disposal contemplated thereunder in accordance with the requirements of the Listing Rules;
- (2) all necessary consents, authorisations, licenses and approvals for or in connection with the operation of the Business having been obtained, granted and not withdrawn or revoked by third parties (including without limitation, government bodies, stock exchange and other relevant authorities having jurisdiction over the transactions contemplated under the Disposal);
- (3) no Material Adverse Change has occurred before or on the Completion Date;
- (4) the Purchaser has been reasonably satisfied with the results of the legal, business, and financial due diligence reviews of the Disposal Group and each of its major business lines in respect of all material or substantive aspects;
- (5) no notice, order, judgment, action or legal proceedings by any court, arbitrator, governmental authority, statutory or regulatory authority restricting, prohibiting or criminalising any transaction under the Sale and Purchase Agreement or reasonably likely to have a material adverse effect on the right of the Purchaser to own the legal and beneficial title to the Sale Shares and the Sale Loans free from any Encumbrance has been received or noticed by the Company;
- (6) the Company's warranties made under the Sale and Purchase Agreement are true, accurate, and correct and not misleading and will at all times hereafter up to and including the Completion Date, remain to be true, accurate and correct and not misleading in all material respects; and

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## LETTER FROM THE BOARD

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- (7) the Purchaser's warranties made under the Sale and Purchase Agreement are true, accurate, and correct and not misleading and will at all times hereafter up to and including the Completion Date, remain to be true, accurate and correct and not misleading in all material respects.

If any of the Conditions (which has not previously been waived by the Purchaser, other than condition (1) in the section headed "Conditions precedent" in this letter) has not been duly fulfilled to the satisfaction of the Purchaser on or before the Conditions Fulfilment Date (or any other date as agreed by the parties in writing), the Purchaser may by notice to the Company (in the event that the Company is unable or unwilling to comply with its obligations under the Sale and Purchase Agreement) or the Company may by notice to the Purchaser (in the event that the Purchaser is unable or unwilling to comply with its obligations under the Sale and Purchase Agreement):

- (a) waive the Conditions which have not been satisfied (other than condition (1) in the section headed "Conditions precedent" in this letter);
- (b) postpone the Completion Date to a date (being a Business Day) falling not more than 10 Business Days after the date set for Completion and if the Purchaser elects to postpone the Completion Date, then the provisions of the Sale and Purchase Agreement shall apply as if the date set for Completion were the date to which the Completion Date is so postponed; or
- (c) require the non-satisfaction of such Conditions or such part thereof to be rectified within 10 Business Days from the Company's receipt of the Purchaser's notice, failing which the Sale and Purchase Agreement shall be terminated by written notice of the Purchaser.

The Parties may mutually agree in writing to terminate the Sale and Purchase Agreement then all rights and obligations of the parties shall cease immediately upon termination according to terms and conditions of the Sale and Purchase Agreement.

### **Completion**

Completion shall take place on the Completion Date when the parties shall exchange the respective documents and the business shall be transacted according to the terms and conditions of the Sale and Purchase Agreement.

As at the date of this circular, each member of the Disposal Group is directly wholly-owned by the Company. Upon Completion, the Company will cease to have any interest in the Disposal Group and the financial information of Disposal Group will no longer be consolidated into the Group's consolidated financial statements.

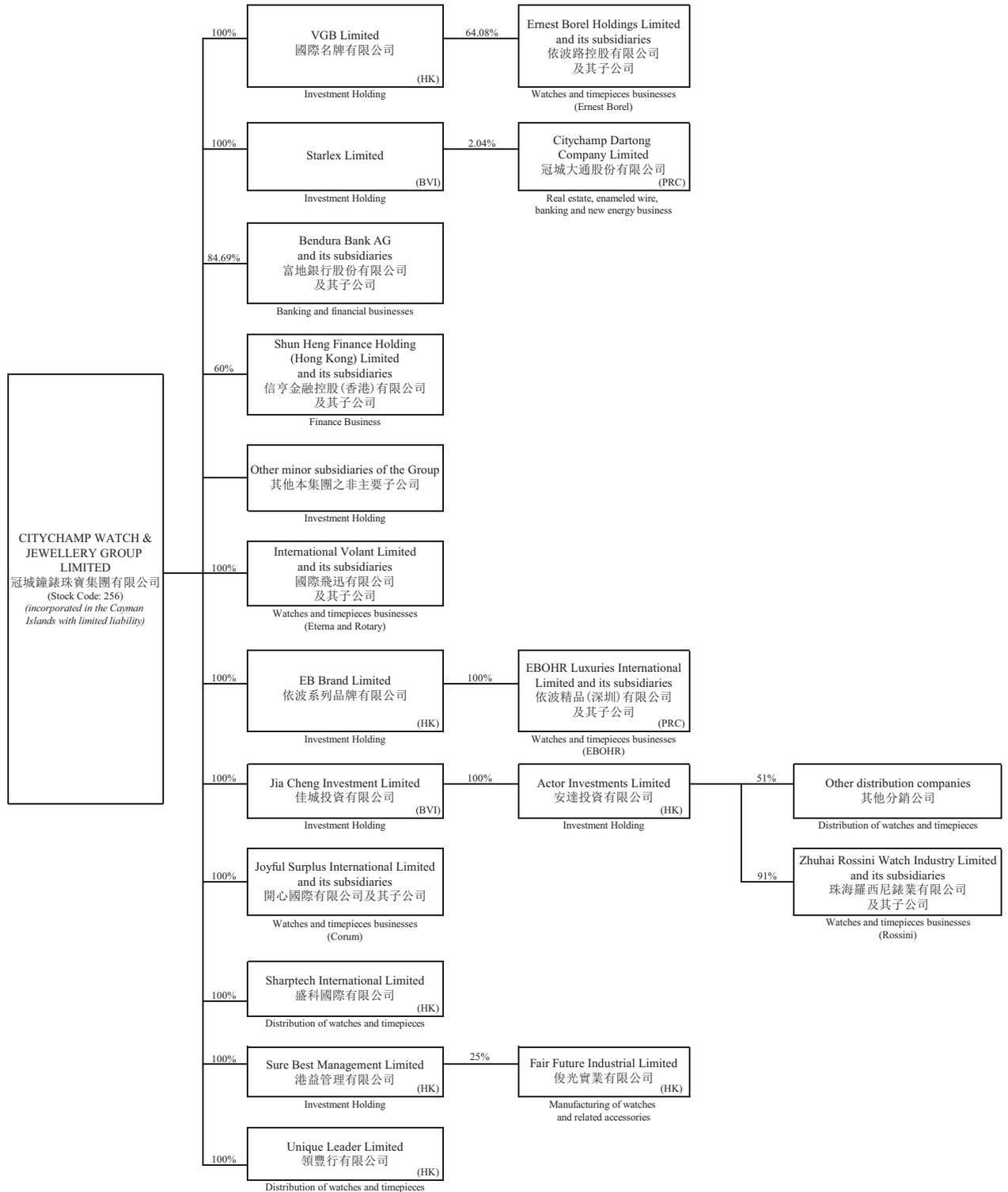
Completion shall take place as soon as practicable but in any event not later than the Long Stop Date.

# LETTER FROM THE BOARD

## SIMPLIFIED GROUP STRUCTURE BEFORE AND AFTER THE DISPOSAL

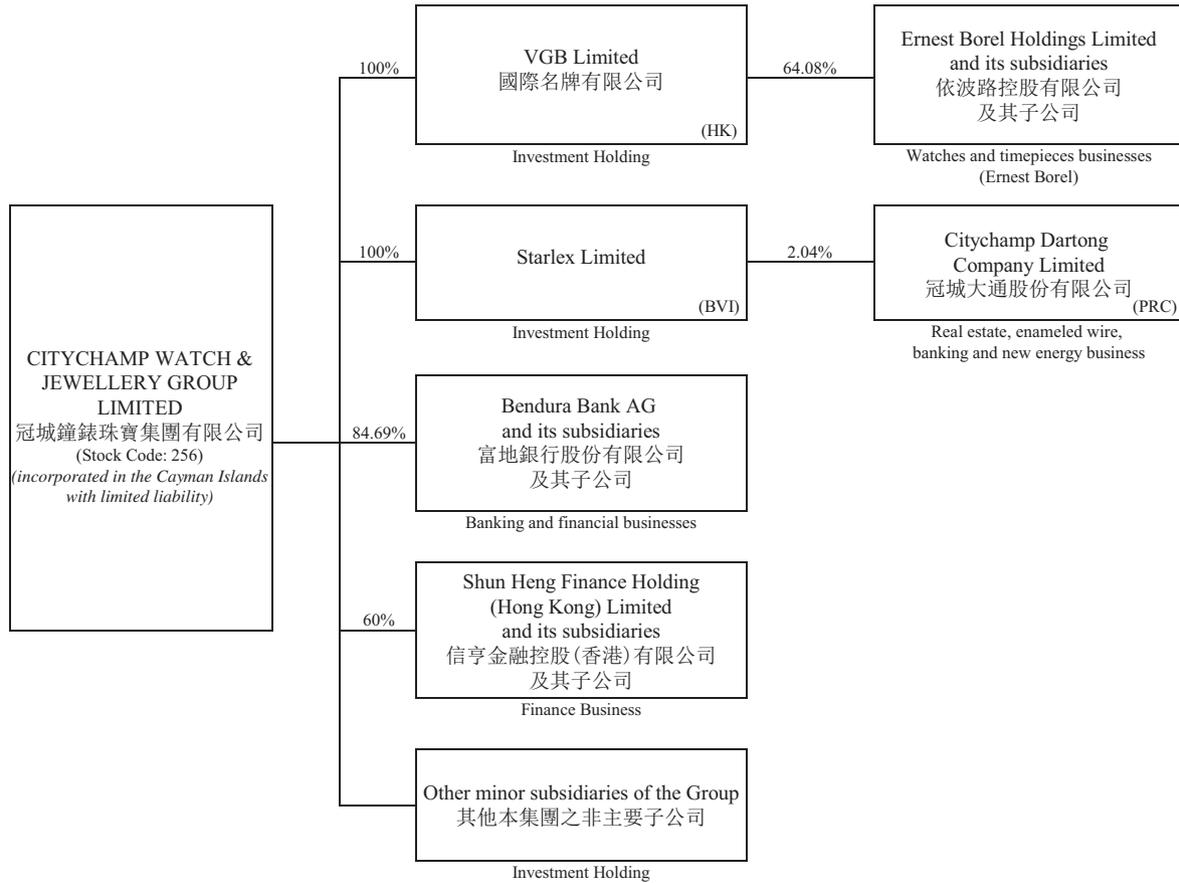
Set out below is the simplified group structure before and after the Disposal for Shareholders' reference.

### Before Disposal



## LETTER FROM THE BOARD

### After Disposal



### INFORMATION ON THE DISPOSAL GROUP

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

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## LETTER FROM THE BOARD

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

### International Volant Group

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

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

### EBOHR Group

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

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

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## LETTER FROM THE BOARD

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### Jia Cheng Group

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

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

### Joyful Surplus Group

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

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

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## LETTER FROM THE BOARD

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### Sharptech

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

	For the year ended 31 December			For the period ended 30 September
	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit/(Loss) before taxation	(28)	(242)	(96)	(1)
Profit/(Loss) after taxation	3	(242)	(96)	(1)

### Unique Leader

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

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

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## LETTER FROM THE BOARD

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### Sure Best

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

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

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

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

Further financial information of the Disposal Group, as at 31 December 2017, 2018, 2019 and nine months ended 30 September 2020, is set out in Appendix IIA to Appendix IIG to this circular.

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## LETTER FROM THE BOARD

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### **INFORMATION ON THE PURCHASER**

Tycoon Idea Global Limited is an investment holding company incorporated in the British Virgin Islands with limited liability and wholly owned by Sincere View International Ltd.

### **INFORMATION ON THE PURCHASER'S GUARANTOR**

Sincere View International Ltd. is an investment holding company incorporated in the British Virgin Islands with limited liability and is directly owned by Mr. Hon and Ms. Lam Suk Ying, spouse of Mr. Hon, as to 80% and 20%, respectively.

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

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

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## LETTER FROM THE BOARD

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the Remaining Group for the three years ended 31 December 2017, 2018, 2019 and nine months ended 30 September 2020 respectively:

	<b>Remaining Watches and Timepieces Businesses</b>	<b>Property Investments</b>	<b>Banking and Financial Businesses</b>	<b>Unallocated</b>	<b>Total</b>
	<i>HK\$'M</i>	<i>HK\$'M</i>	<i>HK\$'M</i>	<i>HK\$'M</i>	<i>HK\$'M</i>
<b>For the Period Ended</b>					
<b>30 Sep 2020</b>					
Total Revenue	77	5	285	–	367
Net Profit/(Loss) after Tax	(13)	5	34	(39) <sup>(Note1)</sup>	(13)
<b>For the Year Ended</b>					
<b>31 Dec 2019</b>					
Total Revenue	142	7	457	–	606
Net Profit/(Loss) after Tax	(75)	8	173	(149) <sup>(Note1)</sup>	(43)
<b>For the Year Ended</b>					
<b>31 Dec 2018</b>					
Total Revenue	43	8	484	–	535
Net Profit/(Loss) after Tax	(36)	3	165	(113) <sup>(Note1)</sup>	19
<b>For the Year Ended</b>					
<b>31 Dec 2017</b>					
Total Revenue	–	17	382	–	399
Net Profit/(Loss) after Tax	–	1,245	138	(181) <sup>(Note1)</sup>	1,202

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

### **Banking and financial businesses**

The Remaining Group's banking and financial businesses include (i) direct 84.69% equity interest in Bendura Bank, which provides a range of private banking services, in particular, in the areas of asset management and investment advice, transaction banking, and security issuance and investment funds; and (ii) direct 60% equity interest in Shun Heng. The Company intends to use the net proceeds of the Disposal to expand its banking and financial businesses of the Remaining Group, details of which are set out in the section headed "Future Plans and Intended Use of Proceeds" below.

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## LETTER FROM THE BOARD

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In September 2016, the Group completed the acquisition of 83.22% equity interest in Bendura Bank. As at the Latest Practicable Date, the Group's equity interest in Bendura Bank increases to 84.69% as a result of Bendura Bank's share repurchase and issue of shares to its employees as part of the share incentive scheme. In February 2017, the Group completed the acquisition of Shun Heng. As a result of the full year contribution from the Bendura Bank and the acquisition of Shun Heng, the banking and financial businesses recorded revenue of HK\$382.0 million and net profit after tax of HK\$138.0 million, compared to HK\$109.0 million and HK\$47.0 million, respectively, in 2016.

In 2018, the banking and financial businesses recorded an increase in revenue of HK\$102.0 million to HK\$484.0 million and an increase in net profit after tax of HK\$27.0 million to HK\$165.0 million, mainly due to the increase in contribution from Bendura Bank as a result of the interest rate hikes in the US and the resulting extra interest income from interbank deposits held in US Dollars and the increase in lending volume to clients.

In 2019, the banking and financial businesses recorded a decrease in revenue of HK\$27.0 million, mainly because Bendura Bank was adversely affected by the negative interest rates in Swiss Francs and Euros, heavy regulatory pressure and the self-restraint measures imposed within the scope of Bendura Bank's de-risking strategy. However, net profit after tax recorded an increase of HK\$8.0 million to HK\$173.0 million, mainly due to Shun Heng reverted to profit from the previous year's loss.

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

### **Watches and timepieces businesses**

The Remaining Group would indirectly hold approximately 64.08% equity interest in Ernest Borel Holdings Limited (Stock Code: 1856), a Hong Kong listed company which is engaged in the watches and timepieces businesses. Ernest Borel Holdings Limited has an extensive distribution network which covers retail markets in the PRC, Hong Kong, Macau and South Asian countries.

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## LETTER FROM THE BOARD

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As the Company acquired controlling equity interest in Ernest Borel Holdings Limited in September 2018, the Remaining Group did not record any revenue and net profit after tax from the watches and timepieces businesses in 2017. The Remaining Group's watches and timepieces businesses recorded revenue of HK\$43.0 million and net loss after tax of HK\$36.0 million in 2018, as Ernest Borel Holdings Limited's decline in revenue could not offset its operating costs.

In 2019, Ernest Borel Holdings Limited's revenue increased from HK\$43.0 million to HK\$142.0 million and net loss after tax increased from HK\$36.0 million to HK\$75.0 million, mainly due to the full year contribution from the acquisition of Ernest Borel Holdings Limited and a decrease in sales from its core market in the PRC.

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

Upon completion of the Disposal, Mr. Hon will control the entire interests in the Disposal Group, which is principally engaged in the watches and timepieces businesses. The Directors are of the view that there will be no material competition and there will be a clear business delineation between the Remaining Group and Mr. Hon for the following reasons:

***(1) No material competition***

- The Disposal Group and the Remaining Group differ in brand positioning, distribution channels and product pricing. In terms of brand position, the brands of the Disposal Group include local proprietary brands, namely "EBOHR" and "Rossini", which target at the affordable entry level luxury market in the PRC; foreign proprietary brands, namely "Corum" and "Eterna", which are luxury or heritage brands; and foreign proprietary brand, namely "Rotary", which is an affordable luxury brand. Meanwhile, the Remaining Group holds a foreign proprietary heritage brand, namely "Ernest Borel";
- In terms of distribution channels, "EBOHR" and "Rossini" brands are sold through self-operated retail networks, mostly located in shopping malls across the PRC. "Corum", "Eterna" and "Rotary" brands are sold through retailers in the overseas markets. "Ernest Borel" brand is sold through retailers mainly across the PRC. Based on management accounts in 2019, the Remaining Group's sales of watches and timepieces to the PRC amounted to approximately HK\$120.0 million, compared to that of the Disposal Group of approximately HK\$1.7 billion; and

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- In terms of product pricing, the average prices for “EBOHR” and “Rossini” brands range from approximately HK\$1,000 to HK\$4,000. The average prices for “Corum” and “Eterna” brands range from HK\$20,000 to HK\$500,000. The average price for “Ernest Borel” brand ranges from HK\$3,000 to HK\$10,000. The average price for “Rotary” brand ranges from HK\$2,000 to HK\$4,000.

### *(2) Clear business delineation*

- The Remaining Group will principally engage in the banking and financial businesses after the completion of the Disposal. There is no strong synergy between the watches and timepieces businesses and the banking and financial businesses.

Upon completion of the Disposal, except for the disclosure above, there is no competing interest between each of the Directors and his respective close associates and the Remaining Group as would be required to be disclosed under rule 8.10 of the Listing Rules as if each of them was a controlling shareholder.

### **Property investment business**

The Remaining Group would own residential, commercial and industrial properties in the PRC and Hong Kong that generate stable rental income. For the three years ended 31 December 2017, 2018, 2019 and nine months ended 30 September 2020, the property investment business generated rental income of approximately HK\$16.9 million, HK\$8.3 million, HK\$7.0 million and HK\$4.8 million, respectively. The decrease in rental income for the year ended 31 December 2018 was in line with the reduction of investment property portfolio resulting from the disposal of Seti Timber Industry (Shenzhen) Co., Ltd. and its subsidiaries in 2017. The rental income for the year ended 31 December 2019 and nine months ended 30 September 2020 remained stable.

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

Further information on the combined financial and business performance of the Remaining Group for each of the years ended 31 December 2017, 2018 and 2019 and for the nine months ended 30 September 2020 is set out in the section headed “Management discussion and analysis of the Remaining Group” in Appendix IV to this circular.

### **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Disposal Group’s profit contribution to the Group has recorded a rapid drop for the past few years for reasons set out in the section headed “Information on the Disposal Group” above. The outlook of the watches and timepieces market will remain uncertain given the various challenges such as the changing consumer consumption patterns, rising market

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## LETTER FROM THE BOARD

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competition and increasing marketing and promotion costs to maintain brand awareness amid the intensifying market competition.

Based on the current financial position and unfavorable watches and timepieces market conditions, the Disposal Group has limited opportunities of obtaining new financing or refinancing. The Disposal Group's watches and timepieces businesses require significant working capital for its business operations. For the three financial years ended 31 December 2017, 2018 and 2019 and for nine months ended 30 September 2020, the Company had invested more than HK\$397.9 million in the Disposal Group as general working capital loans to support its operation and development of its watches and timepieces businesses. The said investment has been in the past largely financed by internal resources and bank loans

As shown in the section headed "2. Statement of Indebtedness" contained in Appendix I in this circular, as at 31 December 2020, the Group had outstanding bank loans of approximately HK\$1.6 billion, which were repayable within one year. The Disposal will significantly strengthen the Remaining Group's financial position as a result of: (1) the disposal of the Sale Loans of HK\$2.03 billion as at the date of the Sale and Purchase Agreement, which are principally general working capital loans; and (2) approximately HK\$1.2 billion of proceeds from the Disposal for the repayment of bank loans of the Remaining Group.

For Shareholders' reference only, as at the date immediately after the completion of the Disposal, the amount of cash held by the Remaining Group will be approximately HK\$4.0 billion after deduction of Special Dividend, which amounts to approximately 27.4% of the estimated total assets of the Remaining Group. After repaying approximately HK\$1.2 billion of bank loans, the Remaining Group will only have approximately HK\$23.8 million of bank loans, compared to HK\$1.3 billion as at 30 September 2020. The Remaining Group's annual bank loan interest expenses will be reduced from approximately HK\$50.0 million to approximately HK\$1.0 million upon Disposal. Apart from reducing the interest expenses, the Remaining Group will also receive interest income from the remaining balance of the Consideration for the Sale Loans. Accordingly, the Disposal will significantly improve the profitability of the Remaining Group.

After the completion of the Disposal, the Remaining Group's principal activity will be the banking and financial businesses. The performance of the banking and financial businesses have been fairly stable in the past few years. In particular, Bendura Bank has developed organically as shown by the improving level in assets under management and stable profitability. Given the prudent asset allocation policy adopted by Bendura Bank and the prudent investment attitude of its clients, Bendura Bank is expected to demonstrate resilience and sustainability even in the current volatile financial market situation. The cash inflow from the Disposal will enhance the Remaining Group's financial position by reducing its indebtedness and enable it to deploy more resources in the banking and financial businesses, which are critical to stay competitive locally and internationally and generate long-term growth. The Company has strong confidence in the wealth and asset management sector and will seize opportunities arising from the increasing wealth and asset management needs. The Board is of the view that the proceeds from the Disposal, together with its existing internal resources, will support the Remaining Group's development of its banking and financial businesses and generate higher returns to the

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Shareholders. Further information on the Remaining Group's intended use of the net proceeds of the Disposal is disclosed in the section headed "Future Plans and Intended Use of Proceeds" below.

Given that there is no strong synergy between the watches and timepieces businesses and the banking and financial businesses, the Disposal will streamline the Company's business to focus on the banking and financial businesses to make it more specialized, competitive and professional to generate higher profits to the Shareholders and unveil the hidden value of the Remaining Group's banking and financial businesses. The Board is of the view that the Disposal represents a valuable opportunity for the Group to capitalize on the substantial cash inflow to strengthen its financial position and focus on the banking and financial businesses, as well as the pursuit of selective strategic and acquisition opportunities.

Based on the above, all the Directors are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **BASIS OF CONSIDERATION AND SETTLEMENT OF SALE LOANS**

The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser on normal commercial terms and making reference to (i) the net asset value of the Disposal Group of approximately HK\$1.3 billion and the face value of the Sale Loans of approximately HK\$2.0 billion as at 30 June 2020; (ii) potential change of net asset value of the Disposal Group from 1 July 2020 to the Completion Date; and (iii) the business prospects of the Disposal Group and other factors set out in the section headed "Reasons for and Benefits of the Disposal" above.

As set out in the section headed "Information on the Disposal Group" above, each member of the Disposal Group recorded either a loss or deterioration in profit after taxation over the period of the three financial years ended 31 December 2017, 2018 and 2019 and up to nine months ended 30 September 2020. Coupled with the uncertain outlook of the Disposal Group's watches and timepieces businesses, the Board is of the view that it is not appropriate to value the Consideration with reference to the price-earnings multiples of the market peers listed in Hong Kong.

The Disposal Group had property, plant and equipment with carrying value of approximately HK\$751.6 million as at 30 September 2020, comprising land and buildings of approximately HK\$486.4 million and plant and equipment of approximately HK\$265.2 million. As the land and buildings are the operating property premises of the Disposal Group, they are carried at cost on the books of the Disposal Group. Based on the management's estimation with reference to comparable properties provided by independent professional valuers, the aggregate market value of these land and buildings does not differ significantly from the aforesaid carrying value. The independent professional valuers used around 3–5 comparable properties for the valuation. Based on the valuation conducted by the independent professional valuers, the aggregate market value of the land and buildings of the Disposal Group is around HK\$507.0

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million, which is within the range of the market value of comparable properties of around HK\$480.0 million – HK\$540.0 million. These properties are the operating assets of the Disposal Group and it is not practicable for the Company to realise these operating property premises while there are substantive operations. The Company currently has no plan to realise these operating property premises. Further, in the event that the Disposal is not able to proceed in accordance with its terms and conditions, the Directors do not expect that the Company could be able to realise these operating property premises in the foreseeable future while the business of the Disposal Group is still operating as a going concern.

Based on the net asset value of the Disposal Group as at 30 June 2020, the Consideration represents an implied price-to-book ratio of approximately 1.16 times, which is within the range of the price-to-book ratios of the comparable companies and higher than the median and similar to the average of the price-to-book ratios of the comparable companies. Such comparable companies include Apollo Future Mobility Group Limited (stock code: 860), Asia Commercial Holdings Limited (stock code: 104), Emperor Watch & Jewellery Limited (stock code: 887), Hanvey Group Holdings Ltd. (stock code: 8219), Hengdeli Holdings Limited (stock code: 3389), Luxxu Group Ltd. (stock code: 1327), Oriental Watch Holdings Limited (stock code: 398), Prosper One International Holdings Company Limited (stock code: 1470), Sincere Watch (Hong Kong) Limited (stock code: 444), Stelux Holdings International Limited (stock code: 84), Time Watch Investments Ltd. (stock code: 2033), Universe Entertainment & Culture Group Company Limited (stock code: 1046) and Ernest Borel Holdings Ltd. (stock code: 1856). The price-to-book ratios of the said comparable companies ranged from approximately 0.11 times to approximately 6.87 times as at the Latest Practicable Date. The Directors believe that it is not necessary to include a premium in evaluating the value of the Disposal Group, given the current financial position of the Disposal Group and the unfavourable watches and timepieces market conditions.

The settlement of the consideration for the Sale Loans in four payments was arrived at after arm's length negotiations between the Company and the Purchaser on normal commercial terms. Given that the Company has yet to identify specific potential acquisition targets and taking into account of the prevailing low and fluctuating market interest rates, the Company considers that the settlement of the consideration for the Sale Loans in four payments will yield stable interest and financial return to the benefit of and is in the best interests of the Company and the Shareholders as a whole. In addition, as the Company considers that the consideration for the Sale Shares is sufficient for current operations of the Remaining Group, the Company is of the view that the settlement of the consideration for the Sale Loans in four payments will be able to facilitate the use of proceeds from the Sale Loans over the next three years more effectively.

The Company has conducted an internal risk assessment on the Sale Loans arrangement:

- (i) the Company has conducted research on whether the Purchaser and the Purchaser's Guarantor has any equity investment in any stock exchanges and, if any, the estimated market value; and

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## LETTER FROM THE BOARD

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- (ii) as Mr. Hon is the ultimate beneficial owner of the Purchaser, the Company has also conducted research on the major properties and investment held by him and the estimated market value.

Based on the internal risk assessment conducted by the Company above, and to the best knowledge, information, and belief of the Directors, having made all reasonable enquiries, the Company considers that both the Purchaser and the Purchaser's Guarantor have sufficient assets to repay the Sale Loans:

- (i) the Purchaser's Guarantor directly has approximately 1.0% equity interest in Min Xin Holdings Limited (stock code: 222, listed on Stock Exchange) and approximately 31.65% equity interest in the Company which are free of pledge. As at 31 December 2020, the market value of the share interest owned by the Purchaser's Guarantor amounted to approximately HK\$2.4 billion;
- (ii) Mr. Hon is the ultimate beneficial owner of the Purchaser. He has approximately 34.0% equity interest in Citychamp Dartong Company Limited (a company listed on Shanghai Stock Exchange, stock code: 600067) and has approximately 28.0% equity interest in Cordlife Group Limited (a company listed on the Singapore Stock Exchange, stock code: P8A), both of which are free of pledge. As at 31 December 2020, the market value of the share interests owned by Mr. Hon amounted to approximately HK\$2.4 billion.

Based on the current financial situation of the Disposal Group, the Disposal Group will not be able to repay the Sale Loans. Therefore, the Disposal enables the transfer of the Sale Loans to the Purchaser. Although there is no pledge/ security for the settlement of the Consideration for the Sale Loans in four payments, based on the internal risk assessment on the Purchaser and the Purchaser's Guarantor conducted by the Company, it is considered that both the Purchaser and the Purchaser's Guarantor have sufficient assets to repay the Sale Loans. From time to time, the Company will assess the financial status of the Purchaser and the Purchaser's Guarantor to ensure payment of the Consideration for the Sale Loans. The status of the settlement of the Consideration for the Sale Loans will be reported in the interim report and annual report of the Company.

As Mr. Hon remains to be the ultimate controlling shareholder of the Company after the Disposal, the settlement of the Consideration for the Sale Loans in four payments aligns with the interests of the Company and the Shareholders (including Mr. Hon).

Based on the internal risk assessment conducted by the Company, the expected interest income to be generated from the settlement of the Consideration for the Sale Loans in four payments, the Company's business expansion plans and the general benefits from the Disposal, the Company considers that the credit risk in relation to the Consideration for the Sale Loans is limited, and that the settlement of Consideration for the Sale Loans in four payments is fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

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Based on the above, the Directors consider that the Consideration and the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

### **FUTURE PLANS AND INTENDED USE OF PROCEEDS**

For the banking and financial businesses, Bendura Bank will continue to rely mainly on its commission based and interest-related businesses in the years ahead. Bendura Bank intends to maintain the broad diversification of its loan portfolio. In 2019, Bendura Bank's loan commitments accounted for only 16% of its total assets. Bendura Bank's strategy will be to increase this percentage gradually over the next two financial years.

The Remaining Group intends to strengthen Bendura Bank's capital base to support the sustainable growth of its credit business and to expand its geographical coverage and product coverage, in particular, wealth and asset management products, in Hong Kong, the PRC, East Asia and Western Europe. The Remaining Group also intends to strengthen its asset management business through the establishment of strategic alliance with independent financial consultants in Hong Kong, the Mainland China, Switzerland and Liechtenstein. The Remaining Group will consider the following factors for the selection of potential independent financial consultants for forming strategic alliance: (a) the ability to add value to the existing business operations of the Remaining Group; (b) the business scale and potential; and (c) the operating history and financial track records of growth. As at the date of this circular, no potential independent financial consultants has been identified by the Company.

In addition, the Remaining Group intends to pursue selective strategic investment and acquisition opportunities related to the banking and financial businesses in Hong Kong and overseas. The Remaining Group will consider the following factors for identifying potential acquisition target(s): (a) the ability to achieve synergies with the existing business operations of the Remaining Group; (b) the business scale and potential; and (c) the operating history and financial track records of growth. The Remaining Group will also place special emphasis on whether the potential acquisition target(s) can diversify its market segments which provides substantial and sustainable growth for the Remaining Group. As at the date of this circular, no potential acquisition target(s) has been identified by the Company.

For the watches and timepieces businesses, the Remaining Group intends to expand Ernest Borel Holding Limited's product range by adding new watches designs, and broaden its marketing channels by engaging new emerging marketing platforms, such as engine search, social platforms, self-media promotion and event marketing in the coming years. The Remaining Group will continue to closely monitor and allocate its operating costs and resources in respect of sales, distribution and administrative expenses, and adopt suitable marketing tactics.

At the Latest Practicable Date, the Remaining Group has no intention to expand its property investment business, and expects the rental income to remain stable.

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The net proceeds of the Disposal of approximately HK\$1.9 billion (i.e. the aggregate of the consideration for the Sale Shares and the First Payment), after deducting the transaction costs, will be used by the Group in the following manner:

- (i) approximately 60.0% or HK\$1.2 billion for the repayment of bank loans of the Remaining Group within one month after Completion. Details of the bank loans to be repaid are set out below:

Creditor	Loan Balance		Outstanding Balance <i>HK\$' million</i>	Outstanding Balance <i>HK\$' million</i>
	As at 30 June 2020	As at Latest Practicable Date		
	Maturity date under current payment schedule	Maturity date under current payment schedule		
Hang Seng Bank <sup>(Note 1)</sup>	due within 1-3 months	due within 0-3 months	Nil	133.4
Hang Seng Bank <sup>(Note 1)</sup>	due within 4-6 months	due within 4-6 months	81.4	81.4
Hang Seng Bank <sup>(Note 1)</sup>	due within 7-9 months	due within 7-9 months	133.4	81.4
Hang Seng Bank <sup>(Note 1)</sup>	due within 10-12 months	due within 10-12 months	81.4	81.4
Hang Seng Bank <sup>(Note 1)</sup>	due within 1-2 years	due within 1-2 years	377.6	325.6
Hang Seng Bank <sup>(Note 1)</sup>	due over 2 years	due over 2 years	244.1	Nil
Bank of China	due within 10-12 months	due within 0-3 months	183.0	183.0
CITIC Bank	due within 1-2 years	due within 10-12 months	200.0	170.0
	Total	Total	<u>1,300.9</u>	<u>1,056.2</u>

*Note 1:* The bank loans comprise a syndicated loan granted to the Company by Hang Seng Bank Limited and a syndicate of banks pursuant to a facility agreement dated 16 July 2019. Details of which are set out in announcement of the Company dated 16 July 2019.

- (ii) not less than approximately 30.0% or HK\$570.0 million for the distribution of Special Dividend to the Shareholders (representing Special Dividend of not less than HK\$0.13 per Share based on the number of outstanding Shares as at the Latest Practicable Date); and

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## LETTER FROM THE BOARD

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- (iii) remaining balance of approximately HK\$130.0 million for general working capital of the Remaining Group as shown in the table below:

	<i>HK\$'M</i>
Audit Fee	6.0
Office Rental	25.0
Directors' Remuneration	13.0
Entertainment & Travelling	12.0
Legal & Professional Fee	9.0
Staff Cost	30.0
Other Administration Expenses	3.0
Purchase of fixed assets	10.0
Other capital investments	22.0
	<hr/>
	130.0
	<hr/> <hr/>

The remaining net proceeds of the Disposal of approximately HK\$1.6 billion (i.e. the aggregate of the Second Payment, Third Payment and Fourth Payment) will be used by the Group over the next three years in the following manner:

- (i) approximately HK\$550.0 million to strengthen Bendura Bank's capital base to support the sustainable growth of its credit business and to expand its geographical coverage and product coverage in Hong Kong, the PRC, East Asia and Western Europe;
- (ii) approximately HK\$150.0 million to strengthen its asset management business through the establishment of strategic alliance with independent financial consultants in Hong Kong, the Mainland China, Switzerland and Liechtenstein;
- (iii) approximately HK\$700.0 million for the pursuit of selective strategic investment and acquisition opportunities related to the banking and financial businesses in Hong Kong and overseas; and

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## LETTER FROM THE BOARD

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- (iv) remaining HK\$200.0 million for general working capital of the Remaining Group as shown in the table below:

	<i>HK\$'M</i>
Audit Fee	8.0
Office Rental	30.0
Directors' Remuneration	18.0
Entertainment & Travelling	17.0
Legal & Professional Fee	12.0
Staff Cost	50.0
Other Administration Expenses	15.0
Purchase of fixed assets	25.0
Other capital investments	25.0
	<hr/>
	200.0
	<hr/> <hr/>

It should be noted that the actual cash inflow to be generated from the Disposal and received by the Company will depend on the financial position of the Disposal Group as at Completion and the exchange rates between CHF, GBP, RMB and HK\$ as at 30 September 2020.

Payment of the Special Dividend is subject to, among other things, approval of the necessary resolution at the EGM and Completion having been taken place (please see the section headed "Special Dividend" below). The declaration of the Special Dividend will be effective upon Completion. The principal reason for the proposed Special Dividend is to allow Shareholders to enjoy the return on the Company's disposal of the Disposal Group.

### **RISK FACTORS**

The following are certain risks related to the Remaining Group's businesses. Investors and potential investors of the Company are reminded that these risks are inter-related and may affect the operations and performance of the Remaining Group.

#### **Ineffective control on the quality and growth of the Remaining Group's banking and financial assets may adversely affect its business, financial condition and results of operations**

The Remaining Group's financial condition and results of operations may be affected by its ability to maintain or improve the quality and growth of its banking and financial assets. The Company has adopted stringent risk management measures to limit its credit risk exposure. However, there can be no assurance that these measures are sufficient to protect the Remaining Group against deterioration of the quality of its banking and financial assets in the current volatilities of the worldwide economy. Any deterioration of the Remaining Group's asset quality

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## LETTER FROM THE BOARD

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may lead to increases in its non-performing assets, allowances for impairment losses, and assets written-off due to impairment.

### **Fluctuations in interest income and commission and fee income may affect the growth and performance of the Remaining Group's banking and financial businesses**

In spite of increasingly strict regulatory requirements and strong competition, Bendura Bank has managed to grow its assets under management, loan portfolio and total assets. However, the Remaining Group's growth and performance in the banking and financial businesses may be affected by fluctuations in interest income, net commission and fee income and potential impairment loss on financial assets caused by fluctuations in interest rates and the global market. In particular, the reduced payment operation services and the decreased income from foreign exchange transactions for clients and treasury activities may lead to a decline in net commission and fee income and income from financial transactions, respectively.

### **Future acquisitions may not be successful and the Remaining Group may face difficulties in integrating acquired operations with its existing businesses**

The Remaining Group intends to pursue selective strategic investment and acquisition opportunities related to the banking and financial businesses in Hong Kong and overseas in order to generate higher returns to the Shareholders. However, there can be no assurance that the Remaining Group will be able to identify suitable opportunities. Acquisitions involve uncertainties and risks, such as potential ongoing financial obligations, unforeseen or hidden liabilities and failure to achieve the intended objectives. The Remaining Group may also face difficulties in integrating acquired operations with its existing businesses due to various factors, such as the risks of operating in new markets, unfamiliarity with new regulatory regimes and differences in corporate cultures.

### **Challenging macro environment conditions and the economic growth downturn may adversely affect the sales or growth of the Remaining Group's watches and timepieces businesses**

The Remaining Group would indirectly hold approximately 64% equity interest in Ernest Borel Holdings Limited (Stock Code: 1856), a Hong Kong listed company which is engaged in the watches and timepieces businesses. Consumer confidence is affected by, among other factors, general business conditions, stock market and real estate market conditions, as well as by current and expected future global or regional macroeconomic conditions such as employment rates, inflation and interest rates. The Remaining Group will cater to market needs, adjust business strategy timely, strengthen marketing and enhance customer service and maintenance sector to improve competitiveness effectively. At the same time, the Remaining Group will follow the global development strategy of watch brands, and actively expand overseas markets to reduce the risk of dependence on a single market.

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## LETTER FROM THE BOARD

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### FINANCIAL EFFECTS OF THE DISPOSAL

The Group expects to record an unaudited profit before tax as a result of the Disposal of approximately HK\$16.0 million, being the difference between the Consideration and (i) the unaudited carrying value of the disposed assets attributable to Shareholders as at 30 June 2020 and (ii) the estimated transaction costs to be incurred from the Disposal, subject to adjustment as at the Completion Date. The above figures are for illustrative purpose only. The actual gain in connection with the Disposal will be determined based on the net proceeds received, the financial position of the Disposal Group at Completion and subject to the review and final audit by the auditors of the Company.

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, assuming the Disposal had been completed on 30 June 2020 and the financial performance and cash flows of the Remaining Group for the year ended 31 December 2019 as if the Disposal had been completed on 1 January 2019:

- (i) the total assets of the Group as at 30 June 2020 would have been decreased by approximately HK\$1.3 billion from approximately HK\$18.3 billion to approximately HK\$17.0 billion;
- (ii) total liabilities of the Group as at 30 June 2020 would have been decreased by approximately HK\$915.0 million from approximately HK\$13.9 billion to approximately HK\$13.0 billion; and
- (iii) the Remaining Group's debt-to-equity ratio (total borrowings divided by Shareholders' equity) as at 30 June 2020 would have improved from approximately 43.4% to approximately 36.1%.

Further information on the unaudited pro forma financial information of the Remaining Group is set out in Appendix III in this circular.

Except for the transaction costs as illustrated above, the other expenses items included in the calculation of loss before tax as a result of the Disposal are non-cash in nature. In addition, all of these expenses will have no continuing impact on the Remaining Group's business operations. The Directors are of the view that the Remaining Group will have a healthier financial position and the Disposal will bring continuous benefits to the Shareholders despite the loss to be recorded by the Group on the Disposal.

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## LETTER FROM THE BOARD

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### SPECIAL DIVIDEND

The Board proposes that, subject to the fulfilment of conditions set out below, the Special Dividend of not less than HK\$0.13 per Share in the capital of the Company will be paid to the Shareholders:

- (i) the passing of an ordinary resolution by the Shareholders at the EGM approving the declaration and payment of the Special Dividend;
- (ii) if applicable, the Directors being satisfied that there are no reasonable grounds for believing that immediately following payment of the Special Dividend, the Company would be unable to pay its liabilities as they fall due in the ordinary course of business in compliance with the Companies Law of the Cayman Islands; and
- (iii) Completion having taken place.

If the above conditions are fulfilled, the Special Dividend will be paid to the Shareholders whose names appear on the register of members of the Company on the record date to be announced upon Completion. The declaration of the Special Dividend will be effective upon Completion and it should take around four to six weeks after Completion for the Company to pay the Special Dividend. Details of the record date, the payment date and closure of register of members of the Company for determining the Shareholders' entitlement to the Special Dividend will be made by the Company upon Completion in accordance with Rule 13.66 of the Listing Rules.

Based on 4,351,888,206 Shares in issue as at the Latest Practicable Date, the total sum of the dividend payment will be approximately HK\$570.0 million.

**Warning: The payment of the Special Dividend is subject to approval of the Shareholders at the EGM and Completion taking place. Completion is conditional on a number of conditions being fulfilled. Accordingly, the Special Dividend is a possibility only and may or may not be materialised. Shareholders and investors of the Company are therefore advised to exercise caution in dealing in the securities of the Company.**

### LISTING RULES IMPLICATIONS

The Disposal constitutes a very substantial disposal of the Company which is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As at the date of this circular, the Purchaser is indirectly owned by Mr. Hon and Ms. Lam Suk Ying, spouse of Mr. Hon, as to 80.0% and 20.0% respectively. As Mr. Hon is the chairman of the Board and the controlling shareholder of the Company, the Purchaser is an associate of Mr. Hon and thus a connected person of the Company. Accordingly, the Disposal also constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, Mr. Hon held 3,022,263,515 Shares, representing approximately 69.45% of the existing issued share capital of the Company. Mr. Hon also confirms and undertakes that (i) he will be the sole beneficial owner of these 3,022,263,515 Shares on the record date of the EGM; and (ii) the voting rights of these 3,022,263,515 Shares will not be exercised at the EGM. Mr. Hon, his associates and deemed connected persons as defined under Rule 14A.21 of the Listing Rules had abstained from voting on the Board resolution approving the Disposal. Mr. Hon, his associates and deemed connected persons as defined under Rule 14A.21 of the Listing Rules will abstain from voting in respect of resolution nos. 1 and 2 relating to the Sale and Purchase Agreement and the transactions contemplated thereunder and the proposed distribution of the Special Dividend, respectively, at the EGM. Save for Mr. Hon his associates and deemed connected persons as defined under Rule 14A.21 of the Listing Rules, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholders have material interest and are required to abstain from voting at the EGM in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

### GENERAL

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Kwong Chun Wai, Michael, Mr. Zhang Bin, Mr. Kam, Eddie Shing Cheuk and Mr. Li Ziqing, has been established by the Company to provide recommendation to the Independent Shareholders in respect of the Disposal. Merdeka has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### EGM

The EGM will be held at 11:00 a.m. on Thursday, 25 March 2021 at Studio 1, 7/F, W Hong Kong, 1 Austin Road West, Kowloon, Hong Kong to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder. A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment meeting thereof (as the case may be) if you so wish.

In order to determine the list of shareholders who will be entitled to attend and vote at the EGM, the register of members of the Company will be closed for registration of transfer of Shares from 22 March 2021 to 25 March 2021, both days inclusive, during which period no transfer of Shares will be effected. Shareholders whose name appear on the register of members of the Company on 21 March 2021 shall be entitled to attend and vote at the EGM. In order for the Shareholders to qualify for attending and voting at the EGM, all properly completed transfer

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## LETTER FROM THE BOARD

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documents, accompanied by the relevant Share certificates, must be lodged for registration at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration on or before 4:30 p.m. on 19 March 2021 for such purpose.

The resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Special Dividend at the EGM will be taken by way of poll and an announcement will be made by the Company after the EGM on the results of the EGM.

### RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 38 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Sale and Purchase Agreement and voting at the EGM. Your attention is also drawn to the letter of advice from Merdeka set out on pages 39 to 80 of this circular which contains its advices to the Independent Board Committee and the Independent Shareholders in relation to the Disposal.

The Directors consider that the terms of the Sale and Purchase Agreement are fair and reasonable, and the Disposal and the Special Dividend are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to consider and, if thought fit, approve the Sale and Purchase Agreement and transactions contemplated thereunder, and the Special Dividend.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of  
**Citychamp Watch & Jewellery Group Limited**  
**Hon Kwok Lung**  
*Chairman*



**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)**

25 February 2021

*To the Independent Shareholders*

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION**

We refer to the circular of the Company to the Shareholders dated 25 February 2021 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been appointed as members of the Independent Board Committee to provide recommendation to the Independent Shareholders on the terms of the Sale and Purchase Agreement.

We wish to draw your attention to “Letter from the Board” as set out on pages 8 to 37 of this circular, and “Letter from Merdeka”, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Sale and Purchase Agreement, as set out on pages 39 to 80 of this circular.

Having considered the advice of Merdeka and its recommendation as stated in “Letter from Merdeka”, despite the Disposal is not in the ordinary and usual course of business of the Company, we consider that (i) the terms of the Sale and Purchase Agreement and the Disposal are fair and reasonable, and on normal commercial terms; and (ii) the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of ordinary resolution no. 1 in relation to the Sale and Purchase Agreement to be proposed at the EGM.

Yours faithfully,

Independent Board Committee

**Citychamp Watch & Jewellery Group Limited**

**Dr. KWONG Chun Wai, Michael**

*Independent*

*Non-Executive Director*

**Mr. ZHANG Bin**

*Independent*

*Non-Executive Director*

**Mr. KAM, Eddie Shing Cheuk**

*Independent*

*Non-Executive Director*

**Mr. LI Ziqing**

*Independent*

*Non-Executive Director*

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## LETTER FROM MERDEKA CORPORATE FINANCE LIMITED

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*The following is the full text of the letter from Merdeka which sets out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Disposal for inclusion in this circular.*



Room 1108–1110, 11/F.  
Wing On Centre  
111 Connaught Road Central  
Hong Kong

25 February 2021

*To: The Independent Board Committee and the Independent Shareholders of  
Citychamp Watch & Jewellery Group Limited*

Dear Sirs/Madams,

### **VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 25 February 2021 (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 16 December 2020 in relation to the Disposal and the Special Dividend. The Company announced that, on 16 December 2020, the Company, the Purchaser and the Purchaser’s Guarantor entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares and the Sale Loans at the Consideration of HK\$3.53 billion, being the sum of the consideration for the Sale Shares of HK\$1.50 billion and the consideration for the Sale Loans of HK\$2.03 billion.

Upon Completion, the Company will cease to have any interest in the Disposal Group. As mentioned in the Board Letter, the Remaining Group will be principally engaged in banking and financial businesses. The Remaining Group would also indirectly hold approximately 64.08% equity interest in Ernest Borel Holdings Limited (Stock Code: 1856), a Hong Kong listed company which is engaged in the watches and timepieces businesses, and owns properties in China and Hong Kong that generate stable rental income.

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## LETTER FROM MERDEKA CORPORATE FINANCE LIMITED

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In addition, subject to approval of the Shareholders at the EGM and Completion having taken place, the Board intends to declare the payment of the Special Dividend of not less than HK\$0.13 per Share to the Shareholders whose names appear on the register of members of the Company on a record date to be determined. Details of the record date, the payment date and closure of register of members of the Company for determining the Shareholders' entitlement to the Special Dividend will be made by the Company upon Completion in accordance with Rule 13.66 of the Listing Rules.

### LISTING RULES IMPLICATION

As stated in the Board Letter, as the highest applicable percentage ratio under the Listing Rules in respect of the Disposal exceeds 75%, if materialized, the Disposal will constitute a very substantial disposal of the Company pursuant to Chapter 14 of the Listing Rules. As such, the transactions contemplated under the Disposal are subject to, amongst other things, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. Also, as at the Latest Practicable Date, the Purchaser is indirectly owned by Mr. Hon and Ms. Lam Suk Ying (being spouse of Mr. Hon), as to 80% and 20% respectively. As Mr. Hon is the chairman of the Board and controlling shareholder of the Company, the Purchaser is an associate of Mr. Hon and thus a connected person of the Company. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to, amongst other things, circular and Independent Shareholders' approval at the EGM.

The Independent Board Committee, comprising all independent non-executive Directors, namely Dr. Kwong Chun Wai Michael, Mr. Zhang Bin, Mr. Kam, Eddie Shing Cheuk and Mr. Li Ziqing, has been established by the Company to provide advice and recommendation to the Independent Shareholders in respect of the Disposal as to (i) whether the terms of the Sale and Purchase Agreement and the Disposal are fair and reasonable; (ii) whether the Disposal is on normal commercial terms or better and in the ordinary and usual course of business of the Company; (iii) whether the Disposal is in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the resolution relating to the Sale and Purchase Agreement to be proposed at the EGM, taking into account our recommendation. We, Merdeka, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company or any other parties that could reasonably be regarded as relevant to the independence of us. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules. Accordingly, we are qualified to give independent advice in this case.

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## LETTER FROM MERDEKA CORPORATE FINANCE LIMITED

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### BASIS OF OUR ADVICE

In putting forth our recommendation, we have relied on the information, opinions, facts and representations supplied to us by the Directors and/or the representatives of the Company and contained in or referred to in the Circular. We have reviewed, amongst other things, (i) the Sale and Purchase Agreement; (ii) the annual reports of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”) and for the year ended 31 December 2019 (“**2019 Annual Report**”); (iii) the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”); (iv) other information as set out in the Circular; (v) relevant information provided by the representatives of the Company; and (vi) relevant market data and information available from public sources.

We have assumed that all such information, opinions, facts and representations, which have been provided to us by the Directors and/or the representatives of the Company, for which they are fully responsible, are true, accurate and complete in all respects as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company and/or the management of the Company and/or the representations of the Company. The Company has also confirmed to us that no material facts have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld by the Company or is misleading. We consider that we have sufficient information currently available to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided by the Directors and the representatives of the Company, nor have we conducted any independent investigation into the business, affairs, operations, financial position or future prospects of the Group.

Our opinion is based on the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. This letter is issued to the Independent Board Committee and the Independent Shareholders, solely in connection for their consideration of the Sale and Purchase Agreement and the transactions contemplated thereunder, and except for its inclusion in this Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations to the Independent Board Committee and the Independent Shareholders in respect of whether the Disposal is in the interests of the Company and the Shareholders as a whole and fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below.

**1. Information of the Group**

*1.1 Principal Business of the Group*

As understood from the Board Letter, the Company is a limited company incorporated in Cayman Islands. The principal activities of the Group include (i) watches and timepieces business (the “**Watch Businesses**”), (ii) banking and financial businesses (the “**Banking Businesses**”); and (iii) property investments businesses (the “**Property Investment**”) (together with the Watch Businesses, being the “**Non-Banking Businesses**”).

The Group’s Watch Businesses is principally the manufacture and distribution of watches and timepieces. As referred to the 2020 Interim Report, we noted that the watch brands under the Group’s Watch Businesses include “Rossini”, “EBOHR”, “Corum”, “Eterna”, “Rotary” and “Ernest Borel”.

“Rossini” and “EBOHR” have been classified as local proprietary brands and “Corum”, “Eterna”, “Rotary” and “Ernest Borel” have been classified as other foreign proprietary brands.

The Group’s Banking Businesses includes (i) its direct holding of 84.69% equity interest in Bendura Bank, which provides a range of private banking services, in particular, in the areas of asset management and investment advice, transaction banking, and security issuance and investment funds; and (ii) its holding of 60% equity interest in Shun Heng Finance Holding (Hong Kong) Limited, through its two subsidiaries, namely Shun Heng Securities Limited and Hong Kong Metasequoia Capital Management Limited, holds Type 1 (dealing in securities), Type 4 (advisory on securities) and Type 9 (asset management) licenses under the SFO (collectively, the “**Shun Heng Finance Group**”).

The Group’s Property Investment includes its investment in properties located in Mainland China and Hong Kong which have been leased out, with stable rental returns to the Group.

As further noted in the 2020 Interim Report, for the Banking Businesses, the Group’s revenue mainly comprises net interest income, net service fees and commission income and net trading income; and for the Non-Banking Businesses, the Group’s revenue mainly represents the net invoiced value of goods sold, after allowance for returns and trade discounts and rental income received and receivables.

## LETTER FROM MERDEKA CORPORATE FINANCE LIMITED

### 1.2 Financial Information of the Group

Set out below a summary of the audited financial results of the Group for the year ended 31 December 2017 (“FY2017”), 31 December 2018 (“FY2018”) and 31 December 2019 (“FY2019”) as extracted from the 2018 Annual Report and the 2019 Annual Report respectively, and the unaudited financial results for the six months ended 30 June 2019 (“HY2019”) and 30 June 2020 (“HY2020”) as extracted from the 2020 Interim Report.

	For the year ended 31 December			For the six months ended 30 June	
	2019	2018	2017	2020	2019
	<i>HK\$000</i> (audited)	<i>HK\$000</i> (audited)	<i>HK\$000</i> (audited)	<i>HK\$000</i> (unaudited)	<i>HK\$000</i> (unaudited)
Revenue	2,716,265	2,937,849	2,982,701	796,114	1,422,324
– Non-Banking Businesses	2,259,652	2,453,950	2,600,431	597,003	1,187,923
<i>Watch Businesses</i>	2,249,737	2,444,364	2,583,495	592,947	1,182,778
<i>Property Investment</i>	9,915	9,586	16,936	4,056	5,145
– Banking Businesses	456,613	483,899	382,270	199,111	234,401
Gross profit (Non-Banking Businesses)	1,255,622	1,431,382	1,373,937	306,976	688,365
Gross profit (Banking Businesses)	456,613	483,899	382,270	199,111	234,401
Profit/(loss) before income tax for the year/period	142,637	347,112	1,432,764	(86,094)	149,873
Profit/(loss) for the year/period	71,181	241,448	1,211,198	(92,475)	109,989
		<b>As at 31 December</b>			<b>As at 30</b>
		<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>June 2020</b>
		<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>
		(audited)	(audited)	(audited)	(unaudited)
<b>Total assets</b>	<b>21,855,671</b>	<b>20,258,229</b>	<b>19,597,081</b>	<b>18,322,906</b>	
– Cash and deposits	7,420,678	7,701,743	4,897,246	2,423,047	
– Due from banks	5,921,878	3,387,836	4,901,198	6,352,552	
– Inventories	2,027,191	2,314,545	2,257,966	2,149,872	
– Property, plant and equipment	1,027,303	1,036,736	1,148,049	1,112,297	
<b>Total liabilities</b>	<b>16,707,545</b>	<b>15,448,738</b>	<b>14,936,192</b>	<b>13,897,638</b>	
<b>Total equity</b>	<b>5,148,126</b>	<b>4,809,491</b>	<b>4,660,889</b>	<b>4,425,268</b>	

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## LETTER FROM MERDEKA CORPORATE FINANCE LIMITED

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*For the year ended 31 December 2017, 2018 and 2019*

As illustrated above, revenue of the Group was mainly generated from the Non-Banking Businesses, which accounts for over 80% for each of FY2017, FY2018 and FY2019. It is also noted that the Group's total revenue, as well as the revenue from the Non-Banking Businesses, have experienced a decreasing trend for the past three years.

Total revenue of the Group amounted to approximately HK\$2,982.70 million for FY2017, then decreased by approximately 1.50% to approximately HK\$2,937.85 million for FY2018, and further dropped by approximately 7.54% to approximately HK\$2,716.27 million for FY2019. Revenue from the Non-Banking Businesses amounted to approximately HK\$2,600.43 million, approximately 2,453.95 million and approximately HK\$2,259.65 million for FY2017, FY2018 and FY2019, respectively. As advised by the representatives of the Company, the decrease in the revenue of Non-Banking Businesses was principally due to the continuing decline of sales of "Rossini" brand watches, "EBOHR" brand watches and other foreign proprietary brands watches.

On the contrary, the revenue from the Banking Businesses increased by approximately 26.59% for FY2018 as compared to FY2017 figures and remained at a relatively stable level for FY2019. As advised by the representatives of the Company, the betterment of revenue of the Banking Businesses was attributable to (i) the then interest rate hiked in the USA in 2018 which led to extra interest income from interbank deposits held in US dollars; and (ii) an increase in lending volume to clients.

In addition, gross profit for the Non-Banking Businesses for FY2019 amounted to approximately HK\$1,255.62 million, representing a decrease of approximately 12.28% in comparison to approximately HK\$1,431.38 million for FY2018 (FY2017: approximately HK\$1,373.94 million), while gross profit for the Banking Businesses remained at stable level for FY2019 (i.e. approximately HK\$456.61 million) in comparison to approximately HK\$483.90 million for FY2018 (FY2017: approximately HK\$382.27 million).

Net profit of the Group was substantially decreased by approximately 80.07% to approximately HK\$241.45 million for FY2018 on a year-on-year basis, and as noted from the 2018 Annual Report, such substantial reduction in net profit was mainly due to a one-off gain on disposal of the entire equity interest in a wholly owned subsidiary by the Company for FY2017. Net profit of the Group was further decreased by approximately 70.52% to approximately HK\$71.18 million for FY2019 as compared to net profit for FY2018. As advised by the representatives of the Company, the drop in net profit for FY2019 was due to decline in sales of watches and timepieces in the PRC, Hong Kong and overseas markets, as well as the social disturbances which had been sustained almost throughout the second half of 2019 in Hong Kong.

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*For the six months ended 30 June 2019 and 2020*

For HY2020, the revenue of the Group amounted to approximately HK\$796.11 million, representing a substantial drop of approximately 44.03% as compared to that of approximately HK\$1,422.32 million for HY2019. As advised by the representatives of the Company, such decrease is mainly due to a substantial drop in the revenue of Watch Businesses by approximately 49.87% for HY2020 as compared to HY2019. As referred to the 2020 Interim Report, we noted that both revenue from sales of “Rossini” brand watches and “EBOHR” brand watches for HY2020 recorded a year-on-year decrease of approximately 50.80% and approximately 48.20%, respectively, and the revenue from other foreign proprietary brands watches and timepieces (i.e. “Corum”, “Eterna” and “Rotary”) for HY2020 also recorded a year-on-year decrease of approximately 63.58%.

It is noted from the above summary table that the profitability of Banking Businesses was relatively stable as compared to that of the Non-Banking Businesses. Gross profit from the Non-Banking Businesses for HY2020 dropped considerably by approximately 55.40% to approximately HK\$306.98 million (HY2019: approximately HK\$688.37 million), while gross profit from the Banking Businesses decreased by approximately 15.06% to approximately HK\$199.11 million for the same period (HY2019: approximately HK\$234.40 million).

Furthermore, the Group recorded net loss of approximately HK\$92.48 million for HY2020 as compared to net profit of approximately HK\$109.99 million for HY2019. As advised by the representatives of the Company, the net loss position of the Group for HY2020 is mainly due to outbreak of the COVID-19 which led to social distancing and lockdown measures amongst countries, which have adversely affected the tourism-related businesses, for example, the Watches Businesses.

*As at 31 December 2017, 2018, 2019 and 30 June 2020*

Total assets of the Group had recorded approximately HK\$21,855.67 million as at 31 December 2017, and experienced a gentle decline afterwards. As at 31 December 2019, total assets of the Group amounted to approximately HK\$19,597.08 million, representing a decrease of approximately 3.26% as compared to HK\$20,258.23 million as at 31 December 2018, and further decreased by approximately 6.50% to approximately HK\$18,322.91 million as at 30 June 2020. As at 30 June 2020, total assets of the Group principally comprised of cash and deposits, due from banks and inventories, which amounted to approximately HK\$2,423.05 million, approximately HK\$6,352.55 million and approximately HK\$2,149.88 million, respectively.

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As depicted in the above table, the amount of total liabilities of the Group has been decreasing in recent years. Total liabilities of the Group amounted to approximately HK\$16,707.55 million as at 31 December 2017, then decreased by approximately 7.53% to approximately HK\$15,448.74 million as at 31 December 2018, and further decreased by approximately 3.32% to approximately HK\$14,936.19 million as at 31 December 2019. As at 30 June 2020, total liabilities of the Group amounted to approximately HK\$13,897.64 million. According to the 2020 Interim Report, as at 30 June 2020, total liabilities of the Group mainly comprised (i) other amounts due to clients (mainly bank deposits) of approximately HK\$11,160.34 million; and (ii) bank borrowings of approximately HK\$1,744.99 million.

Total equity of the Group amounted to approximately HK\$5,148.13 million, approximately HK\$4,809.49 million and approximately HK\$4,660.89 million as at 31 December 2017, 2018 and 2019 respectively. As at 30 June 2020, total equity of the Group was approximately HK\$4,425.27 million.

### **2. Information on the Purchaser and the Purchaser's Guarantor**

As stated in the Board Letter, the Purchaser, namely Tycoon Idea Global Limited, is an investment holding company incorporated in the British Virgin Islands with limited liability and wholly owned by the Purchaser's Guarantor.

The Purchaser's Guarantor, namely Sincere View International Limited, is an investment holding company incorporated in British Virgin Islands with limited liability and is directly owned by Mr. Hon and Ms. Lam Suk Ying, being spouse of Mr. Hon, as to 80% and 20% respectively. As at the Latest Practicable Date, the Purchaser's Guarantor directly holds 1,377,261,515 Shares, representing approximately 31.65% of entire issued share capital of the Company.

### **3. Information on the Disposal Group**

The Disposal Group comprises of International Volant Group, EBOHR Group, Jia Cheng Group, Joyful Surplus Group, Sharptech, Unique Leader and Sure Best. Please refer to the section headed "**SIMPLIFIED GROUP STRUCTURE BEFORE AND AFTER THE DISPOSAL**" in the Board Letter for details of the structure of the Group before and after Completion.

Set out below are the brief description of the principal business and certain unaudited financial information of each member of the Disposal Group as extracted from the Appendix IIA to the Appendix IIG to the Circular.

#### ***3.1 International Volant Group***

International Volant is a direct wholly-owned subsidiary of the Company and is incorporated under the laws of Hong Kong with limited liability. As at the Latest

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## LETTER FROM MERDEKA CORPORATE FINANCE LIMITED

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Practicable Date, International Volant is an investment holding company and together with its subsidiaries (collectively, the “**International Volant Group**”) own the watch brands “Eterna” and “Rotary”, both of which are classified as other foreign proprietary brands.

As advised by the representatives of the Company, “Eterna” is a luxury or heritage foreign proprietary brand with average price range from approximately HK\$20,000 to approximately HK\$500,000. The principal revenue source for “Eterna” is the sales through retailers in overseas markets in Europe. The principal customers of “Eterna” are local customers in aforesaid geographic area.

As further advised by the representatives of the Company, “Rotary” is an affordable luxury foreign proprietary brand with average price range from approximately HK\$2,000 to approximately HK\$4,000, and the principal revenue source for “Rotary” is the sales through retailers in the overseas markets in Europe. The principal customers of “Rotary” are the local customers in aforesaid geographic areas.

Set out below is a summary of the unaudited financial results of International Volant Group for the three years ended 31 December 2019, and the nine months ended 30 September 2019 and 2020, respectively.

	<b>For the year ended 31 December</b>			<b>For the nine months ended 30 September</b>	
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2019</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	167,905	172,910	129,199	86,231	51,784
(Loss) before income tax	(257,049)	(95,657)	(41,380)	(37,001)	(33,371)
(Loss) after income tax	(241,298)	(95,549)	(41,530)	(37,153)	(33,456)

As at 30 September 2020, the net liabilities value and total asset value of International Volant Group were approximately HK\$717.60 million and approximately HK\$612.36 million, respectively.

As illustrated above, revenue of International Volant Group amounted to approximately HK\$167.91 million, approximately HK\$172.91 million and approximately HK\$129.20 million for FY2017, FY2018 and FY2019, respectively. For the nine months ended 30 September 2019 and 2020, revenue of International Volant Group were approximately HK\$86.23 million and approximately HK\$51.78 million. As advised by the representatives of the Company, revenue of International Volant Group was principally contributed by the sales of “Eterna” and “Rotary” brand watches and the decline in revenue for FY2019 was primarily due to the delicate situation in European market, especially, the European political situation and the economic and political Brexit-related factors.

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## LETTER FROM MERDEKA CORPORATE FINANCE LIMITED

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International Volant Group recorded net loss of approximately HK\$241.30 million, approximately HK\$95.55 million and approximately HK\$41.53 million for FY2017, FY2018 and FY2019 respectively, and approximately HK\$37.15 million and approximately HK\$33.46 million for the nine months ended 30 September 2019 and 2020, respectively. As advised by the representatives of the Company, the continuous net loss of International Volant Group was primarily caused by economic factors and the consumer's cautiousness on non-essential spending created by Brexit which affected the European market.

### 3.2 EBOHR Group

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

As advised by the representatives of the Company, “EBOHR” is an affordable entry level luxury brand with the average price range from approximately HK\$1,000 to approximately HK\$4,000. The revenue source for “EBOHR” is principally the sales through self-operated retail networks, mostly located in shopping malls across the PRC, and e-commerce. The principal customers of “EBOHR” are local customers in aforesaid geographic areas.

Set out below is a summary of the unaudited financial results of EBOHR Group for the three years ended 31 December 2019, and the nine months ended 30 September 2019 and 2020, respectively.

	For the year ended 31 December			For the nine months ended 30 September	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	805,155	729,930	575,134	448,251	256,648
Profit/(Loss) before income tax	83,088	66,734	11,602	27,774	(10,249)
Profit/(Loss) after income tax	54,845	58,147	9,251	25,748	(7,938)

As at 30 September 2020, the net asset value and total asset value of EBOHR Group were approximately HK\$767.94 million and approximately HK\$1,044.68 million, respectively.

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As illustrated above, revenue of EBOHR Group amounted to approximately HK\$805.16 million, approximately HK\$729.93 million and approximately HK\$575.13 million for FY2017, FY2018 and FY2019 respectively. For the nine months ended 30 September 2019 and 2020, revenue of EBOHR Group was approximately HK\$448.25 million and approximately HK\$256.65 million, respectively. As advised by the representatives of the Company, the revenue of EBOHR Group was principally contributed by the sales of “EBOHR” brand watches.

Net profit of EBOHR Group for FY2019 represented a decrease of approximately 84.09% as compared to net profit for FY2018, and represented a decrease of approximately 83.13% as compared to net profit for FY2017. For the nine months ended 30 September 2019 and 2020, EBOHR Group recorded net profit of approximately HK\$25.75 million and net loss of approximately HK\$7.94 million, respectively.

As advised by the representatives of the Company, the drop in revenue and net profit of EBOHR Group since FY2017 was primarily due to (i) the continuous decline in sales from physical stores; (ii) unsatisfying e-commerce sales performance raised by the increasing online selling expenses; and (iii) depreciation expenses and administrative expenses relating to the new headquarters.

As advised by the representatives of the Company, we understood that, for the FY2019, the proportion to total “EBOHR” brand watch sales contributed by physical stores sales and e-commerce sales was approximately 72.20% and approximately 27.80% respectively. The representatives of the Company further advised that the decreasing profitability of “EBOHR” brand watches was due to the declining trend of sales from physical stores and under-performance of the sales of e-commerce which was resulted from the continuous increase of online selling expenses. In addition, due to the recurrent waves of the COVID-19 pandemic in Mainland China and Hong Kong, the Group expects that the sales of “EBOHR” brand watches through physical stores and e-commerce could further decrease in the near future.

### ***3.3 Jia Cheng Group***

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

As advised by the representatives of the Company, “Rossini” is an affordable entry level luxury brand with average price range from approximately HK\$1,000 to approximately HK\$4,000. The revenue source for “Rossini” is principally the sales through

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self-operated retail networks, mostly located in the shopping malls across the PRC, and e-commerce. The principal customers of “Rossini” are local customers and escorted tourists in aforesaid geographic areas.

Set out below a summary of the unaudited financial results of Jia Cheng Group for the three years ended 31 December 2019, and the nine months ended 30 September 2019 and 2020, respectively.

	For the year ended 31 December			For the nine months ended 30 September	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	1,294,136	1,348,065	1,240,626	963,351	594,862
Profit before income tax	353,889	345,705	218,073	181,325	42,460
Profit after income tax	297,525	277,818	176,056	146,091	24,643

As at 30 September 2020, the net asset value and total asset value of Jia Cheng Group were approximately HK\$1,517.36 million and approximately HK\$2,120.30 million, respectively.

As illustrated above, revenue of Jia Cheng Group amounted to approximately HK\$1,294.14 million, approximately HK\$1,348.07 million and approximately HK\$1,240.63 million for FY2017, FY2018 and FY2019, respectively. For the nine months ended 30 September 2019 and 2020, revenue of Jia Cheng Group was approximately HK\$963.35 million and approximately HK\$594.86 million, respectively.

Net profit of Jia Cheng Group slightly decreased by approximately 6.62% to approximately HK\$277.82 million for FY2018 and further dropped by approximately 36.63% to approximately HK\$176.06 million for FY2019. For the nine months ended 30 September 2020, net profit of Jia Cheng Group amount to approximately HK\$24.64 million, representing a substantial decrease of approximately 83.13% as compared to the previous year.

As noted from the 2019 Annual Report, the proportion of the total sales of “Rossini” brand watches contributed by physical stores sales, e-commerce sales and other types of sales were approximately 51.90%, 39.50% and 8.60%. The representatives of the Company advised that aforesaid decline in Jia Cheng Group’s revenue was mainly due to (i) declining in sales from physical stores of the watch brand “Rossini”; and (ii) significant drop in tourist arrivals from Mainland China since August 2019. Further, we noted from the 2020 Interim Report that the COVID-19 pandemic reduced the overall watch demand and significantly affected tourism industry, therefore, sales of “Rossini” brand watches from e-commerce and industrial tourism was also inevitably affected.

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### 3.4 Joyful Surplus Group

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

As advised by the representatives of the Company, “Corum” is a luxury or heritage foreign proprietary brand with average price range from approximately HK\$20,000 to approximately HK\$500,000. The revenue source for “Corum” is principally the sales through physical stores in Europe, the USA and Hong Kong, and the principal customers of “Corum” are local customers in aforesaid geographic areas.

Set out below a summary of the unaudited financial results of Joyful Surplus Group for the three years ended 31 December 2019, and the nine months ended 30 September 2019 and 2020, respectively.

	For the year ended 31 December			For the nine months	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	352,759	312,130	273,373	186,981	67,549
(Loss) before income tax	(103,323)	(19,642)	(41,794)	(35,332)	(54,814)
(Loss) after income tax	(104,661)	(21,325)	(42,648)	(35,972)	(55,480)

As at 30 September 2020, the net liabilities value and total asset value of Joyful Surplus Group were approximately HK\$638.94 million and approximately HK\$674.44 million, respectively.

As illustrated above, revenue of Joyful Surplus Group amounted to approximately HK\$352.76 million, approximately HK\$312.13 million and approximately HK\$273.37 million for FY2017, FY2018 and FY2019, respectively. For the nine months ended 30 September 2019 and 2020, revenue of Joyful Surplus Group was approximately HK\$186.98 million and approximately HK\$67.55 million, respectively.

Net loss of Joyful Surplus Group amounted to approximately HK\$104.66 million for FY2017, approximately HK\$21.33 million for FY2018 and approximately HK\$42.65 million for FY2019. For the nine months ended 30 September 2020, net loss of Joyful Surplus Group was approximately HK\$55.48 million, representing an increase of approximately 54.23% as compared to net loss of approximately HK\$35.97 million for the corresponding period in 2019. As advised by the representatives of the Company, the negative externalities in the Asian macro environment have considerably damaged the

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overall sales performance of “Corum”, which was further deteriorated by the social disturbances policy that maintained throughout the second half of 2019 in Hong Kong, and the China-USA trade war.

### 3.5 *Sharptech*

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

Set out below a summary of the unaudited financial results of Sharptech for the three years ended 31 December 2019, and the nine months ended 30 September 2019 and 2020, respectively.

	For the year ended 31 December			For the nine months ended 30 September	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	497	185	–	–	–
Profit/(Loss) before income tax	(28)	(242)	(96)	(96)	(1)
Profit/(Loss) after income tax	3	(242)	(96)	(96)	(1)

As at 30 September 2020, the net liabilities value and total asset value of Sharptech were approximately HK\$92,000 and approximately HK\$453,000, respectively.

As illustrated above, revenue of Sharptech amounted to approximately HK\$497,000 and approximately HK\$185,000 for FY2017 and FY2018. And Sharpech did not record any revenue for FY2019, and the nine months ended 30 September 2019 and 2020, respectively.

Sharptech recorded net profit of HK\$3,000 for FY2017. Since FY2018, Sharptech have been recording net loss, which amounted to approximately HK\$242,000 and approximately HK\$96,000 for FY2018 and FY2019, respectively. For the nine months ended 30 September 2019 and 2020, net loss of Sharptech was approximately HK\$96,000 and approximately HK\$1,000, respectively.

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### 3.6 *Unique Leader*

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

Set out below a summary of the unaudited financial results of Unique Leader for the three years ended 31 December 2019, and the nine months ended 30 September 2019 and 2020, respectively.

	For the year ended 31 December			For the nine months ended 30 September	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	1,596	1,833	3,437	743	–
(Loss) before income tax	(25,784)	(1,096)	(4,194)	(3,620)	(970)
(Loss) after income tax	(25,784)	(1,096)	(4,194)	(3,620)	(970)

As at 30 September 2020, the net liabilities value and total asset value of Unique Leader were approximately HK\$66.13 million and approximately HK\$63.53 million, respectively.

As illustrated above, revenue of Unique Leader amounted to approximately HK\$1.60 million, approximately HK\$1.83 million and approximately HK\$3.44 million for FY2017, FY2018 and FY2019, respectively. Unique Leader recorded revenue of approximately HK\$743,000 for the nine months ended 30 September 2019, and did not record any revenue for the nine months ended 30 September 2020.

Net loss of Unique Leader was approximately HK\$25.78 million, approximately HK\$1.10 million and approximately HK\$4.19 million for FY2017, FY2018 and FY2019, respectively. For the nine months ended 30 September 2019 and 2020, net loss amounted to approximately HK\$3.62 million, approximately HK\$0.97 million, respectively.

### 3.7 *Sure Best*

Sure Best is a direct wholly-owned subsidiary of the Company and is incorporated under the laws of Hong Kong with limited liability. As at the Latest Practicable Date, Sure Best is principally engaged in investment holding, which holds 25% equity interest of a company that is one of the leading quartz watch original equipment manufacturers in the PRC and is engaged in manufacturing of watches and related accessories in the PRC.

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Set out below a summary of the unaudited financial results of Sure Best for the three years ended 31 December 2019, and the nine months ended 30 September 2019 and 2020, respectively.

	<b>For the year ended 31 December</b>			<b>For the nine months ended 30 September</b>	
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2019</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	99,015	–	–	–	–
Profit/(Loss) before income tax	29,577	7,942	17,612	11,183	(2,274)
Profit/(Loss) after income tax	29,123	7,942	17,612	11,183	(2,274)

As at 30 September 2020, the net asset value and total asset value of Sure Best were approximately HK\$132.45 million and approximately HK\$137.46 million, respectively.

As illustrated above, Sure Best recorded revenue of approximately HK\$99.02 million for FY2017, and did not record any revenue for FY2018, FY2019, and for the nine months 30 September 2019 and 2020, respectively. As advised by the representatives of the Company, the main reason for nil revenue being recorded by Sure Best since FY2018 is due to Sure Best's disposal of its entire interest in a subsidiary at the end of 2017.

Sure Best recorded net profit of approximately HK\$29.12 million, approximately HK\$7.94 million and approximately HK\$17.61 million for each of FY2017, FY2018 and FY2019. For the nine months ended 30 September 2020, Sure Best recorded net loss of approximately HK\$2.27 million as compared to net profit of approximately HK\$11.18 million for the nine months ended 30 September 2019. As advised by the representatives of the Company, although Sure Best did not record any revenue since FY2018, Sure Best recorded net profit for FY2018, FY2019 and nine months ended 30 September 2019 as well as net loss for the nine months ended 30 September 2020 due to its share of profit or loss of an associate company, and the main reason for net loss recorded by Sure Best for the nine months ended 30 September 2020 is the outbreak of the COVID-19 pandemic in the first half of 2020, which significantly reduced consumers' spending sentiment and hence affected Sure Best's associate company's sales of watches and related accessories in the PRC.

For illustrative purposes, as at 30 September 2020, the net asset value and the total asset value of the Disposal Group was approximately HK\$1 billion and approximately HK\$4.50 billion.

#### **4. Information on the Remaining Group**

##### ***4.1 Principal Business of the Remaining Group***

As mentioned in the Board Letter, upon Completion, the Remaining Group's principal activity would be the Banking Businesses, which include its (i) direct holding of 84.69% equity interest in Bendura Bank, which provides a range of private banking services, in particular, in the areas of asset management and investment advice, transaction banking, security issuance and investment funds; and (ii) direct holding of 60% equity interest in the Shun Heng Finance Group.

In accordance to the 2019 Annual Report, the revenue of Shun Heng Finance Group was approximately HK\$3.36 million for FY2019, and based on the total revenue of the Remaining Group as referred to the unaudited financial information of the Remaining Group in the Board Letter, we understood that revenue from Shun Heng Finance Group would account for an insignificant proportion of the Remaining Group's total revenue.

In addition, the Remaining Group would also indirectly hold approximately 64.08% equity interest in Ernest Borel Holdings Limited (Stock Code: 1856). According to the annual report of Ernest Borel Holdings Limited for FY2019, Ernest Borel Holdings Limited is engaged in the design, production, marketing and sale of mechanical and quartz premium watches, under its own brand "Ernest Borel". The extensive distribution network of Ernest Borel Holdings Limited covers retail markets in the PRC, the Macau Special Administrative Region of the PRC, Hong Kong and other markets (the "**Remaining Watch Business**"). As at 31 December 2019, Ernest Borel Holdings Limited has more than 772 points of sale. As mentioned in the Board Letter, "Ernest Borel" is a foreign proprietary heritage brand, which is sold through retailers predominantly across the PRC. The average price of watch brand "Ernest Borel" ranges from HK\$3,000 to HK\$10,000.

Given that the Remaining Group will be predominantly engaged in the Banking Businesses, and the Remaining Watch Business would only accounts for approximately 20.98% of the revenue of the Remaining Group for the nine months period ended 30 September 2020, and having considered that (i) the brand positionings of the Disposal Group and the Remaining Group are different; (ii) the distribution channels of the watches and timepieces of the Disposal Group are different from that of the Remaining Group; (iii) the pricing strategy of each watch brand under the Disposal Group is different from "Ernest Borel", being the watch brand of the Remaining Group; and (iv) there is a clear business delineation between the Disposal Group and the Remaining Group, we concur with the Directors' view that there will be no material competition between the Disposal Group and the Remaining Group.

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Furthermore, the Remaining Group would also own residential, commercial and industrial properties in the PRC and Hong Kong that generate stable rental income. Based on the unaudited financial information of the Remaining Group as set out in the Board Letter, we noted that rental income from the Property Investment would account for an insignificant proportion of the Remaining Group's total revenue.

Please refer to the section headed “**SIMPLIFIED GROUP STRUCTURE BEFORE AND AFTER THE DISPOSAL**” in the Board Letter for details of the group structure of the Remaining Group.

Given that the Remaining Group would be mainly engage in the Banking Businesses and the proceeds from the Disposal would also be utilized on the Banking Businesses, we have accordingly performed our analysis on the future prospects with respect to the business of Bendura Bank, being the major revenue contribution segment of the Remaining Group. Please refer to the section headed “**5. OUTLOOK – 5.2 Outlook of the Remaining Group**” set out below in this letter for details.

### **4.2 Financial information of the Remaining Group**

Set out below is a summary table of certain financial information of the Remaining Group for each of FY2018 and FY2019, and for the nine months ended 30 September 2019 and 2020 as extracted from “**MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP**” as set out in the Appendix IV in the Circular for reference:

	For the year ended				For the nine months			
	31 December				ended 30 September			
	2018		2019		2019		2020	
	<i>HK\$' million (approx.)</i>		<i>HK\$' million (approx.)</i>		<i>HK\$' million (approx.)</i>		<i>HK\$' million (approx.)</i>	
	(unaudited)		(unaudited)		(unaudited)		(unaudited)	
<b>Revenue</b>	<b>535</b>	<b>(100.00%)</b>	<b>606</b>	<b>(100.00%)</b>	<b>434</b>	<b>(100.00%)</b>	<b>367</b>	<b>(100.00%)</b>
– Banking								
Businesses	484	(90.47%)	457	(75.41%)	336	(77.42%)	285	(77.66%)
– Remaining Watch								
Business	43	(8.04%)	142	(23.43%)	92	(21.20%)	77	(20.98%)
– Property								
Investment	8	(1.50%)	7	(1.16%)	6	(1.38%)	5	(1.36%)

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	For the year ended 31 December		For the nine months ended 30 September	
	2018	2019	2019	2020
	<i>HK\$'</i>	<i>HK\$'</i>	<i>HK\$'</i>	<i>HK\$'</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Profit/(Loss) after</b>				
<b>income tax</b>	<b>19</b>	<b>(43)</b>	<b>(10)</b>	<b>(13)</b>
– Banking				
Businesses	165	173	111	34
– Remaining Watch				
Business	(36)	(75)	(40)	(13)
– Property				
Investment	3	8	5	5
– Unallocated ( <i>Note</i> )	(113)	(149)	(86)	(39)

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

As illustrated above, upon Completion, total revenue of the Remaining Group would amount to approximately HK\$535 million and approximately HK\$606 million for two years ended 31 December 2018 and 2019, respectively, and approximately HK\$434 million and approximately HK\$367 million for the nine months ended 30 September 2019 and 2020, respectively.

Revenue from the Banking Businesses would amount to approximately HK\$484 million for FY2018, and would decrease by approximately 5.58% to approximately HK\$457 million for FY2019. For the nine months ended 30 September 2019 and 2020, revenue from the Banking Businesses would be approximately HK\$336 million and approximately HK\$285 million, respectively. The revenue of the Banking Businesses would contribute at least 75% of the Remaining Group's total revenue for the abovementioned financial periods.

Revenue of the Remaining Watch Business would amount to approximately HK\$43 million for FY2018 and approximately HK\$142 million for FY2019, and would amount to approximately HK\$92 million and approximately HK\$77 million for the nine months ended 30 September 2019 and 2020, respectively.

Revenue from the Property Investment would amount to approximately HK\$8 million for FY2018 and approximately HK\$7 million for FY2019, and would amount to approximately HK\$6 million and approximately HK\$5 million for the nine months ended 30 September 2019 and 2020, respectively.

Assuming the Disposal had completed, the Remaining Group would record net profit of approximately HK\$19 million for FY2018 and net loss of approximately HK\$43 million for FY2019, and would record net loss of approximately HK\$10 million and approximately HK\$13 million for the nine months ended 30 September 2019 and 2020, respectively.

As at 30 September 2020, the net asset value of the Remaining Group was approximately HK\$3.60 billion and the total asset value of the Remaining Group was approximately HK\$14.70 billion.

## **5. Outlook**

### ***5.1 Outlook of the Disposal Group***

Considering that the Disposal Group is principally engaged in (i) sales of watches and timepieces under local proprietary brands (i.e. “Rossini” and “EBOHR”) in the PRC; (ii) sales of watches and timepieces under foreign proprietary brands (i.e. “Eterna” and “Rotary”) in Europe; (iii) principally sales of watches and timepieces under foreign proprietary brand (i.e. “Corum”) in Hong Kong, Europe and the USA; and (iv) distribution of watches and timepieces, hence, the Directors are of the view that the outlook of the Disposal Group depends on the factors, including but not limited to, (i) the recovery of demand of PRC’s tourists on mid-end/luxury products; (ii) the recovery of tourist arrivals and economy of Hong Kong; and (iii) the recovery of tourist arrivals of Europe and the USA.

As referred to the section “**3. INFORMATION ON THE DISPOSAL GROUP**” above, the Disposal Group’s profit contribution to the Group has recorded a rapid drop for the past few years. In particular, due to the negative externalities in the Asian macro environment, the delicate European political situation and the China-USA trade war, which resulted in the decrease of tourist travels in the relevant geographic business areas of the watch brands of the Disposal Group (i.e. Asia, Europe, and the USA), the performance of foreign proprietary brands (i.e. “Eterna”, “Rotary” and “Corum”) have been deteriorating for FY2017, FY2018 and FY2019.

According to public data in relation to the International Visitors Arrivals Program available on the official website of the National Travel and Tourism Office of the USA, we noted that the number of international visitors to the USA turned to a declining trend since the year of 2018. In addition, World Tourism Organization (the “UNWTO”) believes that tourism is among the hardest hit of all economic sectors by the COVID-19 pandemic and the number of international tourist arrivals around the world coming to America would fall by 20% to 30% in 2020 when compared with 2019 figures. According to the official website of UNWTO, UNWTO is the United Nations agency responsible for the promotion of responsible, sustainable and universally accessible tourism.

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In particular, according to the figures from the US National Travel and Tourism Office, in 2020, the number of Chinese tourists to the USA fell sharply for the first time since 2003, which was due to the arise of the political tensions between the USA and China and have been further escalated upon the outbreak of the COVID-19 pandemic. As shown in the figures, the number of Chinese tourists to the USA has recorded a 5.5% drop in arrivals from China in 2018, and the decline is expected to last in foreseeable future. As the Chinese are the world's highest-spending foreign visitors in the USA, it is also expected that the tourism industry of the USA will be adversely affected.

According to the data published on Eurostat, which is the official statistical office of European Union (“EU”) (<https://ec.europa.eu/eurostat>), the real Gross Domestic Product (the “GDP”) of European has been decreasing from approximately 2.8% in 2017 to approximately 1.6% in 2019. According to the report of “Regional Economic Outlook for Europe – Whatever It Takes: Europe’s Response to COVID-19” published by International Monetary Fund (the “IMF”) on October 2020, IMF forecasts that the outlook of Europe for 2020 remains bleak and the recovery will be protracted and uneven. IMF believes the European economy is projected to contract by 7% in 2020 and rebound by 4.7% in 2021, headline inflation is projected to soften to 2% in 2020, being 1 percentage point below its 2019 level before edging up to 2.4% in 2021. The outlook of Europe is exceptionally uncertain. The ongoing resurgence of infections across Europe presents perhaps the greatest downside risk at this stage.

Facing the deep recession in Europe, EU Commission believes the road for Europe to recovery is still paved with uncertainty, in the absence of a vaccine and treatment options for the COVID-19 pandemic, any sustained increase in the number of infections or further major economic outbreaks would worsen the economic outlook. Based on the figures published by “Our World in Data” on 8 January 2021, total vaccinations percentage of most of European counties are still below 1%, and hence it is expected that European’s bloc-wide vaccine procurement plan may fail to secure enough doses to enable a rapid start to inoculations. As provision of a vaccine and treatment options for the COVID-19 pandemic is the key factor for the recovery of European economy, it is expected that the current total vaccinations situation of Europe would have added the uncertainties to the recovery of European economy in the foreseeable future.

Regarding visitor arrivals to Hong Kong, as referred to Hong Kong Monthly Digest of Statistics as of November 2020, we noted that substantial part of the visitors to Hong Kong are from Mainland China, which accounts for over 70% of the total visitors to Hong Kong for each of 2017, 2018 and the first half of 2019. However, the number of Mainland China’s visitors to Hong Kong started to decrease since July 2019. In addition, according to the market summary published by Hong Kong Tourism Board updated as of May 2020, total visitors to Hong Kong was ever recorded over 90% year-on-year plunge in 2020 due to outbreak of the COVID-19 pandemic. Save as aforesaid plunge in visitor arrivals, the GDP of Hong Kong has been decreasing since 2017. According to the “Gross Domestic Product – third quarter 2020”, published by the Census and Statistics Department of Hong Kong Government, Hong Kong’s GDP on a quarterly basis is decreasing since the first quarter of

2018, and has continuously recorded negative growth since the second half of 2019. Furthermore, as noted from a blog wrote by Financial Secretary of the Government of Hong Kong published on 13 December 2020, year of 2021 will be another year full of uncertainty, apart from the local and global epidemic situation; Hong Kong also has to pay attention to China-US relationship and other geopolitical development.

As advised by the representatives of the Company, Mainland China is the backbone of the Watch Businesses of the Disposal Group. In light of this, we have also made reference to the provisional data of PRC's GDP growth rate, which were prepared by the IMF and published on the IMF's official website. We noted that the PRC's GDP growth rate has been decreasing from 9.5% in 2011 to approximately 6.1% in 2019 and is expected to further drop to approximately 1.9% in 2020. Although the PRC's GDP is forecasted to rebound to approximately 8.2% in 2021, IMF believes PRC's GDP will slide down to approximately 5.8% in 2022 and maintain a gentle downward trend till 2025. Given the aforesaid economy estimation of the PRC and the ongoing tension between PRC and the US, the general economic condition in the PRC in the medium term is likely to be subdued, which has added uncertainties to the recovery of demand of PRC's citizens and tourists on mid-end/luxury products, which would directly affect the Disposal Group's Watch Businesses in the PRC in foreseeable future.

Having considered that (i) the continuous decrease in the number of visitor arrivals in the USA since the year of 2018, in particular of the number of Chinese visitors; (ii) the recovery of Europe in the foreseeable future remains uncertain due to the low total vaccination ratio of most of member countries of Europe; (iii) total visitors arrivals to Hong Kong from Mainland China has been considerably hard hit since second half of 2019; (iv) the recent unsatisfying GDP statistics of both Hong Kong and the PRC; and (v) the sluggish growth anticipation of GDP in the PRC, we are of view that the outlook of the luxury retail market, in particular of the Watch Businesses, will remain ambiguous in the near future.

## ***5.2 Outlook of the Remaining Group***

Upon Completion, the Banking Businesses will be the principal activity of the Remaining Group, of which the performance has demonstrated a relatively stable trend in the past few years. As advised by the representatives of the Company, Bendura Bank would be the major revenue and profit contributor to the Remaining Group's Banking Businesses, which has developed organically as shown by the improving level in assets under management and stable profitability despite the outbreak of the COVID-19 pandemic and a challenging global economic environment.

As set out in the 2019 Annual Report, it is noted Bendura Bank focuses its banking activities in the regions of Eastern Europe and Asia. In particular, Bendura Bank has started a representative office in Hong Kong and successfully expanding existing client relationships and established new clients. As advised by the representatives of the Company, it is the bank's strategy to establish a footprint in the PRC in the mid-term.

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Accordingly, we have performed our researches on the business outlook in relation to the asset and wealth management industry, where most of the revenue and profits of the Remaining Group are derived from.

As noted from a publication “Asset management industry – a next step towards further consolidation” published by Deloitte in November 2020, investment management segment has shown high growth in terms of assets under management (“**AuM**”) in the past. Total AuM increased with an annual growth rate of 14.50% between 2010 and 2014 and with 10% for the period from 2015 to 2019. This growth is the result of net inflows in funds, as well as a favorable market environment. It is expected that there is a further increase in growth for the investment management industry in the near future, which is driven by (i) an increase in appetite for long term personal savings; and (ii) attracting new clients by offering new investments – private equity investments and more cross border activities.

According to a spotlight publication “Asset Management Outlook to 2025” by Bloomberg, it is expected that the global AuM will have a growth of 21% between now and the end of 2025. Geographically, Asia Pacific countries are expected to show the fastest growth to 2025, with Europe (ex-UK) and the USA a couple of percentage points behind the average. The reason for the USA’s AuM growth rate being behind the average of Asia Pacific countries may be its large fund size, which is over \$400 billion in AuM. It is believed that the large proportion of USA’s fund size may hold back the growth of USA’s AuM. Meanwhile, the Brexit would exert a dominant influence over the period till 2025 and is believed to be one of the strongest negative factors for AuM growth in UK.

We also made reference to another publication, namely “Asset and Wealth management trends 2020: Are managers ready for stormier seas?”, by PricewaterhouseCoopers (“**PwC**”) on 11 March 2020 and noted that AuM has been sustained by the tailwind of strong market returns, of which PwC expects that the global AuM to reach US\$145 trillion by 2025. Increasing affluence and expanding populations in fast-growth markets are also creating fresh investment opportunities and increasing demand for asset and wealth management services. And large markets such as China, which are now opening to foreign managers, present particular possibilities.

Further, according to the publication “Wealth Management – Global – After the Storm” by Morgan Stanley, AuM growth of emerging market is likely to slow in the short term, but in future, it is expected that a stronger rebound relative to developed markets will be driven primarily by net new money on the back of GDP growth. It is believed that the concentration of AuM growth in emerging markets will have a meaningful impact on priorities for the industry, and recommends global wealth managers should continue to assess opportunities to participate in emerging market growth, particularly in Mainland China.

Regarding the potential future performance of Mainland China's market, according to the National Bureau of Statistics of the PRC, per capita disposable income of urban households in the PRC increased from RMB28,844 in 2014 to RMB42,359 in 2019, which indicates the growing consumption of domestic residents. As a result of accumulated personal wealth of domestic residents, it is believed that customers in PRC have been looking for more diversified personal financial products and services. There have been significant growth opportunities in the PRC personal finance market due to the increasing consumer demand for more diversified retail banking products and services, such as residential mortgage loans, credit cards, wealth management services, personal consumer loans and other consumer finance products.

Save as aforesaid potential growing trend of AuM in future, we also noted that the COVID-19 pandemic has relatively lower influence on banking and financial industry. With reference to a report namely "Autumn 2020 Economic Forecast" published by EU Commission on 5 November 2020. In 2020, the COVID-19 outbreak and associated lockdown measures took a severe and unprecedented toll on the European economy, economic activity fell abruptly: in the first half of the year, with real GDP fell at double-digit rate in the European. The COVID-19 pandemic has affected large parts of the economy within the area, while financial markets remained relatively calm over the first half of 2020. Thanks to the comprehensive monetary policy easing by the US Federal Reserve and the continuation of European Central Bank's pandemic emergency purchase programme, bond markets continued to price in low credit and interest risk and equity markets have remained quite resilient despite the COVID-19 related economic damages and the resurgence of the pandemic in Europe.

Having considered that (i) the strong growth performance in global AuM in the past decade; (ii) global AuM being expected to continue to increase by the end of 2025; (iii) an increasing anticipation on more diversified personal financial products and services of the PRC's customers; and (iv) supporting policies launched by the US Federal Reserve and European Central Bank to maintain the stability of bond and equity markets in Europe and the COVID-19 pandemic has less impact on banking and financial businesses, we are of the view that the outlook of asset and wealth management industry and the Banking Businesses is relatively positive and stable in future.

## **6. Reasons for and Benefits of the Disposal and Use of Proceeds**

### ***6.1 Reduction of financial leverage and mitigation of interest burden***

The Group's Watch Businesses in the PRC and the overseas markets are capital intensive in nature due to, including but not limited to, (i) the business requirement of stocking up inventories in large quantity; and (ii) the relatively short suppliers' credit terms. For the three years ended 31 December 2019 and for the nine months ended 30 September 2020, the Company had invested an aggregate amount of more than HK\$397.90 million in the Disposal Group as general working capital loans, which were mainly drawn to support and develop the Watch Businesses, and the said investment has been in the past

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largely financed by internal resources and bank loans. As referred to the section headed “**FINANCIAL INFORMATION OF THE GROUP**” as set out in the Appendix I to the Circular, the Group had outstanding borrowings of approximately HK\$1.61 billion as at 31 December 2020, comprising of bank and other borrowings, secured and guaranteed of approximately HK\$1.58 billion, amounts due to Directors of approximately HK\$22 million and amounts due to Shareholders of approximately HK\$12 million.

As referred to the Board Letter, we noted that approximately HK\$1.20 billion of net proceeds from the Disposal will be used for the repayment of bank loans of the Remaining Group within one month after Completion, and upon repayment of aforesaid bank loans, the outstanding bank loans of the Remaining Group would be approximately HK\$23.80 million as compared to HK\$1.30 billion as at 30 September 2020, the annual bank loan interest expenses of the Remaining Group would be significantly reduce from approximately HK\$50 million to approximately HK\$1 million. On the other hand, the proposed arrangement of the Sale Loans in four-tranche payments would enable the Remaining Group to receive a decent interest income given the Sale Loans Interest Rate will be applied to the Second Payment, the Third Payment and/or the Fourth Payment (as the case may be).

As the Disposal would (i) enable the Remaining Group to reduce its outstanding loan amount by disposing of the Sale Loans of HK\$2.03 billion; (ii) generate interest income to the Remaining Group by allowing the Purchaser to repay the Sale Loans in four-tranche payments; and (iii) part of the proceeds from the Disposal will be used by the Company to repay the bank loans of the Remaining Group, we concur with the Directors’ view that the Disposal will reduce the financial leverage and strengthen the financial position and profitability of the Remaining Group.

### ***6.2 Realizing the Disposal Group’s value before possible further deterioration of its asset quality***

Based on the financial information of the Disposal Group as illustrated under the section headed “**3. INFORMATION ON THE DISPOSAL GROUP**” above, we noted that the net profit attributable to the Company by each member of the Disposal Group has been decreasing in past few years. In specific, EBOHR Group and Sure Best had recorded a loss attributable to the Company of approximately HK\$7.94 million and approximately HK\$2.27 million for nine months ended 30 September 2020, reflecting a deterioration of financial situation from a net profit position to a net loss position, while International Volant Group, Joyful Surplus Group, Sharptech and Unique Leader have continuously recorded a loss attributable to the Company for the past years. The Directors believe that the unsatisfying financial performance of the Disposal Group is principally due to several factors, including but not limited to, the declining trend of sales from physical stores and e-commerce channels, the challenging global economic environment, and an unexpected outbreak of the COVID-19 pandemic that leads to a substantial drop in tourist arrivals to the relevant geographic areas of the watch brands owned by the Disposal Group. Given that it is full of uncertainties for the aforementioned geographic areas in relation to the recovery of their

economy and number of travelers' arrivals (details of our analysis have been set out in "**5. OUTLOOK – 5.1 Outlook of the Disposal Group**" above), we concur with the Directors' view that the sales growth of the Watch Businesses in the PRC and overseas markets will remain unclear in the near future, and the Group might have to incur further losses and/or deploy more resources into the Watch Businesses due to the overall rigorous operating environment within the retail sector. In light of the above, we consider the Disposal is strategic, commercially justifiable, and in the interests of the Company and the Shareholders as a whole.

**6.3 *Reallocating the Remaining Group's resources on a relatively high potential growth segment***

After the completion of the Disposal, the Remaining Group's principal activity will be the Banking Businesses, which have been fairly stable in the past few years. As referred to the 2019 Annual Report, the amount of asset under management by Bendura Bank increases from approximately CHF3,575 million for FY2017 to approximately CHF3,672 million for FY2019, representing an increase of approximately 2.71% and as advised by the representatives of the Company, such amount was approximately CHF3,500 million as at 30 November 2020. Although the operation and performance have been slightly affected by the COVID-19 pandemic and a global challenging economic environment, Bendura Bank has developed organically as shown by the improving level in assets under management and stable profitability. Given that the performance of the Banking Businesses have met the Directors' expectation, the Directors anticipate that the Banking Businesses continue to perform as the main driver of revenue and profitability of the Group in the years to come and will further become an important component of the Remaining Group's business portfolio in the foreseeable future.

Furthermore, the Directors believe, and we concur, that after releasing the capital locked up for the development of the Disposal Group, the Remaining Group will be able to capitalize on the Group' investment on watch brands "Eterna", "Rotary", "EBOHR", "Rossini" and "Corum", and reallocate its resources to the Banking Businesses and Bendura Bank for the purpose to seek a relatively higher return in future. Also, the Directors expect that the Disposal would equip the Remaining Group with sufficient working capital to improve competitiveness among its competitors. In the medium term, it is anticipated that the Company will expand the footprint of Bendura Bank into the PRC, where most numbers of wealthy people are resided.

Taking into consideration (i) the convincing prospects of the asset and wealth management industry as set out in the "**5. OUTLOOK – 5.2 Outlook of the Remaining Group**" above; (ii) the satisfactory historical performance of the Banking Businesses; (iii) the relatively stable performance of Bendura Bank under the COVID-19 pandemic in comparison to the Watch Businesses; and (iv) the Company can focus on achieving the medium term business proposal of Bendura Bank upon Completion, we consider the Disposal is strategical and reasonable, and in the interests of the Company and the Shareholders as a whole.

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Although there is no strong synergy between the Watch Businesses and the Banking Businesses, the Disposal will streamline the Company's business to focus on the Banking Businesses. Having considered abovementioned factors, we concur with the Board's view that the Disposal represents a valuable opportunity for the Group to capitalize on the cash inflow to strengthen its financial position and focus on the Banking Businesses, as well as the pursuit of selective strategic and potential acquisitions in future.

### 7. Principal Terms of the Sale and Purchase Agreement

**Date** : 16 December 2020 (after trading hours)

#### **Parties**

**Vendor** : the Company

**Purchaser** : Tycoon Idea Global Limited, a company incorporated in British Virgin Islands with limited liability

**Purchaser's Guarantor** : Sincere View International Ltd., a company incorporated in British Virgin Islands with limited liability

#### **7.1 Assets to be disposed of**

Subject to the terms and conditions of the Sale and Purchase Agreement, the Company, as the legal and beneficial owner, has conditionally agreed to sell the Sale Shares and the Sale Loans, and the Purchaser has conditionally agreed to purchase the Sale Shares and the Sale Loans, free from all Encumbrances and together with all rights and entitlements which the Company has in the Sale Shares and the Sale Loans with effect from the Completion Date.

The Sale Shares represent all the issued shares of each of International Volant, EB Brand, Jia Cheng, Joyful Surplus, SharpTech, Unique Leader and Sure Best. The Sale Loans represent the entire sum owing by the Disposal Group to the Company as at the Completion Date. As at the date of the Sale and Purchase Agreement, the amount of the Sale Loans is HK\$2.03 billion. The Sale Loans are principally general working capital loans provided by the Company for operation of business of the Disposal Group. Please refer to the details of the Disposal Group as set out in the section headed "**3. INFORMATION ON THE DISPOSAL GROUP**" above.

## **7.2 Consideration**

The Consideration of HK\$3.53 billion comprises (i) the consideration for the Sale Shares of HK\$1.5 billion; and (ii) the consideration for the Sale Loans of HK\$2.03 billion (being the face value of the Sale Loans as at 30 June 2020), to be paid by the Purchaser (or its nominee(s)) to the Company (or its nominee(s)), subject to adjustment at Completion.

The consideration for the Sale Shares of HK\$1.5 billion shall be settled by way of cash at Completion.

The consideration for the Sale Loans of HK\$2.03 billion shall be settled by four tranches of payments (the “**Payments**”) as following manner: i) as to HK\$400 million of the consideration for the Sale Loans to be offset by the Special Dividend at Completion (the “**First Payment**”); (ii) as to minimum of HK\$0.2 billion and maximum of HK\$1.6 billion, plus an interest rate of 6% per annum (the “**Sale Loans Interest Rate**”) within one year from the Completion Date (the “**Second Payment**”); (iii) minimum of HK\$0.2 billion and maximum of HK\$1.4 billion, plus Sale Loans Interest Rate within the second year from the Completion Date (the “**Third Payment**”); and (iv) the remaining balance of up to HK\$1.23 billion, plus Sale Loans Interest Rate within the third year from the Completion Date (the “**Fourth Payment**”).

The settlement of the consideration for the Sale Loans in aforesaid Payments was arrived at after arm’s length negotiations between the Company and the Purchaser on normal commercial terms. Given that the Company has yet to identify specific potential acquisition targets and taking into account the prevailing low and fluctuating market interest rates, the Company considers that the settlement of the consideration for Sale Loans in aforesaid Payments will yield stable interest and financial return to the benefit of and is in the best interests of the Company and the Shareholders as a whole. In addition, as the Company also considers that the consideration for Sale Shares of HK\$1.5 billion is sufficient for current operations of the Remaining Group, the Company is of the view that the settlement of the consideration for Sale Loans in aforesaid Payments will be able to facilitate the use of proceeds from the Sale Loans over the next three years more effectively.

In order to assess the risk on the Sale Loans arrangement, the Company has conducted research on Mr. Hon, the Purchaser and/or the Purchaser’s Guarantor’s equity investments and major properties investment. In this regard, we have performed our independent research on the equity investment held by the Purchaser and the Purchaser’s Guarantor’s. Based on the public information, we noted that Mr. Hon, who is interested in 80% of the Purchaser’s Guarantor, indirectly holds (i) 33.95% equity interest in Citychamp Dartong Co., Ltd. (Stock Code: 600067.CH), a Shanghai Stock Exchange listed company with market capitalization of approximately RMB5.16 billion (equivalent to approximately HK\$6.19 billion) as at the Latest Practicable Date; (ii) 28.13% equity interest of Cordlife Group Limited (Stock Code: CLGL.SP), a Singapore Exchange listed company with market capitalization of approximately SGD95.47 million (equivalent to approximately HK\$559.16 million) as at the Latest Practicable Date; and (iii) 69.45% equity interest of the Company with market capitalization of approximately HK\$6.66 billion as at the Latest Practicable

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Date. As advised by the representatives of the Company, shares of the aforesaid listed companies are free of pledge as at the Latest Practicable Date, and the Company will assess the financial status of Mr. Hon, the Purchaser and the Purchaser's Guarantor from time to time to ensure payment of the Consideration for the Sale Loans. After taking into account of (i) the remaining Sale Loans (after deducting the First Payment by way of Special Dividend) and an interest payment of approximately HK\$97,800,000 (which is calculated with reference to total amount of the Second Payment, Third Payment and Fourth Payment and under the assumption that the Purchaser fully settles the entire payments within the first year from the Completion Date); and (ii) a regular assessment on the financial status of Mr. Hon, the Purchaser and the Purchaser's Guarantor, we are of the view that the Purchaser and the Purchaser's Guarantor possess the repayment ability for the settlement of the Sale Loans.

In addition, despite that there is no pledge/ security for the settlement of the Sale Loans, given that Mr. Hon remains to be the ultimate controlling shareholder of the Company after the Disposal, the settlement of the Sale Loans aligns with the interests of the Company and the Shareholders (including Mr. Hon).

Hence, we concur with the Directors' view that both the Purchaser and the Purchaser's Guarantor have sufficient capability to repay the Sale Loans and together with the terms of Payments and the Sale Loans Interest Rate, are in the interest of the Company and its Shareholders as a whole.

### *7.3 Adjustment of the Consideration*

If the difference of either net asset value of the Disposal Group and each of the members of Remaining Group or Sale Loans of Disposal Group and Remaining Group as shown in the Accounts and Completion Accounts does not exceed 20%, no adjustment of the Consideration shall be made.

If the difference between either net asset value of the Disposal Group and Remaining Group or Sale Loans of Disposal Group and each of the members of Remaining Group as shown in the Accounts and Completion Accounts exceeds 20%, then the First Payment shall be adjusted based on the amount exceeding 20% to be settled by way of cash at Completion.

### *7.4 Basis of the Consideration*

As mentioned in the Board Letter, the Consideration was arrived at after arm's length negotiations between the Company and the Purchaser on normal commercial terms and making reference to (i) the net asset value of the Disposal Group of HK\$1.29 billion and the face value of the Sale Loans of HK\$2.03 billion as at 30 June 2020; (ii) potential change of net asset value of the Disposal Group from 1 July 2020 to the Completion Date; and (iii) the business prospects of the Disposal Group and other factors set out in the section headed "**REASONS FOR AND BENEFITS OF THE DISPOSAL**" in the Board Letter.

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As at 30 September 2020, the Disposal Group had property, plant and equity with carry value of HK\$751.60 million, comprising land and buildings of approximately HK\$486.40 million and plant and equipment of approximately HK\$265.20 million. The land and buildings of the Disposal Group are designated for production purposes and have been recorded in the books of the Disposal Group under the cost approach. In order to estimate the market value of land and buildings of the Disposal Group, the management of the Company made reference to the indicative value prepared by independent valuers based on comparable properties and noted that the aggregate market value of the land and buildings of the Disposal Group (the “**Disposal Group Properties**”) does not differ significantly from the aforesaid carrying value.

We have obtained the preliminary valuation reports of the Disposal Group Properties and noted that the aggregate market value of the Disposal Group Properties is approximate to the carrying value of land and buildings as at 30 September 2020 of approximately HK\$486.40 million. The Disposal Group Properties consist of two properties located in the PRC (i.e. Zhuhai and Shenzhen) (the “**Disposal Group PRC Properties**”) and three properties located in Switzerland (the “**Disposal Group Switzerland Properties**”). As advised by the representatives of the Company, the Group evaluates the Disposal Group Switzerland Properties every few years for the preparation of annual report of the Group and the carrying value of the Disposal Group Switzerland Properties remained comparatively stable for the past years.

The Disposal Group PRC Properties contributes considerably of the value of the Disposal Group Properties. We acknowledged that the valuer estimated the market value of Disposal Group PRC Properties by using depreciated replacement cost approach. Based on the working summary obtained by us, we noted that each of the Disposal Group PRC Properties comprises of both fair values of building, and land, separately. For the determination of fair value of building, the valuer made reference to the official construction cost guideline published by the Shenzhen local government and public bidding information of construction projects that are in similar nature as the Zhuhai properties. While for the fair value of land, we understood that the valuer made reference to auctioned land comparables which have been granted for similar land use rights as the Disposal Group PRC Properties (as the case may be). In order to assess the similarities of comparable properties that adopted by the valuer for the assessment of the Disposal Group PRC Properties, we have performed our independent research on each of the comparable properties and noted that (i) the land use rights of each of the comparable properties is similar to the Disposal Group PRC Properties (as the case may be); and (ii) the geographic location of the comparable properties for estimation of fair value of land is proximity to the Disposal Group PRC Properties (as the case may be). Given abovementioned, we are of the view that the valuation of the Disposal Group Properties is fair and reasonable.

### ***7.5 Conditions Precedent and Completion***

In relation to the detailed Conditions precedent to the Sale and Purchase Agreement, please refer to the sub-section headed “**Conditions precedent**” in the Board Letter.

Completion shall take place on the Completion Date when the parties shall exchange the respective documents and the business shall be transacted according to the terms and conditions of the Sale and Purchase Agreement. Completion shall take place as soon as practicable but in any event not later than the Long Stop Date.

### ***7.6 Our analysis on the Consideration***

In assessing the fair and reasonableness of the Consideration for the Disposal, we have conducted a comparable analysis through identifying comparable companies under the selection criteria which includes (i) companies that are engaged in similar principal businesses as the Disposal Group (i.e. engaged in watches related business and with not less than 50% of the total revenue being generated from the aforesaid business); and (ii) companies that are listed on the Stock Exchange. Accordingly, we have identified 13 comparable companies (the “**Comparable Companies**”) on our best effort and exhaustive basis. Although each of the Comparable Companies involved in the comparable analysis may have different market capitalization, profitability, and financial positioning as compared with those of the Disposal Group, having considered that not less than 50% of total revenue of each Comparable Companies is from watches related business, we consider the principal business amongst the Comparable Companies are similar and comparable to the Disposal Group, and therefore are of the view that the exhaustive list of the Comparable Companies can provide the Shareholders with a market reference of the underlying business, and is fair and representative for our analysis on the Consideration.

As the capital market changes rapidly, we consider that recent price-to-earnings ratios and price-to-book ratios (the “**PBR**”) of the Comparables Companies can serve as reliable benchmarks, which entail the recent market conditions as well as market sentiment at the time of proposing the terms of the Sale and Purchase Agreement. As the Consideration is determined with reference to the net asset value of the Disposal Group and the face value of the Sale Loans as at 30 June 2020 and as referred to the Announcement, we noted each of International Volant Group, EBOHR Group, Joyful Surplus Group, Sharptech, Unique Leader and Sure Best recorded net loss for the six months ended 30 June 2020, therefore we consider price-to-earnings ratio comparison is not suitable to assess the Consideration.

In addition, as each member of the Disposal Group is in the same industry, and as noted from the Announcement, the net asset value of the Disposal Group amounted to HK\$1.29 billion as at 30 June 2020 (the “**Implied NAV**”), the implied PBR of the Disposal Group would be approximately 1.16 times (the “**Implied PBR**”), which is calculated based on the Consideration for the Sale Shares of HK\$1.50 billion and the Implied NAV of HK\$1.29 billion as at 30 June 2020. We have excluded the Sale Loans of HK\$2.03 billion given that the Sale Loans are disposed to the Purchaser on a dollar-to-dollar basis.

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In light of this, we consider the Comparable Companies' PBR to be an appropriate basis to assess the fairness of the PBR of the Disposal Group so as to assess the Consideration for the Sale Shares.

Stock code	Company name	Principle activities	Market capitalisation	Net asset value	PBR
			as at the Date of the Sale and Purchase Agreement i.e. 16 December 2020		
			(HK\$' million) (note 1)	(HK\$' million) (note 2)	
860-HK	Apollo Future Mobility Group Limited	Retail and wholesale of jewellery products and watches; manufacture and sales of electric vehicles and related components, money lending, securities investments, property investment and mining	4,969.09	3,808.98	1.30
104-HK	Asia Commercial Holdings Limited	Trade of watches (retail and wholesale), property leasing and gourmet business	179.31	387.90	0.46
887-HK	Emperor Watch & Jewellery Limited	Sales of watches and jewellery, and commission income for sales of watches	691.50	4,343.91	0.16
8219-HK	Hanvey Group Holdings Ltd.	Principally engaged in the design and development, manufacturing and distribution of watch products on original design manufacturing basis across the globe	69	51.17	1.35

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Stock code	Company name	Principle activities	Market capitalisation as at the Date of the Sale and Purchase Agreement i.e. 16 December 2020 <i>(HK\$' million)</i> <i>(note 1)</i>	Net asset value <i>(HK\$' million)</i> <i>(note 2)</i>	PBR
3389-HK	Hengdeli Holdings Limited	Sale of internationally renowned brand watches, comprehensive related customer services and maintenance in Hong Kong, Macau, Taiwan and Malaysia and etc	1,375.49	4,783.31 <i>(note 3)</i>	0.29
1327-HK	Luxxu Group Ltd.	Principally engaged in the manufacture and sales of own-branded watches and jewelleryes	45.62	410.40 <i>(note 3)</i>	0.11
398-HK	Oriental Watch Holdings Limited	Sales of watches	1,315.87	2,093.24	0.63
1470-HK	Prosper One International Holdings Company Limited	Principally engaged in retail and wholesale of watches in Hong Kong	80	27.03	2.96
444-HK	Sincere Watch (Hong Kong) Limited	Distribution of branded luxury watches, timepieces and accessories in Hong Kong, Macau, Taiwan, Korea and the PRC, dining business and property investment	453.30	815.30	0.56

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Stock code	Company name	Principle activities	Market capitalisation as at the Date of the Sale and Purchase Agreement i.e. 16 December 2020 <i>(HK\$' million)</i> <i>(note 1)</i>	Net asset value <i>(HK\$' million)</i> <i>(note 2)</i>	PBR
84-HK	Stelux Holdings International Limited	Principally engaged in retail watches in Hong Kong, Macau and the PRC, and watch wholesale trading	86.86	503.28	0.17
2033-HK	Time Watch Investments Ltd.	Manufacture, wholesale and sales of watches	1,663.96	2,193.19	0.76
1856-HK	Ernest Borel Holdings Ltd.	Design, production, marketing and sale of mechanical and quartz premium watches	920.71	134.11	6.87
280-HK	King Fook Holdings Ltd.	Gold ornament, jewellery, watch and gift retailing, bullion trading and diamond wholesaling	255.82	647.53	0.40
				Maximum	6.87
				Minimum	0.11
				Average	1.18
				Median	0.63
	<b>Disposal Group</b>		<b>1,500</b> <b>(being the</b> <b>Consideration</b> <b>for the Sale</b> <b>Shares)</b>	<b>1,290</b> <b>(being the</b> <b>net asset</b> <b>value of</b> <b>the</b> <b>Disposal</b> <b>Group as</b> <b>at 30 June</b> <b>2020)</b>	<b>1.16</b> <b>(note 4)</b>

*Source: Official website of the Stock Exchange*

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*Notes:*

1. The market capitalization is based on the closing price as quoted on the Stock Exchange on 16 December 2020 (being the date of the Sale and Purchase Agreement).
2. The net asset value was extracted from the latest published results of the respective companies (i.e. interim or annual reports) prior to 16 December 2020 (being the date of the Sale and Purchase Agreement).
3. The amount is converted at the exchange rate of RMB1 to HK\$1.18 as at 16 December 2020 (being the date of the Sale and Purchase Agreement).
4. The Implied PBR represents the Consideration of the Sale Shares divided by the net asset value of the Disposal Group as at 30 June 2020.

As illustrated in above table, we noted that the PBR of the Comparable Companies range from approximately 0.11 times to approximately 6.87 times with median and average of approximately 0.63 times and approximately 1.18 times, respectively. The Implied PBR is approximately 1.16 times, which is (i) within the range of the PBR of the Comparable Companies; (ii) higher than the median of the PBR of the Comparable Companies; and (iii) similar to the average of the PBR of the Comparable Companies.

In consideration of (i) the Comparable Companies are principally engaged in the similar business as the Disposal Group; (ii) the Disposal Group's Implied PBR is at the similar level to better than the Comparable Companies' PBR; (iii) the Disposal Group is loss-making and likely to have deteriorated further due to the ongoing COVID-19 pandemic and the uncertainty on the global economy recovery; and (iv) the cash inflow from the Sale Shares can be utilized on the Banking Businesses which is undergoing an increasing demand of such service, we are of the view that the Consideration for the Sale Shares is fair and reasonable from the perspective of PBR valuation, and is in interests to the Company and the Shareholders as a whole.

In addition to above, we noted that the payment in relation to the Disposal involves Sale Loans' arrangement which consists the Sale Loans Interest Rate of 6% per annum. As noted from the Board Letter, the Sale Loans Interest Rate is payable by the Purchaser to the Vendor for the Second Payment, Third Payment and/or Four Payment (as the case may be), and as advised by the representatives of the Company, the Sale Loans Interest Rate is determined after arm's length negotiations amongst the parties to the Sale and Purchase Agreement with reference to the prevailing market interest. In this regard, we have performed our researches on comparable interest rates of loans and financial assistances (the "**Comparables Interests**") based on the selection criteria including (i) loan(s)/financial assistance(s) with principal amount of over HK\$100 million; (ii) loan(s)/financial assistance(s) was not granted by a commercial bank; and (iii) loan(s)/financial assistance(s) was granted by/from a company listed on the Stock Exchange during a period from 1 August 2020 to 16 December 2020 (being the date of the Sale of Purchase Agreement) (the "**Interests Review Period**"). We consider that the Interests Review Period is adequate, fair and reasonable in providing a general reference for the recent market trend in relation to the key terms of the Comparables Interests under similar market conditions, given that

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the timeframe is sufficient in generating a reasonable and meaningful amount of comparable interest rates for the purpose of our assessment on the Sale Loans Interest Rate. To the best of our knowledge and as far as we are aware of, we have identified 17 Comparables Interests, and we consider that such Comparables Interests can provide a reference on recent interest rate of loan(s)/financial assistance(s) granted by/from a Hong Kong-listed company during the Interests Review Period. Therefore, we consider that the Comparables Interests listed below are exhaustive based on the above criteria and are fair and representative.

Type	Date	Company name	Stock code	Interest rate	Term	Principal amount (HK\$' million)	Guarantee (Yes/No)
Loan	14-Dec-2020	Asia Pacific Silk Road Investment Company Limited	767	6%	36 months	119	Yes
Loan	1-Dec-2020	BOCOM International Holdings Company Limited	3329	8%	364 days	387.50 (note 1)	Yes
Loan	20-Nov-20	Hospital Corporation of China Limited	3869	4.79%	1 year	118.67 (note 2)	Yes
Loan	19-Nov-20	Sun Hung Kai & Co. Limited	86	7.38% (note 3)	48 months	378	Yes
Loan	16-Nov-20	Sany Heavy Equipment International Holdings Company Limited	631	3.85%	180 days	118.67 (note 2)	Yes
Loan	6-Nov-20	Sun Hung Kai & Co. Limited	86	10.22% (note 4)	3 years	359.05	Yes
Loan	30-Sep-20	Shangdong Gold Mining Co. Ltd.	1787	4.50%	3 months	387.50	No
Loan	4-Sep-20	Kunming Dianchi Water Treatment Co., Ltd.	3768	7%	12 months	415.35 (note 2)	No
Loan	2-Sep-20	Beijing Capital Land Ltd.	2868	4.75%	3 years	211.83 (note 2)	No
Loan	19-Aug-20	China Strategic Holdings Limited	235	10%	3 months	300	Yes
Loan	4-Aug-20	CST Group Limited	985	7%	2 years	230	No
Financial assistance	18-Nov-20	China Tonghai International Financial Limited	952	8.25%	14 days	190	No

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Type	Date	Company name	Stock code	Interest rate	Term	Principal amount (HK\$' million)	Guarantee (Yes/No)
Financial assistance	12-Nov-20	Differ Group Holdings Company Limited	6878	10%	no fixed repayment date	872.09	No
Financial assistance	28-Sep-20	Viva China Holdings Limited	8032	4%	12 months	565.52 (note 5)	Yes
Financial assistance	17-Aug-20	Sinofert Holdings Limited	297	3.85%	24 months	1,186.70 (note 2)	Yes
Financial assistance	8-Apr-20	China East Education Holdings Limited	667	7%	till 31 December 2021	154.27 (note 2)	Yes
Financial assistance	8-Apr-20	China East Education Holdings Limited	667	7%	till 31 December 2021	308.54 (note 2)	Yes

**Maximum 10.22%**

**Minimum 3.85%**

**Average 6.68%**

**Median 7%**

*Source: official website of the Stock Exchange*

*Notes:*

1. The amount is converted at the exchange rate of US\$1 to HK\$7.75.
2. The amount is converted at the exchange rate of RMB1 to HK\$1.18 as at 16 December 2020 (being the date of the Sale and Purchase Agreement).
3. The percentage rate per annum is the aggregate of (i) HIBOR; and (ii) 7% per annum. As at 16 December 2020, the 3-month HIBOR was approximately 0.38%.
4. The percentage rate per annum is the aggregate of (i) 10% per annum; and (ii) LIBOR. As at 16 December 2020, the 3-month LIBOR was approximately 0.22%.
5. The amount is converted at the exchange rate of GBP1 to HK\$10.47 as at 16 December 2020 (being the date of the Sale and Purchase Agreement).

As shown in above table, the Comparables Interests range from a minimum of 3.85% to a maximum of approximately 10.22%, with an average of approximately 6.68% and a median of 7%. The Sale Loans Interest Rate of 6% is (i) within the range of Comparables Interest; and (ii) falls slight below the average of approximately 6.68% and the median of 7%.

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Also, we noted that (i) the Purchaser’s Guarantor will provide guarantee to the repayment of the Sale Loans, and (ii) upon an internal risk assessment, the Directors are of the view that the Purchaser and the Purchaser’s Guarantor possess sufficient assets to repay of the Sale Loans. Because of that, we have further selected the loan(s)/financial assistance(s) that have included provision of guarantee(s) or security, from above list of Comparables Interests, and summarized a list with certain information as below (the “**Guarantee Comparables Interests**”):

Type	Date	Company name	Stock code	Interest rate	Term	Principal amount (HK\$ million)
Loan	14-Dec-2020	Asia Pacific Silk Road Investment Company Limited	767	6%	36 months	119
Loan	1-Dec-2020	BOCOM International Holdings Company Limited	3329	8%	364 days	387.50
Loan	20-Nov-20	Hospital Corporation of China Limited	3869	4.79%	1 year	118.67
Loan	19-Nov-20	Sun Hung Kai & Co. Limited	86	7.38%	48 months	378
Loan	16-Nov-20	Sany Heavy Equipment International Holdings Company Limited	631	3.85%	180 days	118.67
Loan	6-Nov-20	Sun Hung Kai & Co. Limited	86	10.22%	3 years	359.05
Loan	19-Aug-20	China Strategic Holdings Limited	235	10%	3 months	300
Financial assistance	28-Sep-20	Viva China Holdings Limited	8032	4%	12 months	565.52
Financial assistance	17-Aug-20	Sinofert Holdings Limited	297	3.85%	24 months	1,186.70

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Type	Date	Company name	Stock code	Interest rate	Term	Principal amount (HK\$' million)
Financial assistance	8-Apr-20	China East Education Holdings Limited	667	7%	till 31 December 2021	154.27
Financial assistance	8-Apr-20	China East Education Holdings Limited	667	7%	till 31 December 2021	308.54
				<b>Maximum</b>	<b>10.22%</b>	
				<b>Minimum</b>	<b>3.85%</b>	
				<b>Average</b>	<b>6.55%</b>	
				<b>Median</b>	<b>7%</b>	

As illustrated above, the Guarantee Comparables Interests range from a minimum of 3.85% to a maximum of approximately 10.22%, with an average of approximately 6.55% and a median of 7%. The Sale Loans Interest Rate of 6% per annum is (i) within the range of Guarantee Comparables Interests; and (ii) slightly below the average of approximately 6.55% and the median of 7%.

We have performed a more in-depth analysis by obtaining the lists of bank borrowings of the Group as at 31 December 2020 and Bendura Bank's loan interest rates charged to its clients as at 31 December 2020 and understood that, the Sale Loans Interest Rate of 6% is (i) higher than the interest rates received by Bendura Bank which range from 0.93% to 1.50% for loan services offered to its clients; and (ii) higher than the interest rates for loans granted by local commercial bank(s) to the Group as at 31 December 2020, which range from HIBOR interest plus 1.50% to plus 3.30%. As further advised by the representatives of the Company, we noted that the Group's current deposits have been placed with local commercial banks with zero interest rate. Hence, the Sale Loans Interest Rate of 6% is also higher than the interest rate offered by local commercial banks to the Group for current deposits.

Therefore, we concur with the Directors' view that the Sale Loans Interest Rate of 6% per annum is fair and reasonable, and the proposed arrangement for the Sale Loans would enable the Remaining Group to generate a better than market interest income in future, which is in the interest of the Company and its Shareholders as a whole.

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Having considered that (i) the Implied PBR is within the range of the PBR of the Comparables; (ii) the Sale Loans Interest Rate is within the range of Comparables Interests and the range of Guarantee Comparables Interests; (iii) the Sale Loans Interest Rate is higher than the deposit rates offered by local commercial banks to the Group and the interest rates offered by Bendura Bank to its clients; (iv) the Sale Loans Interest Rate is higher than the interest rates for the loans granted by local commercial banks to the Group as at 31 December 2020; and (v) the Sale Loans Interest Rate would enable the Remaining Group to generate an interest income of approximately HK\$97,800,000 on the assumption that the Purchaser would fully settle the balance of Sale Loans in the first year from the Completion Date, we concur with the Director's view that the terms of pursuant to the Sale and Purchase Agreement and the transactions are on normal commercial terms or better and fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

### **8. Intended use of proceeds**

As noted in the Board Letter, the Company will receive the net proceeds of the Disposal of HK\$3.50 billion (being the aggregate amount of the consideration for the Sale Shares, the First Payment, the Second Payment, the Third Payment and the Fourth Payment). It should be noted that the actual cash inflow to be generated from the Disposal and received by the Company will depend on the financial position of the Disposal Group as at Completion and the exchange rates amongst CHF, GBP, RMB and Hong Kong dollar as at 30 September 2020.

#### ***8.1 The proceeds from the Sale Shares consideration and the First Payment***

The aggregate proceeds from the consideration for the Sale Shares and the First Payment is approximately HK\$1.90 billion.

As stated in the Board Letter, approximately 60% or approximately HK\$1.20 billion will be used for the repayment of bank loans of the Remaining Group. It is expected that the debts of the Remaining Group will be settled within one month after Completion and thereby the interest burden of the Remaining Group will be decreased.

In addition, subject to approval of the necessary resolution at the EGM by the Shareholders and Completion having taken place, the Company also intends to apply not less than approximately 30% or approximately HK\$570 million for the distribution of Special Dividend to the Shareholders (representing Special Dividend of not less than HK\$0.13 per Share based on the number of outstanding Shares as at the Latest Practicable Date). In the event that the distribution of the Special Dividend is approved by the Shareholders, it represents an opportunity for the Shareholders to realize a portion of the value of their investments in the Group.

The remaining balance of the net proceeds of approximately HK\$130 million will be used for general working capital of the Remaining Group. Please refer to the section headed "**FUTURE PLANS AND INTENDED USE OF PROCEEDS**" in the Board Letter for detailed breakdown.

**8.2 The proceeds from the Second Payment, the Third Payment and the Fourth Payment**

As further mentioned in the Board Letter, the aggregate proceeds of the Second Payment, the Third Payment and the Fourth Payment is approximately HK\$1.60 billion and will be used by the Group over the next three years in the following manner: (i) approximately HK\$550 million to strengthen Bendura Bank's capital base to support the sustainable growth of its credit business and to expand its geographical coverage and product coverage in Hong Kong, the PRC, East Asia and Western Europe; (ii) approximately HK\$150 million to strengthen Bendura Bank's asset management business; and (iii) approximately HK\$700 million for the pursuit of selective strategic investment and acquisition opportunities in relation to the Banking Business in Hong Kong and overseas; and (iv) remaining HK\$200 million for general working capital of the Remaining Group. Please refer to the section headed "**FUTURE PLANS AND INTENDED USE OF PROCEEDS**" in the Board Letter for detailed breakdown.

After taking into account that the aforesaid intended use of proceeds upon Completion will (i) reduce the Remaining Group's interest burden and gearing ratio; (ii) distribute the Special Dividend to the Shareholders; (iii) enhance the Remaining Group's working capital; (iv) provide flexibility for the Remaining Group to develop its Banking Businesses; and (v) enable the Remaining Group to pursue selective strategic investment and acquisition opportunities related to the Banking Businesses, we concur with the Directors' view that the intended use of proceeds is strategic, reasonable and in the interests of the Company and the Shareholders as a whole.

**9. Financial Effects of the Disposal**

Upon Completion, the Disposal Group will cease to be subsidiaries of the Company and financial results of each member of Disposal Group will no longer be consolidated into the financial statements of the Remaining Group.

Based on the unaudited pro forma financial information of the Remaining Group as set out in the Appendix III to the Circular, assuming the Disposal had been completed on 30 June 2020, the total assets of the Group would have been decreased by approximately HK\$1,331.67 million from approximately HK\$18,322.91 million as at 30 June 2020 to approximately HK\$16,991.24 million, and total liabilities of the Group would have been decreased by approximately HK\$914.66 million from approximately HK\$13,897.64 million as at 30 June 2020 to approximately HK\$12,982.98 million. The gearing ratio of the Remaining Group (which is calculated with reference to (i) the sum of borrowings, amounts due to directors and amounts due to a shareholder; and (ii) the Shareholder's equity) would be improved from approximately 43.38% to approximately 36.12%.

Based on the unaudited pro forma financial information of the Remaining Group as set out in the Appendix III to the Circular, the Group recorded audited profit before income tax of approximately HK\$142.64 million for FY2019, and assuming the Disposal had been completed on 1 January 2019, the unaudited loss before income tax of the Remaining Group would have

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## LETTER FROM MERDEKA CORPORATE FINANCE LIMITED

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been approximately HK\$148.85 million as a result of the Disposal. As noted from the Appendix III to the Circular, the change from profit to loss of the Remaining Group is mainly due to (i) the exclusion of assets (including goodwill) and liabilities of the Disposal Group as at 1 January 2019, (ii) the exclusion of non-controlling interests of the Disposal Group as at 1 January 2019; and (iii) the exclusion of the Sale Loans as at 1 January 2019 assigned to the Purchaser as if the Disposal has been completed on 1 January 2019.

Except for the transaction costs as illustrated above, the other expenses items included in the calculation of loss before tax as a result of the Disposal are non-cash in nature. In addition, all of these expenses will have no continuing impact on the Remaining Group's business operations. The Directors are of the view that the Remaining Group will have a healthier financial position and the Disposal will bring continuous benefits to the Shareholders despite the loss to be recorded by the Group on the Disposal.

### RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the Disposal, though not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole, and that the terms of the Sale and Purchase Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions at the EGM so as to approve the relevant resolution to be proposed at the EGM.

Yours faithfully,

For and on behalf of

**Merdeka Corporate Finance Limited**

**Tina Hung**

*Director*

**Wallace So**

*Director*

*Ms. Tina Hung is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 25 years of experience in corporate finance.*

*Mr. Wallace So is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 9 years of experience in corporate finance.*

**1. FINANCIAL INFORMATION OF THE GROUP**

Details of the financial information of the Group for each of the three financial years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2020 are disclosed in the annual reports of the Company for the years ended 2017 (pages 157–332), 2018 (pages 181–356), 2019 (pages 141–316) and the interim report of the Company for the six months ended 30 June 2020 (pages 34–72). The said annual reports and interim report have been published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company:

- 2017 annual report:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0423/ltn20180423887.pdf>
- 2018 annual report:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0425/ltn201904251527.pdf>
- 2019 annual report:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042800742.pdf>
- 2020 interim report:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0928/2020092800833.pdf>

## 2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 December 2020, being the latest practicable date for the purpose of preparing the indebtedness statement prior to the printing of this Circular, the Group had outstanding borrowings of approximately HK\$1,610,435,000, details of which are set out below:

	<b>The Group</b> <i>HK\$'000</i>
Bank and other borrowings, secured and guaranteed	
Bank overdraft	52,711
Import trade loans	9,384
Bank borrowings	<u>1,514,332</u>
	<u>1,576,427</u>
Amounts due to directors	<u>22,008</u>
Amounts due to shareholders	<u>12,000</u>

### Securities

The bank and other borrowings of the Group were secured by:

- (i) corporate guarantees provided by certain subsidiaries within the Group;
- (ii) subordination deeds signed by the Directors of the Group;
- (iii) guarantee provided by the government of certain country;
- (iv) entire equity interest of certain subsidiaries within the Group;
- (v) legal charges over certain of the Group's land and buildings and investment properties within the Group;
- (vi) personal guarantee provided by an non-controlling interest shareholders of a subsidiary of the Group and certain independent third parties; and
- (vii) certain assets of the non-controlling interest shareholders of a subsidiary of the Group and certain independent third parties.

**Guarantees**

As at 31 December 2020, the Group has provided a corporate guarantee in respect of banking facility up to HK\$55,000,000 granted to an associate. The corporate guarantee is ending on the expiry of the term of the revolving loan facility and as at 31 December 2020, the loan drawdown by the associate amounted to HK\$25,000,000.

**Lease liabilities**

The lease liabilities as at 31 December 2020 were approximately HK\$57,204,000.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, due to banks and clients, irrevocable commitments, contract volume and fiduciary transactions with third party banks, credit card commitments in the ordinary course of business, as at the close of business on 31 December 2020, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits or any guarantees or other material contingent liabilities.

For the purpose of this statement of indebtedness, foreign currency amounts have been translated into HK\$ at the appropriate exchange rates prevailing as at the close of business on 31 December 2020.

The Directors are not aware of any material change in respect of the indebtedness or other contingent liabilities of the Group since 31 December 2020 up to the Latest Practicable Date.

**3. WORKING CAPITAL STATEMENT**

The Directors are of the opinion that, after due and careful enquiry and taking into account the existing bank balances and cash, internal resources, available credit facilities and the effect of the completion of the Disposal, the Group will have sufficient working capital for its present requirements for at least 12 months from the date of this circular.

**4. MATERIAL ADVERSE CHANGE**

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, the date to which the latest published audited consolidated financial statements of the Company were made up.

Set out below are the financial information of EB Brand Limited (“EB Brand”) which comprises the unaudited consolidated statements of financial position as at 31 December 2017, 2018 and 2019 and 30 September 2020 and the unaudited consolidated statements of comprehensive income, unaudited consolidated statements of changes in equity and unaudited consolidated statements of cash flows for each of the years then ended and the nine months ended 30 September 2019 and 2020 and explanatory notes (“Financial Information”). The Financial Information has been reviewed by the independent auditor of the Company, BDO Limited, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, nothing has come to their attention that causes them to believe that the Financial Information of EB Brand is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Financial Information of EB Brand.

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020

	Year ended 31 December			Nine months ended	
	2017	2018	2019	30 September	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>					
Sales of goods	805,155	729,930	575,134	448,251	256,648
Cost of sales	(371,365)	(313,403)	(256,981)	(186,172)	(115,935)
<b>Gross profit</b>	433,790	416,527	318,153	262,079	140,713
Rental income	–	1,255	2,875	2,121	3,110
Other income and other net gains or losses	1,073	15,441	7,897	7,632	5,790
Selling and distribution expenses	(278,438)	(274,305)	(234,803)	(178,594)	(108,149)
Administrative expenses	(68,961)	(85,869)	(75,975)	(60,419)	(47,345)
Finance costs	(4,376)	(6,315)	(6,545)	(5,045)	(4,368)
<b>Profit/(loss) before income tax</b>	83,088	66,734	11,602	27,774	(10,249)
Income tax (expense)/credit	(28,243)	(8,587)	(2,351)	(2,026)	2,311
<b>Profit/(loss) for the year/period</b>	54,845	58,147	9,251	25,748	(7,938)

	Year ended 31 December			Nine months ended	
	2017	2018	2019	30 September	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other comprehensive income</b>					
Items that will not be subsequently reclassified to profit or loss					
– Revaluation gain upon transfer of owner occupied land and buildings to investment properties	–	57,128	–	–	–
– Deferred tax arising from transfer of owner occupied land and buildings to investments properties	–	(22,212)	–	–	–
Item that may be subsequently reclassified to profit or loss					
– Exchange differences on translation to presentation currency	58,595	(46,823)	(12,238)	(23,684)	12,445
<b>Other comprehensive income for the year/period</b>	<u>58,595</u>	<u>(11,907)</u>	<u>(12,238)</u>	<u>(23,684)</u>	<u>12,445</u>
<b>Total comprehensive income for the year/period</b>	<u><u>113,440</u></u>	<u><u>46,240</u></u>	<u><u>(2,987)</u></u>	<u><u>2,064</u></u>	<u><u>4,507</u></u>

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017, 2018 and 2019 and 30 September 2020

	As at 31 December			As at 30
	2017	2018	2019	September
	HK\$'000	HK\$'000	HK\$'000	2020
				HK\$'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	308,282	277,524	266,578	249,919
Prepaid land lease payments	8,087	7,476	–	–
Investment properties	–	53,813	52,578	52,613
	<u>316,369</u>	<u>338,813</u>	<u>319,156</u>	<u>302,532</u>
<b>Current assets</b>				
Inventories	507,713	490,871	464,234	440,919
Trade receivables	125,477	105,806	91,661	83,307
Prepaid land lease payments	202	192	–	–
Other assets	64,160	70,103	97,164	102,581
Due from remaining group	568	568	67,888	72,318
Income tax recoverable	–	–	–	598
Cash and deposits	53,395	58,245	14,381	42,429
	<u>751,515</u>	<u>725,785</u>	<u>735,328</u>	<u>742,152</u>
<b>Current liabilities</b>				
Trade payables	62,861	66,028	42,386	27,693
Contract liabilities	–	–	4,979	4,246
Other liabilities	125,963	102,900	75,296	80,083
Lease liabilities	–	–	1,146	316
Borrowings	138,113	91,099	139,704	136,699
Income tax payables	7,235	2,631	2,753	68
Due to remaining group	13,312	13,312	1,312	5,843
	<u>347,484</u>	<u>275,970</u>	<u>267,576</u>	<u>254,948</u>

	As at 31 December			As at 30
	2017	2018	2019	September
	HK\$'000	HK\$'000	HK\$'000	2020
				HK\$'000
<b>Net current assets</b>	<u>404,031</u>	<u>449,815</u>	<u>467,752</u>	<u>487,204</u>
<b>Total assets less current liabilities</b>	<u>720,400</u>	<u>788,628</u>	<u>786,908</u>	<u>789,736</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	–	22,212	21,800	21,800
Lease liabilities	<u>–</u>	<u>–</u>	<u>1,679</u>	<u>–</u>
	<u>–</u>	<u>22,212</u>	<u>23,479</u>	<u>21,800</u>
<b>Net assets</b>	<u><u>720,400</u></u>	<u><u>766,416</u></u>	<u><u>763,429</u></u>	<u><u>767,936</u></u>
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	1	1	1	1
Reserves	<u>720,399</u>	<u>766,415</u>	<u>763,428</u>	<u>767,935</u>
<b>Total equity</b>	<u><u>720,400</u></u>	<u><u>766,416</u></u>	<u><u>763,429</u></u>	<u><u>767,936</u></u>

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020

	Share capital HK\$'000	Other reserve* HK\$'000	Statutory reserve* HK\$'000	Exchange reserve* HK\$'000	Revaluation reserve for property, plant and equipment* HK\$'000	Retained profits* HK\$'000	Total equity HK\$'000
<b>Balance at 1 January 2017</b>	1	(521)	22,051	(42,607)	–	734,712	713,636
<b>Transactions with owners</b>							
Dividend paid	–	–	–	–	–	(106,676)	(106,676)
<b>Total transactions with owners</b>	–	–	–	–	–	(106,676)	(106,676)
<b>Comprehensive income</b>							
Profit for the year	–	–	–	–	–	54,845	54,845
<b>Other comprehensive income</b>							
Exchange differences on translation to presentation currency	–	–	–	58,595	–	–	58,595
<b>Total comprehensive income for the year</b>	–	–	–	58,595	–	54,845	113,440
<b>Balance at 31 December 2017</b>	<u>1</u>	<u>(521)</u>	<u>22,051</u>	<u>15,988</u>	<u>–</u>	<u>682,881</u>	<u>720,400</u>

	Share capital <i>HK\$'000</i>	Other reserve* <i>HK\$'000</i>	Statutory reserve* <i>HK\$'000</i>	Exchange reserve* <i>HK\$'000</i>	Revaluation reserve for property, plant and equipment* <i>HK\$'000</i>	Retained profits* <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
<b>Balance at 31 December 2017 and 1 January 2018</b>	1	(521)	22,051	15,988	–	682,881	720,400
Impact on initial application of HKFRS 9	–	–	–	–	–	(224)	(224)
<b>At 1 January 2018, as stated</b>	1	(521)	22,051	15,988	–	682,657	720,176
<b>Comprehensive income</b>							
Profit for the year	–	–	–	–	–	58,147	58,147
<b>Other comprehensive income</b>							
Exchange differences on translation to presentation currency	–	–	–	(46,823)	–	–	(46,823)
Revaluation gain upon transfer of owner occupied land and buildings to investment properties	–	–	–	–	57,128	–	57,128
Deferred tax arising from transfer of owner occupied land and buildings to investments properties	–	–	–	–	(22,212)	–	(22,212)
<b>Total comprehensive income for the year</b>	–	–	–	(46,823)	34,916	58,147	46,240
<b>Balance at 31 December 2018</b>	<u>1</u>	<u>(521)</u>	<u>22,051</u>	<u>(30,835)</u>	<u>34,916</u>	<u>740,804</u>	<u>766,416</u>

	Share capital <i>HK\$'000</i>	Other reserve* <i>HK\$'000</i>	Statutory reserve* <i>HK\$'000</i>	Exchange reserve* <i>HK\$'000</i>	Revaluation reserve for property, plant and equipment* <i>HK\$'000</i>	Retained profits* <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
<b>Balance at 1 January 2019</b>	1	(521)	22,051	(30,835)	34,916	740,804	766,416
<b>Comprehensive income</b>							
Profit for the year	-	-	-	-	-	9,251	9,251
<b>Other comprehensive income</b>							
Exchange differences on translation to presentation currency	-	-	-	(12,238)	-	-	(12,238)
<b>Total comprehensive income for the year</b>	-	-	-	(12,238)	-	9,251	(2,987)
<b>Balance at 31 December 2019</b>	<u>1</u>	<u>(521)</u>	<u>22,051</u>	<u>(43,073)</u>	<u>34,916</u>	<u>750,055</u>	<u>763,429</u>
<b>Balance at 1 January 2019</b>	1	(521)	22,051	(30,835)	34,916	740,804	766,416
<b>Comprehensive income</b>							
Profit for the period	-	-	-	-	-	25,748	25,748
<b>Other comprehensive income</b>							
Exchange differences on translation to presentation currency	-	-	-	(23,684)	-	-	(23,684)
<b>Total comprehensive income for the period</b>	-	-	-	(23,684)	-	25,748	2,064
<b>Balance at 30 September 2019</b>	<u>1</u>	<u>(521)</u>	<u>22,051</u>	<u>(54,519)</u>	<u>34,916</u>	<u>766,552</u>	<u>768,480</u>

	Share capital <i>HK\$'000</i>	Other reserve* <i>HK\$'000</i>	Statutory reserve* <i>HK\$'000</i>	Exchange reserve* <i>HK\$'000</i>	Revaluation reserve for property, plant and equipment* <i>HK\$'000</i>	Retained profits* <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
<b>Balance at 1 January 2020</b>	1	(521)	22,051	(43,073)	34,916	750,055	763,429
<b>Comprehensive income</b>							
Loss for the period	-	-	-	-	-	(7,938)	(7,938)
<b>Other comprehensive income</b>							
Exchange differences on translation to presentation currency	-	-	-	12,445	-	-	12,445
<b>Total comprehensive income for the period</b>	-	-	-	12,445	-	(7,938)	4,507
<b>Balance at 30 September 2020</b>	<u>1</u>	<u>(521)</u>	<u>22,051</u>	<u>(30,628)</u>	<u>34,916</u>	<u>742,117</u>	<u>767,936</u>

\* These reserve accounts comprise the consolidated reserves in the unaudited consolidated statement of financial position.

## UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020

	Year ended 31 December			Nine months ended	
	2017	2018	2019	30 September	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>					
Profit/(loss) before income tax	83,088	66,734	11,602	27,774	(10,249)
Adjustments for:					
Depreciation and amortisation	37,674	44,773	38,455	29,789	24,339
Provision for/(reversal of) impairment losses	33,478	3,277	(33)	2,982	4,750
Net deficit on revaluation of investment properties	–	4,001	242	–	–
Interest income	(636)	(237)	(464)	(141)	(2,949)
Finance costs	4,376	6,315	6,545	5,045	4,368
(Gain)/loss on disposal of property, plant and equipment	(5)	(21)	46	(89)	45
Operating profit before working capital changes	157,975	124,842	56,393	65,360	20,304
(Increase)/decrease in trade receivables	(15,708)	10,971	13,973	7,391	5,106
(Increase)/decrease in inventories	(3,134)	10,140	20,179	16,338	33,901
Decrease/(increase) in other assets	30,523	(7,587)	(28,170)	(58,556)	(3,904)
(Decrease)/increase in trade payables	(8,650)	3,686	(22,749)	(19,668)	(15,099)
Increase/(decrease) in contract liabilities	–	–	4,979	4,566	(845)
(Decrease)/Increase in other liabilities	(144,953)	(31,176)	(21,055)	(13,443)	584

## APPENDIX IIA

## FINANCIAL INFORMATION OF EB BRAND

	Year ended 31 December			Nine months ended	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash generated from operations	16,053	110,876	23,550	1,988	40,047
Income tax paid	(31,677)	(28,795)	(3,820)	(2,627)	(952)
<b><i>Net cash (used in)/generated from operating activities</i></b>	<b><u>(15,624)</u></b>	<b><u>82,081</u></b>	<b><u>19,730</u></b>	<b><u>(639)</u></b>	<b><u>39,095</u></b>
<b>Cash flows from investing activities</b>					
Proceeds from disposal of property, plant and equipment	1,630	143	263	97	69
Purchases of property, plant and equipment	(120,760)	(31,844)	(20,953)	(16,303)	(8,478)
Interest received	636	237	464	141	2,949
Decrease/(increase) in due from remaining group	4,226	–	(68,314)	–	(3,045)
<b><i>Net cash used in investing activities</i></b>	<b><u>(114,268)</u></b>	<b><u>(31,464)</u></b>	<b><u>(88,540)</u></b>	<b><u>(16,065)</u></b>	<b><u>(8,505)</u></b>
<b>Cash flows from financing activities</b>					
Increase/(decrease) in due to remaining group	23,267	3,252	(17,209)	13,553	9,095
Interest paid	(4,376)	(6,315)	(6,545)	(5,045)	(4,368)
Proceeds from borrowings	144,120	91,096	139,700	54,915	51,264
Repayment of principal portion of the lease liabilities	–	–	(1,235)	(843)	(2,496)
Repayments of borrowings	(30,025)	(130,951)	(89,408)	(54,915)	(56,960)
Dividends paid to owners of the Company	(106,676)	–	–	–	–
<b><i>Net cash generated from/ (used in) financing activities</i></b>	<b><u>26,310</u></b>	<b><u>(42,918)</u></b>	<b><u>25,303</u></b>	<b><u>7,665</u></b>	<b><u>(3,465)</u></b>

	Year ended 31 December			Nine months ended	
	2017	2018	2019	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net (decrease)/increase in cash and cash equivalents	(103,582)	7,699	(43,507)	(9,039)	27,125
Cash and cash equivalents at the beginning of the year/period	150,042	53,395	58,245	58,245	14,381
Effect of foreign exchange rate changes, net	6,935	(2,849)	(357)	(1,574)	923
Cash and cash equivalents at the end of the year/period	<u>53,395</u>	<u>58,245</u>	<u>14,381</u>	<u>47,632</u>	<u>42,429</u>
Analysis of balances of cash and cash equivalents					
Cash and deposits	<u>53,395</u>	<u>58,245</u>	<u>14,381</u>	<u>47,632</u>	<u>42,429</u>

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION OF EB BRAND

## 1 GENERAL INFORMATION

On 16 December 2020, Citychamp Watch & Jewellery Group Limited (the “Company”) entered into a sale and purchase agreement (the “Agreement”) with Tycoon Idea Global Limited (the “Purchaser”), which is indirectly owned by Mr. Hon Kwok Lung (“Mr. Hon”), the chairman and an executive director and Ms. Lam Suk Ying, spouse of Mr. Hon, as to 80% and 20%, respectively. Pursuant to the Agreement, the Company conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the entire issued share capital and shareholder’s loan of EB Brand.

EB Brand is an investment holding company. EB Brand owns the entire issued shares in the capital of EBOHR Luxuries International Limited (依波精品(深圳) 有限公司) and its subsidiaries (collectively “EBOHR Group”). EBOHR Group is principally engaged in the manufacture and distribution of “EBOHR” brand watches and timepieces in the People’s Republic of China. Upon the completion, the Company will cease to have control over EB Brand.

Financial Information of EB Brand is presented in Hong Kong dollars, which is also the function currency of EB Brand.

## 2 BASIS OF PREPARATION

The Unaudited Financial Information for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020 (the “Relevant Periods”) (the “Unaudited Financial Information”) has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules, and solely for the purpose of inclusion in this circular.

The Unaudited Financial Information for the Relevant Periods has been prepared in accordance with the same accounting policies as set out in the annual report of the Company for the Relevant Periods. The consolidated financial statements of the Company have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) “Presentation of Financial Statements” or an interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting”, issued by the HKICPA and should be read in connection with the relevant published annual report of the Company for the Relevant Periods.

## 3 RELATED PARTY TRANSACTIONS

- (a) EB Brand had carried out the following material transactions with related parties during the years/periods:

	Year ended 31 December			Nine months ended	
	2017	2018	2019	2019	2020
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Sales to disposal group	119,750	133,351	96,430	48,029	25,154
Purchase from disposal group	127,258	130,026	94,373	46,824	24,785
Sales to remaining group	–	–	–	–	5
Interest expense to disposal group	–	1,812	1,010	960	–
Interest income from remaining group	–	–	879	–	–
	<u>–</u>	<u>–</u>	<u>879</u>	<u>–</u>	<u>–</u>

The above transactions were entered into in the normal course of business at terms mutually agreed by the relevant parties.

(b) Year/period end balances with related parties are as follows:

	As at 31 December			As at
	2017	2018	2019	30 September
	HK\$'000	HK\$'000	HK\$'000	2020
Receivables from related parties				HK\$'000
– Due from related company*	33,561	33,561	21,561	21,561
– Due from disposal group*	5,027	4,882	4,836	4,724
– Due from remaining group	568	568	67,888	72,318
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Payables to related parties				
– Due to disposal group*	24,020	28,468	11,147	18,763
– Due to remaining group	13,312	13,312	1,312	5,843
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

At 31 December 2019, due from remaining group of RMB60,000,000 (equivalent to HK\$67,320,000) were unsecured, interest bearing at 5.5% per annum and repayable on demand. Save as the aforementioned, the remaining balance of due from related company, disposal group, and remaining group were unsecured, interest-free and repayable on demand. As at 31 December 2017 and 2018 and 30 September 2020, these balances of due from related company, disposal group and remaining group were unsecured, interest-free and repayable on demand.

At 31 December 2018, due to disposal group of RMB25,000,000 (equivalent to HK\$28,468,000) were unsecured, interest bearing at 4.35% per annum and repayable on demand. At 31 December 2019, due to disposal group of RMB10,000,000 (equivalent to HK\$11,147,000) were unsecured, interest bearing at 4.35% per annum and repayable on demand. Save as the aforementioned, due to remaining group as at 31 December 2018 and 2019 were unsecured, interest-free and repayable on demand. As at 31 December 2017 and 30 September 2020, these balances of due to disposal group and remaining group were unsecured, interest-free and repayable on demand.

\* These balances have been included in other assets or other liabilities in the unaudited consolidated statement of financial position.

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**APPENDIX IIB FINANCIAL INFORMATION OF INTERNATIONAL VOLANT**

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Set out below are the financial information of International Volant Limited (“International Volant”) which comprises the unaudited consolidated statements of financial position as at 31 December 2017, 2018 and 2019 and 30 September 2020 and the unaudited consolidated statements of comprehensive income, unaudited consolidated statements of changes in equity and unaudited consolidated statements of cash flows for each of the years then ended and the nine months ended 30 September 2019 and 2020 and explanatory notes (“Financial Information”). The Financial Information has been reviewed by the independent auditor of the Company, BDO Limited, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, nothing has come to their attention that causes them to believe that the Financial Information of International Volant is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Financial Information of International Volant.

**APPENDIX IIB FINANCIAL INFORMATION OF INTERNATIONAL VOLANT**

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*for the year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020*

	Year ended 31 December			Nine months ended	
	2017	2018	2019	30 September 2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>					
Sales of goods	167,905	172,910	129,199	86,231	51,784
Cost of sales	(112,451)	(127,556)	(78,586)	(52,698)	(32,973)
<b>Gross profit</b>	55,454	45,354	50,613	33,533	18,811
Other ordinary income and other net gains or losses	(112,370)	1,546	9,555	(1,886)	4,065
Selling and distribution expenses	(84,885)	(50,944)	(41,054)	(27,018)	(17,888)
Administrative expenses	(104,693)	(82,332)	(52,829)	(36,777)	(35,525)
Finance costs	(10,555)	(9,281)	(7,665)	(4,853)	(2,834)
<b>Loss before income tax</b>	(257,049)	(95,657)	(41,380)	(37,001)	(33,371)
Income tax credit/(expense)	15,751	108	(150)	(152)	(85)
<b>Loss for the year/period</b>	(241,298)	(95,549)	(41,530)	(37,153)	(33,456)

**APPENDIX IIB FINANCIAL INFORMATION OF INTERNATIONAL VOLANT**

	Year ended 31 December			Nine months ended	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other comprehensive income</b>					
Item that will not be subsequently reclassified to profit or loss					
– Remeasurement of net defined benefit obligations	15,016	8,070	1,194	896	–
Item that may be subsequently reclassified to profit or loss					
– Exchange differences on translation to presentation currency	62,766	22,638	(43,846)	23,129	(44,029)
<b>Other comprehensive income for the year/period</b>	<u>77,782</u>	<u>30,708</u>	<u>(42,652)</u>	<u>24,025</u>	<u>(44,029)</u>
<b>Total comprehensive income for the year/period</b>	<u>(163,516)</u>	<u>(64,841)</u>	<u>(84,182)</u>	<u>(13,128)</u>	<u>(77,485)</u>
<b>Profit/(Loss) for the year/period attributable to:</b>					
Owners of the Company	(239,653)	(94,756)	(40,813)	(36,948)	(33,168)
Non-controlling interests	(1,645)	(793)	(717)	(205)	(288)
	<u>(241,298)</u>	<u>(95,549)</u>	<u>(41,530)</u>	<u>(37,153)</u>	<u>(33,456)</u>
<b>Total comprehensive income for the year/period attributable to:</b>					
Owners of the Company	(161,085)	(63,757)	(83,448)	(12,705)	(77,184)
Non-controlling interests	(2,431)	(1,084)	(734)	(423)	(301)
	<u>(163,516)</u>	<u>(64,841)</u>	<u>(84,182)</u>	<u>(13,128)</u>	<u>(77,485)</u>

**APPENDIX IIB FINANCIAL INFORMATION OF INTERNATIONAL VOLANT**

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*as at 31 December 2017, 2018 and 2019 and 30 September 2020*

	As at 31 December			As at 30
	2017	2018	2019	September
	HK\$'000	HK\$'000	HK\$'000	2020
				HK\$'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	86,522	72,093	77,091	70,851
<b>Current assets</b>				
Inventories	395,323	340,551	334,311	303,512
Trade receivables	37,644	43,648	28,675	38,134
Other assets	201,199	236,176	209,352	194,532
Cash and deposits	15,437	7,978	15,795	5,328
	649,603	628,353	588,133	541,506
<b>Current liabilities</b>				
Trade payables	51,499	47,351	79,867	30,544
Other liabilities	130,756	193,855	190,490	172,747
Lease liabilities	–	–	3,222	3,231
Borrowings	44,144	51,757	–	1,253
Income tax payables	–	–	–	122
Due to remaining group	975,807	944,128	1,021,988	1,116,320
	1,202,206	1,237,091	1,295,567	1,324,217
<b>Net current liabilities</b>	<b>(552,603)</b>	<b>(608,738)</b>	<b>(707,434)</b>	<b>(782,711)</b>

**APPENDIX IIB FINANCIAL INFORMATION OF INTERNATIONAL VOLANT**

	As at 31 December			As at 30
	2017	2018	2019	September
	HK\$'000	HK\$'000	HK\$'000	2020
				HK\$'000
<b>Total assets less current liabilities</b>	<u>(466,081)</u>	<u>(536,645)</u>	<u>(630,343)</u>	<u>(711,860)</u>
<b>Non-current liabilities</b>				
Other liabilities	8,230	3,271	1,303	–
Borrowings	16,092	15,758	–	–
Deferred tax liabilities	256	256	137	137
Lease liabilities	–	–	8,329	5,600
	<u>24,578</u>	<u>19,285</u>	<u>9,769</u>	<u>5,737</u>
<b>Net liabilities</b>	<u><u>(490,659)</u></u>	<u><u>(555,930)</u></u>	<u><u>(640,112)</u></u>	<u><u>(717,597)</u></u>
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	10	10	10	10
Reserves	<u>(470,133)</u>	<u>(534,320)</u>	<u>(617,768)</u>	<u>(694,952)</u>
	<u>(470,123)</u>	<u>(534,310)</u>	<u>(617,758)</u>	<u>(694,942)</u>
Non-controlling interests	<u>(20,536)</u>	<u>(21,620)</u>	<u>(22,354)</u>	<u>(22,655)</u>
<b>Capital deficiencies</b>	<u><u>(490,659)</u></u>	<u><u>(555,930)</u></u>	<u><u>(640,112)</u></u>	<u><u>(717,597)</u></u>

## APPENDIX IIB FINANCIAL INFORMATION OF INTERNATIONAL VOLANT

### UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020*

	Equity attributable to owners of the Company					Non- controlling interests	Total equity
	Share capital	Capital contribution*	Exchange reserve*	Accumulated losses*	Total		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		
<b>Balance at 1 January 2017</b>	10	444,233	(91,634)	(661,647)	(309,038)	(18,105)	(327,143)
<b>Comprehensive income</b>							
Loss for the year	-	-	-	(239,653)	(239,653)	(1,645)	(241,298)
<b>Other comprehensive income</b>							
Remeasurement of net defined benefit obligations	-	-	-	15,016	15,016	-	15,016
Exchange differences on translation to presentation currency	-	-	63,552	-	63,552	(786)	62,766
<b>Total comprehensive income for the year</b>	-	-	63,552	(224,637)	(161,085)	(2,431)	(163,516)
<b>Balance at 31 December 2017</b>	10	444,233	(28,082)	(886,284)	(470,123)	(20,536)	(490,659)
<b>Balance at 1 January 2018</b>	10	444,233	(28,082)	(886,284)	(470,123)	(20,536)	(490,659)
Impact on initial application of HKFRS 9	-	-	-	(430)	(430)	-	(430)
<b>At 1 January 2018, as restated</b>	10	444,233	(28,082)	(886,714)	(470,553)	(20,536)	(491,089)
<b>Comprehensive income</b>							
Loss for the year	-	-	-	(94,756)	(94,756)	(793)	(95,549)
<b>Other comprehensive income</b>							
Remeasurement of net defined benefit obligations	-	-	-	8,070	8,070	-	8,070
Exchange differences on translation to presentation currency	-	-	22,929	-	22,929	(291)	22,638
<b>Total comprehensive income for the year</b>	-	-	22,929	(86,686)	(63,757)	(1,084)	(64,841)
<b>Balance at 31 December 2018</b>	10	444,233	(5,153)	(973,400)	(534,310)	(21,620)	(555,930)

**APPENDIX IIB FINANCIAL INFORMATION OF INTERNATIONAL VOLANT**

	Equity attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Capital contribution*	Exchange reserve*	Accumulated losses*	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2019</b>	10	444,233	(5,153)	(973,400)	(534,310)	(21,620)	(555,930)
<b>Comprehensive income</b>							
Profit for the year	-	-	-	(40,813)	(40,813)	(717)	(41,530)
<b>Other comprehensive income</b>							
Remeasurement of net defined benefit obligations	-	-	-	1,194	1,194	-	1,194
Exchange differences on translation to presentation currency	-	-	(43,829)	-	(43,829)	(17)	(43,846)
<b>Total comprehensive income for the year</b>	-	-	(43,829)	(39,619)	(83,448)	(734)	(84,182)
<b>Balance at 31 December 2019</b>	<u>10</u>	<u>444,233</u>	<u>(48,982)</u>	<u>(1,013,019)</u>	<u>(617,758)</u>	<u>(22,354)</u>	<u>(640,112)</u>
<b>Balance at 1 January 2019</b>	10	444,233	(5,153)	(973,400)	(534,310)	(21,620)	(555,930)
<b>Comprehensive income</b>							
Profit for the period	-	-	-	(36,948)	(36,948)	(205)	(37,153)
<b>Other comprehensive income</b>							
Remeasurement of net defined benefit obligations	-	-	-	896	896	-	896
Exchange differences on translation to presentation currency	-	-	23,347	-	23,347	(218)	23,129
<b>Total comprehensive income for the period</b>	-	-	23,347	(36,052)	(12,705)	(423)	(13,128)
<b>Balance at 30 September 2019</b>	<u>10</u>	<u>444,233</u>	<u>18,194</u>	<u>(1,009,452)</u>	<u>(547,015)</u>	<u>(22,043)</u>	<u>(569,058)</u>

**APPENDIX IIB FINANCIAL INFORMATION OF INTERNATIONAL VOLANT**

	Equity attributable to owners of the Company				Total	Non-controlling interests	Total equity
	Share capital	Capital contribution*	Exchange reserve*	Accumulated losses*			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2020</b>	10	444,233	(48,982)	(1,013,019)	(617,758)	(22,354)	(640,112)
<b>Comprehensive income</b>							
Profit for the period	-	-	-	(33,168)	(33,168)	(288)	(33,456)
<b>Other comprehensive income</b>							
Exchange differences on translation to presentation currency	-	-	(44,016)	-	(44,016)	(13)	(44,029)
<b>Total comprehensive income for the period</b>	-	-	(44,016)	(33,168)	(77,184)	(301)	(77,485)
<b>Balance at 30 September 2020</b>	<u>10</u>	<u>444,233</u>	<u>(92,998)</u>	<u>(1,046,187)</u>	<u>(694,942)</u>	<u>(22,655)</u>	<u>(717,597)</u>

\* These reserve accounts comprise the consolidated reserves in the unaudited consolidated statement of financial position.

## APPENDIX IIB FINANCIAL INFORMATION OF INTERNATIONAL VOLANT

### UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash flows from operating activities</b>					
Loss before income tax	(257,049)	(95,657)	(41,380)	(37,001)	(33,371)
Adjustments for:					
Interest income	(343)	(519)	(479)	(318)	(479)
Finance costs	10,555	9,281	7,665	4,853	2,834
Depreciation and amortisation	24,300	16,232	18,238	11,552	8,487
Provision and impairment losses	116,389	839	207	(433)	3,971
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Operating loss before working capital changes	(106,148)	(69,824)	(15,749)	(21,347)	(18,558)
(Increase)/decrease in inventories	(79,777)	49,327	9,492	55,849	27,551
Decrease/(increase) in trade receivables	30,090	(7,837)	15,199	18,943	(13,830)
(Increase)/decrease in other assets	(1,084)	53,218	(26,880)	(65,100)	399
(Decrease)/increase in trade payables	(105,321)	(2,737)	30,793	23,526	(45,990)
Increase/(decrease) in other liabilities	24,312	(3,101)	8,348	(532)	(2,056)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash (used in)/generated from operating activities</b>	<u>(237,928)</u>	<u>19,046</u>	<u>21,203</u>	<u>11,339</u>	<u>(52,484)</u>

**APPENDIX IIB FINANCIAL INFORMATION OF INTERNATIONAL VOLANT**

	Year ended 31 December			Nine months ended	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from investing activities</b>					
Purchases of property, plant and equipment	–	–	(9,366)	(6,931)	–
Interest received	343	519	479	318	479
<b>Net cash generated from/(used in) investing activities</b>	<u>343</u>	<u>519</u>	<u>(8,887)</u>	<u>(6,613)</u>	<u>479</u>
<b>Cash flows from financing activities</b>					
Interest paid	(6,617)	(5,573)	(4,053)	(2,083)	(1,080)
Repayment of borrowings	(76,001)	3,571	(70,622)	(54,614)	1,253
Repayment of principal portion of the lease liabilities	–	–	(3,323)	(2,493)	(2,492)
Increase/(decrease) in due to remaining group	323,417	(31,679)	77,860	60,649	48,410
<b>Net cash generated from/(used in) financing activities</b>	<u>240,799</u>	<u>(33,681)</u>	<u>(138)</u>	<u>1,459</u>	<u>46,091</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	3,214	(14,116)	12,178	6,185	(5,914)
<b>Cash and cash equivalents at the beginning of the year/period</b>	9,887	15,437	7,978	7,978	15,795
<b>Effect of foreign exchange rate changes, net</b>	<u>2,336</u>	<u>6,657</u>	<u>(4,361)</u>	<u>1,579</u>	<u>(4,553)</u>
<b>Cash and cash equivalents at the end of the year/period</b>	<u>15,437</u>	<u>7,978</u>	<u>15,795</u>	<u>15,742</u>	<u>5,328</u>
<b>Analysis of balances of cash and cash equivalents</b>					
Cash and deposits	<u>15,437</u>	<u>7,978</u>	<u>15,795</u>	<u>15,742</u>	<u>5,328</u>

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION OF INTERNATIONAL VOLANT****1 GENERAL INFORMATION**

On 16 December 2020, Citychamp Watch & Jewellery Group Limited (the “Company”) entered into a sale and purchase agreement (the “Agreement”) with Tycoon Idea Global Limited (the “Purchaser”), which is indirectly owned by Mr. Hon Kwok Lung (“Mr. Hon”), the chairman and an executive director and Ms. Lam Suk Ying, spouse of Mr. Hon, as to 80% and 20%, respectively. Pursuant to the Agreement, the Company conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the entire issued share capital and shareholder’s loan of International Volant.

International Volant is an investment holding company. International Volant and its subsidiaries (collectively “International Volant Group”) own the watch brands “Eterna” and “Rotary”. Upon the completion, the Company will cease to have control over International Volant.

Financial Information of International Volant is presented in Hong Kong dollars, which is also the function currency of International Volant.

**2 BASIS OF PREPARATION**

The unaudited Financial Information for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020 (the “Relevant Periods”) (the “Unaudited Financial Information”) has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules, and solely for the purpose of inclusion in this circular.

The Unaudited Financial Information for the Relevant Periods has been prepared in accordance with the same accounting policies as set out in the annual report of the Company for the Relevant Periods. The consolidated financial statements of the Company have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) “Presentation of Financial Statements” or an interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting”, issued by the HKICPA and should be read in connection with the relevant published annual report of the Company for the Relevant Periods.

The Unaudited Financial Information have been prepared on a going concern basis though International Volant Group had net current liabilities and capital deficiencies of (i) HK\$782,711,000 and HK\$717,597,000 as at 30 September 2020; (ii) HK\$707,434,000 and HK\$640,112,000 as at 31 December 2019; (iii) HK\$608,738,000 and HK\$555,930,000 as at 31 December 2018; and (iv) HK\$552,603,000 and HK\$490,659,000 as at 31 December 2017, respectively. The going concern basis has been adopted on the basis of (a) the undertaking from the ultimate holding company to provide adequate continuing financial support to International Volant Group and (ii) the undertakings from the disposal group companies, remaining group companies and related parties for not to demand repayment of debts from International Volant Group until such time when the repayment will not affect International Volant Group’s ability to repay other creditors in the normal course of business. Accordingly, the Unaudited Financial Information have been prepared on a going concern basis.

Should International Volant Group be unable to continue in business as a going concern, adjustments would have to be made to reduce the value of assets to their realisable amounts, and to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The Unaudited Financial Information do not include any adjustments relating to the carrying amounts and reclassifications of assets and liabilities that might be necessary should International Volant Group be unable to continue as a going concern.

## APPENDIX IIB FINANCIAL INFORMATION OF INTERNATIONAL VOLANT

### 3 RELATED PARTY TRANSACTIONS

(a) The Group had carried out the following material transactions with related parties during the years/periods:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales to disposal group	4,820	6,681	2,444	809	–
Purchase from disposal group	350	8,133	6,748	1,766	–
Purchase from related parties	–	2,210	10,623	7,967	–
	<u>–</u>	<u>2,210</u>	<u>10,623</u>	<u>7,967</u>	<u>–</u>

The above transactions were entered into in the normal course of business at terms mutually agreed by the relevant parties.

(b) Year/period end balances with related parties are as follows:

	As at 31 December			As at
	2017	2018	2019	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Receivables from related parties				
– Due from disposal group*	94,708	102,747	79,904	70,408
	<u>94,708</u>	<u>102,747</u>	<u>79,904</u>	<u>70,408</u>
Payables to related parties				
– Due to disposal group*	65,844	132,044	120,331	105,375
– Due to remaining group	975,807	944,128	1,021,988	1,116,320
– Due to related parties*	29,079	28,021	39,911	36,929
	<u>1,070,730</u>	<u>1,104,193</u>	<u>1,182,230</u>	<u>1,258,624</u>

Due from disposal group were unsecured, interest-free and repayable on demand.

At 2017, 2018, 2019 and 30 September 2020, due to remaining group of CHF9,145,080 (equivalent to HK\$76,246,000, HK\$72,782,000, HK\$73,608,000 and HK\$76,942,000 respectively) were unsecured, interest bearing at 5% per annum and repayable on demand. Save as the aforementioned amount, the remaining balances of due to remaining group, disposal group and related parties were unsecured, interest-free and repayable on demand.

\* These balances have been included in other assets or other liabilities in the unaudited consolidated statement of financial position.

Set out below are the financial information of Jia Cheng Investment Limited (“Jia Cheng”) which comprises the unaudited combined statements of financial position as at 31 December 2017, 2018 and 2019 and 30 September 2020 and the unaudited combined statements of comprehensive income, unaudited combined statements of changes in equity and unaudited combined statements of cash flows for each of the years then ended and the nine months ended 30 September 2019 and 2020 and explanatory notes (“Financial Information”). The Financial Information has been reviewed by the independent auditor of the Company, BDO Limited, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, nothing has come to their attention that causes them to believe that the Financial Information of Jia Cheng is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Financial Information of Jia Cheng.

## UNAUDITED COMBINED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020

	Year ended 31 December			Nine months ended	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>					
Sales of goods	1,294,136	1,348,065	1,240,626	963,351	594,862
Cost of sales	(534,065)	(545,286)	(561,924)	(442,165)	(291,531)
<b>Gross profit</b>	760,071	802,779	678,702	521,186	303,331
Other ordinary income and other net gains or losses	31,912	43,905	50,065	31,697	23,571
Selling and distribution expenses	(337,074)	(397,193)	(403,150)	(296,906)	(218,513)
Administrative expenses	(98,267)	(103,016)	(97,409)	(67,997)	(54,031)
Finance costs	(2,753)	(770)	(10,135)	(6,655)	(11,898)
<b>Profit before income tax</b>	353,889	345,705	218,073	181,325	42,460
Income tax expense	(56,364)	(67,887)	(42,017)	(35,234)	(17,817)
<b>Profit for the year/period</b>	297,525	277,818	176,056	146,091	24,643
<b>Other comprehensive income</b>					
– Exchange differences on translation to presentation currency	81,037	(66,694)	(45,335)	(54,353)	10,312
<b>Other comprehensive income for the year/period</b>	81,037	(66,694)	(45,335)	(54,353)	10,312
<b>Total comprehensive income for the year/period</b>	378,562	211,124	130,721	91,738	34,955

	Year ended 31 December			Nine months ended	
	2017	2018	2019	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the year attributable to:</b>					
Owners of the Company	269,964	249,317	157,636	130,645	21,382
Non-controlling interests	27,561	28,501	18,420	15,446	3,261
	<u>297,525</u>	<u>277,818</u>	<u>176,056</u>	<u>146,091</u>	<u>24,643</u>
<b>Total comprehensive income for the year attributable to:</b>					
Owners of the Company	352,843	189,704	114,973	76,292	31,692
Non-controlling interests	25,719	21,420	15,748	15,446	3,263
	<u>378,562</u>	<u>211,124</u>	<u>130,721</u>	<u>91,738</u>	<u>34,955</u>

## UNAUDITED COMBINED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017, 2018 and 2019 and 30 September 2020

	As at 31 December			As at 30
	2017	2018	2019	September
	HK\$'000	HK\$'000	HK\$'000	2020
				HK\$'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	299,179	283,086	326,791	324,611
Prepaid land lease payments	42,530	39,298	–	–
Goodwill	621,382	623,243	611,694	600,006
Interests in associates	150	150	150	150
Available-for-sale financial assets	78	–	–	–
Intangible assets	6,220	4,480	2,784	1,626
Deferred tax assets	–	2,619	2,619	2,619
Financial assets at fair value through other comprehensive income	–	74	73	74
	<u>969,539</u>	<u>952,950</u>	<u>944,111</u>	<u>929,086</u>
<b>Current assets</b>				
Inventories	689,122	692,659	688,610	642,059
Trade receivables	264,773	256,565	206,376	180,312
Prepaid land lease payments	264	639	–	–
Trading portfolio investments	–	4,094	10,847	4,221
Financial assets at fair value through other comprehensive income	–	5,637	5,532	5,639
Available-for-sale financial assets	65,770	–	–	–
Other assets	286,843	225,514	196,392	170,399
Due from remaining group	–	–	77,095	114,848
Income tax recoverable	–	3,125	5,363	2,269
Cash and deposits	160,931	166,275	180,718	71,462
	<u>1,467,703</u>	<u>1,354,508</u>	<u>1,370,933</u>	<u>1,191,209</u>

	As at 31 December			As at 30
	2017	2018	2019	September
	HK\$'000	HK\$'000	HK\$'000	2020 HK\$'000
<b>Current liabilities</b>				
Trade payables	74,343	76,487	77,225	34,187
Contract liabilities	–	30,899	12,416	5,380
Other liabilities	173,447	140,110	125,028	113,429
Lease liabilities	–	–	6,792	7,909
Borrowings	–	90,883	207,867	209,964
Income tax payables	22,578	15,529	7,071	7,252
Due to remaining group	216,887	209,343	222,133	224,810
	<u>487,255</u>	<u>563,251</u>	<u>658,532</u>	<u>602,931</u>
<b>Net current assets</b>	<u>980,448</u>	<u>791,257</u>	<u>712,401</u>	<u>588,278</u>
<b>Total assets less current liabilities</b>	<u>1,949,987</u>	<u>1,744,207</u>	<u>1,656,512</u>	<u>1,517,364</u>
<b>Non-current liabilities</b>				
Lease liabilities	–	–	3,344	–
<b>Net assets</b>	<u>1,949,987</u>	<u>1,744,207</u>	<u>1,653,168</u>	<u>1,517,364</u>
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	1	1	1	1
Reserves	<u>1,764,283</u>	<u>1,583,173</u>	<u>1,493,660</u>	<u>1,370,717</u>
	1,764,284	1,583,174	1,493,661	1,370,718
Non-controlling interests	<u>185,703</u>	<u>161,033</u>	<u>159,507</u>	<u>146,646</u>
<b>Total equity</b>	<u>1,949,987</u>	<u>1,744,207</u>	<u>1,653,168</u>	<u>1,517,364</u>

**UNAUDITED COMBINED STATEMENT OF CHANGES IN EQUITY**

for the year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020

	Equity attributable to owners of the Company					Non- controlling interests	Total equity
	Share capital	Statutory reserve*	Exchange reserve*	Retained profits*	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
<b>Balance at 1 January 2017</b>	1	29,440	(99,900)	1,591,908	1,521,449	172,121	1,693,570
<b>Transactions with owners</b>							
Dividend paid	–	–	–	(110,008)	(110,008)	(12,137)	(122,145)
<b>Total transactions with owners</b>	–	–	–	(110,008)	(110,008)	(12,137)	(122,145)
<b>Comprehensive income</b>							
Profit for the year	–	–	–	269,964	269,964	27,561	297,525
<b>Other comprehensive income</b>							
Exchange differences on translation to presentation currency	–	–	82,879	–	82,879	(1,842)	81,037
<b>Total comprehensive income for the year</b>	–	–	82,879	269,964	352,843	25,719	378,562
Appropriation to statutory reserve	–	35,360	–	(35,360)	–	–	–
<b>Balance at 31 December 2017</b>	<u>1</u>	<u>64,800</u>	<u>(17,021)</u>	<u>1,716,504</u>	<u>1,764,284</u>	<u>185,703</u>	<u>1,949,987</u>

	Equity attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Statutory reserve*	Exchange reserve*	Retained profits*	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 31 December 2017</b>	1	64,800	(17,021)	1,716,504	1,764,284	185,703	1,949,987
Impact on initial application of HKFRS 9	–	–	–	(3,688)	(3,688)	(110)	(3,798)
<b>At 1 January 2018, as restated</b>	1	64,800	(17,021)	1,712,816	1,760,596	185,593	1,946,189
<b>Transactions with owners</b>							
Dividend paid	–	–	–	(367,126)	(367,126)	(45,980)	(413,106)
<b>Total transactions with owners</b>	–	–	–	(367,126)	(367,126)	(45,980)	(413,106)
<b>Comprehensive income</b>							
Profit for the year	–	–	–	249,317	249,317	28,501	277,818
<b>Other comprehensive income</b>							
Exchange differences on translation to presentation currency	–	–	(59,613)	–	(59,613)	(7,081)	(66,694)
<b>Total comprehensive income for the year</b>	–	–	(59,613)	249,317	189,704	21,420	211,124
Appropriation to statutory reserve	–	12,184	–	(12,184)	–	–	–
<b>Balance at 31 December 2018</b>	<b>1</b>	<b>76,984</b>	<b>(76,634)</b>	<b>1,582,823</b>	<b>1,583,174</b>	<b>161,033</b>	<b>1,744,207</b>

## APPENDIX IIC

## FINANCIAL INFORMATION OF JIA CHENG

	Equity attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Statutory reserve*	Exchange reserve*	Retained profits*	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2019</b>	1	76,984	(76,634)	1,582,823	1,583,174	161,033	1,744,207
<b>Transactions with owners</b>							
Dividend paid	–	–	–	(204,486)	(204,486)	(17,274)	(221,760)
<b>Total transactions with owners</b>	–	–	–	(204,486)	(204,486)	(17,274)	(221,760)
<b>Comprehensive income</b>							
Profit for the year	–	–	–	157,636	157,636	18,420	176,056
<b>Other comprehensive income</b>							
Exchange differences on translation to presentation currency	–	–	(42,663)	–	(42,663)	(2,672)	(45,335)
<b>Total comprehensive income for the year</b>	–	–	(42,663)	157,636	114,973	15,748	130,721
<b>Balance at 31 December 2019</b>	<u>1</u>	<u>76,984</u>	<u>(119,297)</u>	<u>1,535,973</u>	<u>1,493,661</u>	<u>159,507</u>	<u>1,653,168</u>
<b>Balance at 1 January 2019</b>	1	76,984	(76,634)	1,582,823	1,583,174	161,033	1,744,207
<b>Transactions with owners</b>							
Dividend paid	–	–	–	(161,043)	(161,043)	(12,764)	(173,807)
<b>Total transactions with owners</b>	–	–	–	(161,043)	(161,043)	(12,764)	(173,807)
<b>Comprehensive income</b>							
Profit for the period	–	–	–	130,645	130,645	15,446	146,091
<b>Other comprehensive income</b>							
Exchange differences on translation to presentation currency	–	–	(54,353)	–	(54,353)	–	(54,353)
<b>Total comprehensive income for the period</b>	–	–	(54,353)	130,645	76,292	15,446	91,738
<b>Balance at 30 September 2019</b>	<u>1</u>	<u>76,984</u>	<u>(130,987)</u>	<u>1,552,425</u>	<u>1,498,423</u>	<u>163,715</u>	<u>1,662,138</u>

	Equity attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Statutory reserve*	Exchange reserve*	Retained profits*	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2020</b>	1	76,984	(119,297)	1,535,973	1,493,661	159,507	1,653,168
<b>Transactions with owners</b>							
Dividend paid	–	–	–	(154,635)	(154,635)	(16,124)	(170,759)
<b>Total transactions with owners</b>	–	–	–	(154,635)	(154,635)	(16,124)	(170,759)
<b>Comprehensive income</b>							
Profit for the period	–	–	–	21,382	21,382	3,261	24,643
<b>Other comprehensive income</b>							
Exchange differences on translation to presentation currency	–	–	10,310	–	10,310	2	10,312
<b>Total comprehensive income for the period</b>	–	–	10,310	21,382	31,692	3,263	34,955
<b>Balance at 30 September 2020</b>	<u>1</u>	<u>76,984</u>	<u>(108,987)</u>	<u>1,402,720</u>	<u>1,370,718</u>	<u>146,646</u>	<u>1,517,364</u>

\* These reserve accounts comprise the consolidated reserves in the unaudited consolidated statement of financial position.

## UNAUDITED COMBINED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020

	Year ended 31 December			Nine months ended	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>					
Profit before income tax	353,889	345,705	218,073	181,325	42,460
Adjustments for:					
Interest income	(5,857)	(6,749)	(8,199)	(4,629)	(8,199)
Finance costs	2,753	770	10,135	6,655	11,898
Depreciation and amortisation	15,132	20,919	37,659	24,090	27,391
Loss on disposal of property, plant and equipment	77	38	56	53	26
Provision and impairment losses	325	472	4,188	488	1,340
Operating profit before working capital changes	366,319	361,155	261,912	207,982	74,916
(Increase)/decrease in inventories	(512)	(26,338)	(4,077)	21,291	38,449
(Increase)/decrease in trade receivables	(49,008)	(4,084)	42,669	22,365	21,646
(Increase)/decrease in other assets	(54,101)	54,974	2,141	16,209	24,774
(Decrease)/increase in trade payables	(36,111)	5,265	1,865	(32,177)	(41,896)
Increase/(decrease) in other liabilities	55,291	(12,842)	16,107	1,181	(19,929)
Decrease in contract liabilities	–	–	(18,483)	(23,076)	(7,036)
Cash generated from operations	281,878	378,130	302,134	213,775	90,924
Income tax paid	(54,346)	(82,191)	(52,713)	(42,838)	(14,541)
<b>Net cash generated from operating activities</b>	<b>227,532</b>	<b>295,939</b>	<b>249,421</b>	<b>170,937</b>	<b>76,383</b>

	Year ended 31 December			Nine months ended	
	2017	2018	2019	30 September	
	HK\$'000	HK\$'000	HK\$'000	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from investing activities</b>					
Decrease in trading portfolio investments	–	56,039	–	–	6,626
Purchases of property, plant and equipment	(89,950)	(2,047)	(31,685)	(12,997)	(24,107)
Interest received	5,857	6,749	8,199	4,629	8,199
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash (used in)/generated from investing activities</b>	<u>(84,093)</u>	<u>60,741</u>	<u>(23,486)</u>	<u>(8,368)</u>	<u>(9,282)</u>
<b>Cash flows from financing activities</b>					
Dividends paid to owners of the Company	(110,008)	(367,126)	(204,486)	(161,043)	(154,636)
Dividends paid to non-controlling interests	(12,137)	(43,814)	(18,720)	(12,764)	–
Proceeds from borrowings	–	90,883	116,984	135,183	2,097
Interest paid	(2,753)	(770)	(9,580)	(6,092)	(11,500)
Repayment of principal portion of the lease liabilities	–	–	(7,111)	(5,333)	(7,476)
Decrease in due to remaining group	(44,298)	(37,544)	(64,305)	(58,139)	(24,766)
(Decrease)/increase in due to non-controlling interest	11,264	16,659	(2,478)	(10,168)	(6,617)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash used in financing activities</b>	<u>(157,932)</u>	<u>(341,712)</u>	<u>(189,696)</u>	<u>(118,356)</u>	<u>(202,898)</u>

	Year ended 31 December			Nine months ended	
	2017	2018	2019	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net (decrease)/increase in cash and cash equivalents	(14,493)	14,968	36,239	44,213	(135,797)
Cash and cash equivalents at the beginning of the year/period	156,573	160,931	166,275	166,275	180,718
Effect of foreign exchange rate changes, net	<u>18,851</u>	<u>(9,624)</u>	<u>(21,796)</u>	<u>(36,627)</u>	<u>26,541</u>
Cash and cash equivalents at the end of the year/period	<u>160,931</u>	<u>166,275</u>	<u>180,718</u>	<u>173,861</u>	<u>71,462</u>
Analysis of balances of cash and cash equivalents					
Cash and deposits	<u>160,931</u>	<u>166,275</u>	<u>180,718</u>	<u>173,861</u>	<u>71,462</u>

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION OF JIA CHENG

## 1 GENERAL INFORMATION

On 16 December 2020, Citychamp Watch & Jewellery Group Limited (the “Company”) entered into a sale and purchase agreement (the “Agreement”) with Tycoon Idea Global Limited (the “Purchaser”), which is indirectly owned by Mr. Hon Kwok Lung (“Mr. Hon”), the chairman and an executive director and Ms. Lam Suk Ying, spouse of Mr. Hon, as to 80% and 20%, respectively. Pursuant to the Agreement, the Company conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the entire issued share capital and shareholder’s loan of Jia Cheng.

Jia Cheng is an investment holding company. Jia Cheng owns the entire issued shares in the capital of Actor Investments Limited, which owns 91% of issued shares in the equity interests of Zhuhai Rossini Watch Industry Limited (珠海羅西尼錶有限公司) and its subsidiaries (collectively “Jia Cheng Group”). Jia Cheng Group is principally engaged in the manufacture and distribution of “Rossini” brand watches and timepieces in the People’s Republic of China. Upon the completion, the Company will cease to have control over Jia Cheng.

Financial Information of Jia Cheng is presented in Hong Kong dollars, which is also the function currency of Jia Cheng.

As at 30 September 2020, the particulars of the principal entities in Jia Cheng Group are set out below:

Name of subsidiaries	Place and date of incorporation	Issued and fully paid share capital	Effective interest held by the Company	Principal activities
Actor Investments Limited 安達投資有限公司	Hong Kong	HK10,000	100%	Investment holding
Zhuhai Rossini Watch Industry Limited 珠海羅西尼錶業有限公司	PRC	RMB180,000,000	91%	Manufacture and distribution of watches and timepieces
Zhuhai Rossini Glasses Industry Limited 珠海羅西尼眼鏡有限公司	PRC	RMB1,000,000	91%	Distribution of glasses
Sino Swiss Clock & Watch Technology Limited 中瑞(珠海)鐘錶技術有限公司	PRC	RMB5,000,000	91%	Provision of services in watch maintenance and repairment and technical advisory
Guangdong Juxin Watch Co., Limited 廣東鉅信鐘錶連鎖有限公司	PRC	RMB15,000,000	51%	Distribution of watches and timepieces
Liaoning Hengjia Horologe Co., Limited 遼寧恒嘉鐘錶有限公司	PRC	RMB25,500,000	51%	Distribution of watches and timepieces
Jilin Dayou Watch Limited 吉林大有鐘錶有限公司	PRC	RMB15,000,000	51%	Distribution of watches and timepieces
Guangzhou Five Goat Watch Co., Limited 廣州五羊錶業有限公司	PRC	RM100,000,000	74%	Manufacture and distribution of watches and timepiece

Name of subsidiaries	Place and date of incorporation	Issued and fully paid share capital	Effective interest held by the Company	Principal activities
Shenzhen Permanence Commerce Co., Limited 深圳市恒譽嘉時貿易有限公司	PRC	RMB23,000,000	91%	Distribution of watches and timepieces

## 2 BASIS OF PREPARATION

The unaudited Financial Information for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020 (the “Relevant Periods”) (the “Unaudited Financial Information”) has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules, and solely for the purpose of inclusion in this circular.

The Company has carried out a group reorganisation in March 2017. Certain subsidiaries have been reorganised under the control of Jia Cheng Group during the year ended 31 December 2017. Since all entities comprising Jia Cheng Group are under common control of the Company during the Relevant Periods (or where the companies comprising Jia Cheng Group were acquired or established at a date later than 1 January 2017 and for the period from the date of acquisition or establishment to 30 September 2020) but do not constitute a separate legal consolidated group throughout the track record period, the Unaudited Financial Information has been presented on combined basis using the principles of merger accounting.

The Unaudited Financial Information has been prepared and measured at the carrying amount of the entities comprising Jia Cheng Group reflected in the consolidated financial statements of the Company and its subsidiaries (the “Group”) for the Relevant Periods. It is prepared by combination of the relevant financial statements and adjusted by the effects of investment in certain subsidiaries reflected in the consolidation financial statements of the Group that are directly attributable to Jia Cheng Group as if the combination has occurred from the date when the companies first came under the control of the Company. All material intra-group transactions and balances have been eliminated when preparing the Unaudited Financial Information.

The Unaudited Financial Information for the Relevant Periods has been prepared in accordance with the same accounting policies as set out in the annual report of the Company for the Relevant Periods. The consolidated financial statements of the Company have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) “Presentation of Financial Statements” or an interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting”, issued by the HKICPA and should be read in connection with the relevant published annual report of the Company for the Relevant Periods.

## 3 RELATED PARTY TRANSACTIONS

- (a) The Jia Cheng had carried out the following material transactions with related parties during the years/periods:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to disposal group	4,820	8,531	6,127	1,162	739
Purchases from disposal group	3,248	4,235	6,087	2,214	1,550
Purchases from remaining group	–	2,187	2,839	2,084	3,237
Interest paid to remaining group	378	–	–	–	–
Interest from remaining group	–	67	2,463	977	1,434
Interest from disposal group	–	1,812	1,010	960	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The above transactions were entered into in the normal course of business at terms mutually agreed by the relevant parties.

- (b) Year/period end balances with related parties are as follows:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Receivables from related parties				
– Due from disposal group*	99,124	95,881	69,934	63,781
– Due from remaining group	–	–	77,095	114,848
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Payables to related parties				
– Due to remaining group	216,887	209,343	222,133	224,810
– Due to non-controlling shareholder*	34,086	50,743	48,265	57,772
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

As at 31 December 2017, these balances of due from disposal group were unsecured, interest-free and repayable on demand.

At 31 December 2018, due from disposal group of RMB25,000,000 (equivalent to HK\$28,468,000) were unsecured, interest bearing at 4.35% per annum and repayable on demand. At 31 December 2019, due from disposal group of RMB10,000,000 (equivalent to HK\$11,176,306) were unsecured, interest bearing at 4.35% per annum and repayable on demand. Save as the aforementioned, the remaining balance of due from disposal group as at 31 December 2018 and 2019 and 30 September 2020 were unsecured, interest-free and repayable on demand.

At 31 December 2019 and 30 September 2020, due from remaining group of RMB68,200,000 and RMB91,000,000 (equivalent to HK\$77,095,520 and HK\$103,663,000) were unsecured, interest bearing at range from 5% to 6% and repayable on demand, save as the aforementioned, the remaining balance of due from disposal group were unsecured, interest-free and repayable on demand.

Due to remaining group and non-controlling interests were unsecured interest-free and repayable on demand.

\* These balances have been included in other assets or other liabilities in the unaudited combined statement of financial position.

Set out below are the financial information of Joyful Surplus International Limited (“Joyful Surplus”) which comprises the unaudited consolidated statements of financial position as at 31 December 2017, 2018 and 2019 and 30 September 2020 and the unaudited consolidated statements of comprehensive income, unaudited consolidated statements of changes in equity and unaudited consolidated statements of cash flows for each of the years then ended and the nine months ended 30 September 2019 and 2020 and explanatory notes (“Financial Information”). The Financial Information has been reviewed by the independent auditor of the Company, BDO Limited, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, nothing has come to their attention that causes them to believe that the Financial Information of Joyful Surplus is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Financial Information of Joyful Surplus.

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>					
Sales of goods	352,759	312,130	273,373	186,981	67,549
Cost of sales	(204,997)	(152,304)	(132,792)	(88,275)	(33,360)
<b>Gross profit</b>	147,762	159,826	140,581	98,706	34,189
Other ordinary income and other net gains or losses	(37,412)	55	–	–	–
Selling and distribution expenses	(101,281)	(108,093)	(97,884)	(60,982)	(33,788)
Administrative expenses	(111,294)	(70,208)	(83,217)	(72,003)	(54,370)
Finance costs	(1,098)	(1,222)	(1,274)	(1,053)	(845)
<b>Loss before income tax</b>	(103,323)	(19,642)	(41,794)	(35,332)	(54,814)
Income tax expense	(1,338)	(1,683)	(854)	(640)	(666)
<b>Loss for the year/period</b>	(104,661)	(21,325)	(42,648)	(35,972)	(55,480)
<b>Other comprehensive income</b>					
Item that will not be subsequently reclassified to profit or loss					
– Remeasurement of net defined benefit obligations	7,198	5,728	7,981	5,986	–
Item that may be subsequently reclassified to profit or loss					
– Exchange differences on translation to presentation currency	(3,259)	(15,793)	(6,534)	(3,492)	(11,666)
<b>Other comprehensive income for the year/period</b>	3,939	(10,065)	1,447	2,494	(11,666)
<b>Total comprehensive income for the year/period</b>	(100,722)	(31,390)	(41,201)	(33,478)	(67,146)

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017, 2018 and 2019 and 30 September 2020

	As at 31 December			As at 30
	2017	2018	2019	September
	HK\$'000	HK\$'000	HK\$'000	2020
				HK\$'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	126,565	134,570	123,662	106,260
Other assets	478	435	434	453
	<u>127,043</u>	<u>135,005</u>	<u>124,096</u>	<u>106,713</u>
<b>Current assets</b>				
Inventories	407,900	393,782	427,911	436,380
Trade receivables	72,662	102,277	114,625	79,909
Other assets	29,223	47,175	46,907	44,543
Cash and deposits	22,402	13,334	9,609	6,890
	<u>532,187</u>	<u>556,568</u>	<u>599,052</u>	<u>567,722</u>
<b>Current liabilities</b>				
Trade payables	34,897	48,514	53,398	48,503
Other liabilities	106,063	109,282	94,807	106,031
Lease liabilities	–	–	577	485
Income tax payables	–	1,612	–	–
Borrowings	48,035	47,752	48,293	54,687
Due to remaining group	937,951	984,991	1,070,552	1,087,897
	<u>1,126,946</u>	<u>1,192,151</u>	<u>1,267,627</u>	<u>1,297,603</u>
<b>Net current liabilities</b>	<u>(594,759)</u>	<u>(635,583)</u>	<u>(668,575)</u>	<u>(729,881)</u>
<b>Total assets less current liabilities</b>	<u>(467,716)</u>	<u>(500,578)</u>	<u>(544,479)</u>	<u>(623,168)</u>

	As at 31 December			As at 30
	2017	2018	2019	September
	HK\$'000	HK\$'000	HK\$'000	2020
				HK\$'000
<b>Non-current liabilities</b>				
Other payables	<u>30,903</u>	<u>30,016</u>	<u>27,316</u>	<u>15,773</u>
<b>Net liabilities</b>	<u>(498,619)</u>	<u>(530,594)</u>	<u>(571,795)</u>	<u>(638,941)</u>
<b>EQUITY</b>				
Share capital	10	10	10	10
Reserves	<u>(498,629)</u>	<u>(530,604)</u>	<u>(571,805)</u>	<u>(638,951)</u>
<b>Capital deficiencies</b>	<u>(498,619)</u>	<u>(530,594)</u>	<u>(571,795)</u>	<u>(638,941)</u>

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020

	Share capital HK\$'000	Exchange reserve* HK\$'000	Accumulated losses* HK\$'000	Total equity HK\$'000
<b>Balance at 1 January 2017</b>	10	10,331	(408,238)	(397,897)
<b>Comprehensive income</b>				
Loss for the year	–	–	(104,661)	(104,661)
<b>Other comprehensive income</b>				
Remeasurement of net defined benefit obligations	–	–	7,198	7,198
Exchange differences on translation to presentation currency	–	(3,259)	–	(3,259)
	–	(3,259)	(97,463)	(100,722)
<b>Balance at 31 December 2017</b>	<u>10</u>	<u>7,072</u>	<u>(505,701)</u>	<u>(498,619)</u>
<b>Balance at 31 December 2017</b>	10	7,072	(505,701)	(498,619)
Impact on initial application of HKFRS 9	–	–	(585)	(585)
<b>At 1 January 2018, as restated</b>	10	7,072	(506,286)	(499,204)
<b>Comprehensive income</b>				
Loss for the year	–	–	(21,325)	(21,325)
<b>Other comprehensive income</b>				
Remeasurement of net defined benefit obligations	–	–	5,728	5,728
Exchange differences on translation to presentation currency	–	(15,793)	–	(15,793)
<b>Total comprehensive income for the year</b>	–	(15,793)	(15,597)	(31,390)
<b>Balance at 31 December 2018</b>	<u>10</u>	<u>(8,721)</u>	<u>(521,883)</u>	<u>(530,594)</u>

	Share capital <i>HK\$'000</i>	Exchange reserve* <i>HK\$'000</i>	Accumulated losses* <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
<b>Balance at 1 January 2019</b>	10	(8,721)	(521,883)	(530,594)
<b>Comprehensive income</b>				
Loss for the year	–	–	(42,648)	(42,648)
<b>Other comprehensive income</b>				
Remeasurement of net defined benefit obligations	–	–	7,981	7,981
Exchange differences on translation to presentation currency	–	(6,534)	–	(6,534)
<b>Total comprehensive income for the year</b>		(6,534)	(34,667)	(41,201)
<b>Balance at 31 December 2019</b>	<u>10</u>	<u>(15,255)</u>	<u>(556,550)</u>	<u>(571,795)</u>
<b>Balance at 1 January 2019</b>	10	(8,721)	(521,883)	(530,594)
<b>Comprehensive income</b>				
Loss for the period	–	–	(35,972)	(35,972)
<b>Other comprehensive income</b>				
Remeasurement of net defined benefit obligations	–	–	5,986	5,986
Exchange differences on translation to presentation currency	–	(3,492)	–	(3,492)
<b>Total comprehensive income for the period</b>		(3,492)	(29,986)	(33,478)
<b>Balance at 30 September 2019</b>	<u>10</u>	<u>(12,213)</u>	<u>(551,869)</u>	<u>(564,072)</u>

	Share capital <i>HK\$'000</i>	Exchange reserve* <i>HK\$'000</i>	Accumulated losses* <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
<b>Balance at 1 January 2020</b>	10	(15,255)	(556,550)	(571,795)
<b>Comprehensive income</b>				
Loss for the period	–	–	(55,480)	(55,480)
<b>Other comprehensive income</b>				
Exchange differences on translation to presentation currency	–	(11,666)	–	(11,666)
<b>Total comprehensive income for the period</b>	<u>–</u>	<u>(11,666)</u>	<u>(55,480)</u>	<u>(67,146)</u>
<b>Balance at 30 September 2020</b>	<u>10</u>	<u>(26,921)</u>	<u>(612,030)</u>	<u>(638,941)</u>

\* These reserve accounts comprise the consolidated reserves in the unaudited consolidated statement of financial position.

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**

for the year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020

	Year ended 31 December			Nine months ended	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>					
Loss before income tax	(103,323)	(19,642)	(41,794)	(35,332)	(54,814)
Adjustments for:					
Finance costs	1,098	1,222	1,274	1,053	845
Depreciation and amortisation	14,282	8,915	10,145	8,067	7,609
Net exchange (gain)/loss	(169)	3,919	872	2,754	(476)
Provision and impairment losses	29,722	362	1,629	892	2,343
Operating loss before working capital changes	(58,390)	(5,224)	(27,874)	(22,566)	(44,493)
(Increase)/decrease in inventories	(35,238)	11,843	(39,769)	(10,099)	(6,086)
(Increase)/decrease in trade receivables	(7,003)	(33,462)	(15,764)	34,445	30,893
(Increase)/decrease in other assets	–	(18,667)	(1,006)	(37,244)	2,346
(Decrease)/increase in trade payables	(15,379)	15,355	(1,339)	(24,623)	(15,694)
Increase/(decrease) in other liabilities	47,879	(9,858)	(13,795)	(5,903)	10,308
Cash used in operations	(68,131)	(40,013)	(99,547)	(65,990)	(22,726)
Income tax paid	(1,338)	(67)	(2,373)	(2,293)	(666)
<b>Net cash used in operating activities</b>	<b>(69,469)</b>	<b>(40,080)</b>	<b>(101,920)</b>	<b>(68,283)</b>	<b>(23,392)</b>

	Year ended 31 December			Nine months ended	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from investing activities</b>					
Purchases of property, plant and equipment	(49,607)	(22,818)	(11)	–	–
<b>Net cash used in investing activities</b>	(49,607)	(22,818)	(11)	–	–
<b>Cash flows from financing activities</b>					
Proceeds from borrowings	46,131	–	–	–	6,432
Repayment of principal portion of lease liabilities	–	–	(404)	(340)	(100)
Interest paid	(1,098)	(1,222)	(1,274)	(1,053)	(845)
Decrease in amount due to remaining group	74,494	56,582	100,196	71,622	16,355
<b>Net cash generated from financing activities</b>	119,527	55,360	98,518	70,229	21,842
<b>Net increase/(decrease) in cash and cash equivalents</b>	451	(7,538)	(3,413)	1,946	(1,550)
<b>Cash and cash equivalents at the beginning of the year/period</b>	24,106	22,402	13,334	13,334	9,609
<b>Effect of foreign exchange rate changes, net</b>	(2,155)	(1,530)	(312)	(2,388)	(1,169)
<b>Cash and cash equivalents at the end of the year/period</b>	<u>22,402</u>	<u>13,334</u>	<u>9,609</u>	<u>12,892</u>	<u>6,890</u>
<b>Analysis of balances of cash and cash equivalents</b>					
Cash and deposits	<u>22,402</u>	<u>13,334</u>	<u>9,609</u>	<u>12,892</u>	<u>6,890</u>

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION OF JOYFUL SURPLUS****1 GENERAL INFORMATION**

On 16 December 2020, Citychamp Watch & Jewellery Group Limited (the “Company”) entered into a sale and purchase agreement (the “Agreement”) with Tycoon Idea Global Limited (the “Purchaser”), which is indirectly owned by Mr. Hon Kwok Lung (“Mr. Hon”), the chairman and an executive director and Ms. Lam Suk Ying, spouse of Mr. Hon, as to 80% and 20%, respectively. Pursuant to the Agreement, the Company conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the entire issued share capital and shareholder’s loan of Joyful Surplus.

Joyful Surplus is an investment holding company. Joyful Surplus and its subsidiaries (collectively “Joyful Surplus Group”) own the watch brands “Corum”. Upon the completion, the Company will cease to have control over Joyful Surplus.

Financial Information of Joyful Surplus is presented in Hong Kong dollars, which is also the function currency of Joyful Surplus.

**2 BASIS OF PREPARATION**

The unaudited Financial Information for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020 (the “Relevant Periods”) (the “Unaudited Financial Information”) has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules, and solely for the purpose of inclusion in this circular.

The Unaudited Financial Information for the Relevant Periods has been prepared in accordance with the same accounting policies as set out in the annual report of the Company for the Relevant Periods. The consolidated financial statements of the Company have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) “Presentation of Financial Statements” or an interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting”, issued by the HKICPA and should be read in connection with the relevant published annual report of the Company for the Relevant Periods.

The Unaudited Financial Information have been prepared on a going concern basis though Joyful Surplus Group had net current liabilities and capital deficiencies of (i) HK\$729,881,000 and HK\$638,941,000 as at 30 September 2020; (ii) HK\$688,575,000 and HK\$571,795,000 as at 31 December 2019; (iii) HK\$635,583,000 and HK\$530,594,000 as at 31 December 2018; and (iv) HK\$594,759,000 and HK\$498,619,000 as at 31 December 2017, respectively. The going concern basis has been adopted on the basis of (a) the undertaking from the ultimate holding company to provide adequate continuing financial support to Joyful Surplus Group and (ii) the undertakings from the disposal group companies, remaining group companies and related parties for not to demand repayment of debts from Joyful Surplus Group until such time when the repayment will not affect Joyful Surplus Group’s ability to repay other creditors in the normal course of business. Accordingly, the Unaudited Financial Information have been prepared on a going concern basis.

Should Joyful Surplus Group be unable to continue in business as a going concern, adjustments would have to be made to reduce the value of assets to their realisable amounts, and to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The Unaudited Financial Information do not include any adjustments relating to the carrying amounts and reclassifications of assets and liabilities that might be necessary should Joyful Surplus Group be unable to continue as a going concern.

## 3 RELATED PARTY TRANSACTIONS

(a) The Group had carried out the following material transactions with related parties during the years/periods:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to disposal group	–	–	2,258	–	–
Purchase from disposal group	5,530	7,770	3,085	733	–
Purchase from remaining group	–	–	141	–	–
	<u>–</u>	<u>–</u>	<u>141</u>	<u>–</u>	<u>–</u>

The above transactions were entered into in the normal course of business at terms mutually agreed by the relevant parties.

(b) Year/period end balances with related parties are as follows:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Receivables from related parties				
– Due from disposal group*	1,174	1,555	2,496	2,609
	<u>1,174</u>	<u>1,555</u>	<u>2,496</u>	<u>2,609</u>
Payables to related parties				
– Due to disposal group*	51,029	47,058	47,746	49,344
– Due to remaining group	937,951	984,991	1,070,552	1,087,897
– Due to related parties*	9,316	6,068	2,554	2,670
	<u>998,296</u>	<u>1,038,117</u>	<u>1,120,852</u>	<u>1,139,911</u>

These balances with related parties are unsecured, interest free and repayable on demand.

\* These balances have been included in other assets or other liabilities in the unaudited consolidated statement of financial position.

Set out below are the financial information of Sharptech International Limited (“Sharptech”) which comprises the unaudited statements of financial position as at 31 December 2017, 2018 and 2019 and 30 September 2020 and the unaudited statements of comprehensive income, unaudited statements of changes in equity and unaudited statements of cash flows for each of the years then ended and the nine months ended 30 September 2019 and 2020 and explanatory notes (“Financial Information”). The Financial Information has been reviewed by the independent auditor of the Company, BDO Limited, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, nothing has come to their attention that causes them to believe that the Financial Information of Sharptech is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Financial Information of Sharptech.

## UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017, 2018 and 2019 and nine months ended 30 September 2019 and 2020

	Year ended 31 December			Nine months ended	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>					
Sales of goods	497	185	–	–	–
Cost of sales	(411)	(182)	–	–	–
<b>Gross profit</b>	86	3	–	–	–
Other ordinary income and other net gains or losses	904	479	1	1	–
Selling and distribution expenses	(51)	(3)	–	–	–
Administrative expenses	(967)	(721)	(97)	(97)	(1)
<b>Loss before income tax</b>	(28)	(242)	(96)	(96)	(1)
Income tax credit	31	–	–	–	–
<b>Profit/(loss) for the year/period</b>	<u>3</u>	<u>(242)</u>	<u>(96)</u>	<u>(96)</u>	<u>(1)</u>

## UNAUDITED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017, 2018 and 2019 and 30 September 2020

	As at 31 December			As at
	2017	2018	2019	30 September
	HK\$'000	HK\$'000	HK\$'000	2020
				HK\$'000
<b>ASSETS AND LIABILITIES</b>				
<b>Current assets</b>				
Inventories	416	236	318	318
Trade receivables	424	176	–	–
Other assets	27	–	–	–
Cash and deposits	1,827	142	136	135
	<u>2,694</u>	<u>554</u>	<u>454</u>	<u>453</u>
<b>Current liabilities</b>				
Trade payables	1,190	–	–	–
Other liabilities	1,257	549	545	545
	<u>2,447</u>	<u>549</u>	<u>545</u>	<u>545</u>
<b>Net current assets/(liabilities)</b>	<u>247</u>	<u>5</u>	<u>(91)</u>	<u>(92)</u>
<b>Net assets/(liabilities)</b>	<u>247</u>	<u>5</u>	<u>(91)</u>	<u>(92)</u>
<b>EQUITY</b>				
Share capital	1	1	1	1
Reserves	246	4	(92)	(93)
<b>Total equity/(capital deficiencies)</b>	<u>247</u>	<u>5</u>	<u>(91)</u>	<u>(92)</u>

## UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017, 2018 and 2019 and nine months ended 30 September 2019 and 2020

	Share capital <i>HK\$'000</i>	Retained profits/ (accumulated loss) <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
<b>Balance at 1 January 2017</b>	1	243	244
<b>Comprehensive income</b>			
Profit for the year	—	3	3
<b>Total comprehensive income for the year</b>	—	3	3
<b>Balance at 31 December 2017</b>	<u>1</u>	<u>246</u>	<u>247</u>
<b>Balance at 1 January 2018</b>	1	246	247
<b>Comprehensive income</b>			
Loss for the year	—	(242)	(242)
<b>Total comprehensive income for the year</b>	—	(242)	(242)
<b>Balance at 31 December 2018</b>	<u>1</u>	<u>4</u>	<u>5</u>
<b>Balance at 1 January 2019</b>	1	4	5
<b>Comprehensive income</b>			
Loss for the year	—	(96)	(96)
<b>Total comprehensive income for the year</b>	—	(96)	(96)
<b>Balance at 31 December 2019</b>	<u>1</u>	<u>(92)</u>	<u>(91)</u>

	Share capital <i>HK\$'000</i>	Retained profits/ (accumulated loss) <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
<b>Balance at 1 January 2019</b>	1	4	5
<b>Comprehensive income</b>			
Loss for the period	—	(96)	(96)
<b>Total comprehensive income for the period</b>	—	(96)	(96)
<b>Balance at 30 September 2019</b>	<u>1</u>	<u>(92)</u>	<u>(91)</u>
<b>Balance at 1 January 2020</b>	1	(92)	(91)
<b>Comprehensive income</b>			
Loss for the period	—	(1)	(1)
<b>Total comprehensive income for the period</b>	—	(1)	(1)
<b>Balance at 30 September 2020</b>	<u>1</u>	<u>(93)</u>	<u>(92)</u>

## UNAUDITED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017, 2018 and 2019 and nine months ended 30 September 2019 and 2020

	Year ended 31 December			Nine months ended	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>					
Loss before income tax	(28)	(242)	(96)	(96)	(1)
Adjustments for:					
Interest income	(1)	(1)	(1)	(1)	–
(Reversal of)/provision for impairment losses	(901)	(256)	94	94	–
Operating loss before working capital changes	(930)	(499)	(3)	(3)	(1)
Decrease/(increase) in inventories	605	180	(82)	(82)	–
Decrease in trade receivables	650	248	82	82	–
Decrease in other assets	27	27	–	–	–
Decrease in trade payables	(195)	(1,190)	–	–	–
Increase/(decrease) in other liabilities	492	(452)	(4)	(4)	–
Cash generated from/(used in) operations	649	(1,686)	(7)	(7)	(1)
Income tax paid	(17)	–	–	–	–
<b>Net cash generated from/(used in) operating activities</b>	<b>632</b>	<b>(1,686)</b>	<b>(7)</b>	<b>(7)</b>	<b>(1)</b>
<b>Cash flows from investing activity</b>					
Interest received	1	1	1	1	–
<b>Net cash generated from investing activity</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>–</b>

	Year ended 31 December			Nine months ended	
	2017	2018	2019	30 September	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Net increase/(decrease) in cash and cash equivalents</b>	633	(1,685)	(6)	(6)	(1)
<b>Cash and cash equivalents at the beginning of the year/period</b>	<u>1,194</u>	<u>1,827</u>	<u>142</u>	<u>142</u>	<u>136</u>
<b>Cash and cash equivalents at the end of the year/period</b>	<u><u>1,827</u></u>	<u><u>142</u></u>	<u><u>136</u></u>	<u><u>136</u></u>	<u><u>135</u></u>
<b>Analysis of balances of cash and cash equivalents</b>					
Cash and deposits	<u><u>1,827</u></u>	<u><u>142</u></u>	<u><u>136</u></u>	<u><u>136</u></u>	<u><u>135</u></u>

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION OF SHARPTECH****1 GENERAL INFORMATION**

On 16 December 2020, Citychamp Watch & Jewellery Group Limited (the “Company”) entered into a sale and purchase agreement (the “Agreement”) with Tycoon Idea Global Limited (the “Purchaser”), which is indirectly owned by Mr. Hon Kwok Lung (“Mr. Hon”), the chairman and an executive director and Ms. Lam Suk Ying, spouse of Mr. Hon, as to 80% and 20%, respectively. Pursuant to the Agreement, the Company conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the entire issued share capital and shareholder’s loan of Sharptech.

Sharptech is principally engaged in distribution of watches and timepieces. Upon the completion, the Company will cease to have control over Sharptech.

Financial Information of Sharptech is presented in Hong Kong dollars, which is also the function currency of Sharptech.

**2 BASIS OF PREPARATION**

The unaudited Financial Information for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020 (the “Relevant Periods”) (the “Unaudited Financial Information”) has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules, and solely for the purpose of inclusion in this circular.

The Unaudited Financial Information for the Relevant Periods has been prepared in accordance with the same accounting policies as set out in the annual report of the Company for the Relevant Periods. The consolidated financial statements of the Company have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) “Presentation of Financial Statements” or an interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting”, issued by the HKICPA and should be read in connection with the relevant published annual report of the Company for the Relevant Periods.

The Unaudited Financial Information have been prepared on a going concern basis though Sharptech had net current liabilities and capital deficiencies of (i) HK\$92,000 as at 30 September 2020; and (ii) HK\$91,000 as at 31 December 2019, respectively. The going concern basis has been adopted on the basis of (a) the undertaking from the ultimate holding company to provide adequate continuing financial support to Sharptech and (b) the undertakings from the disposal group companies, remaining group companies and related parties for not to demand repayment of debts from Sharptech until such time when the repayment will not affect Sharptech’s ability to repay other creditors in the normal course of business. Accordingly, the Unaudited Financial Information have been prepared on a going concern basis.

Should Sharptech be unable to continue in business as a going concern, adjustments would have to be made to provide for any further liabilities which might arise. The Unaudited Financial Information do not include any adjustments relating to the carrying amounts of liabilities that might be necessary should Sharptech be unable to continue as a going concern.

**3 RELATED PARTY TRANSACTIONS**

- (a) The Sharptech had carried out the following material transaction with related party during the years/periods:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Purchases from disposal group	50	–	–	–	–

The above transaction was entered into in the normal course of business at terms mutually agreed by the relevant party.

- (b) Year/period end balances with related parties are as follows:

	As at 31 December			As at 30 September
	2017	2019	2018	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Payables to related party				
– Due to disposal group*	731	545	545	545

These balances with related party are unsecured, interest free and repayable on demand.

- \* These balances have been included in other liabilities in the unaudited statement of financial position.

Set out below are the financial information of Sure Best Management Limited (“Sure Best”) which comprises the unaudited consolidated statements of financial position as at 31 December 2017, 2018 and 2019 and 30 September 2020 and the unaudited consolidated statements of comprehensive income, unaudited consolidated statements of changes in equity and unaudited consolidated statements of cash flows for each of the years then ended and the nine months ended 30 September 2019 and 2020 and explanatory notes (“Financial Information”). The Financial Information has been reviewed by the independent auditor of the Company, BDO Limited, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, nothing has come to their attention that causes them to believe that the Financial Information of Sure Best is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Financial Information of Sure Best.

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020

	Year ended 31 December			Nine months ended	
	2017	2018	2019	30 September	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>					
Sales of goods	99,015	–	–	–	–
Cost of sales	(73,180)	–	–	–	–
<b>Gross profit</b>	25,835	–	–	–	–
Other ordinary income and other net gains or losses	28,693	–	–	–	–
Selling and distribution expenses	(180)	–	–	–	–
Administrative expenses	(44,720)	(2)	(1)	–	–
Share of profit/(loss) of associate	20,009	7,944	17,613	11,183	(2,274)
Finance costs	(60)	–	–	–	–
<b>Profit/(loss) before income tax</b>	29,577	7,942	17,612	11,183	(2,274)
Income tax expense	(454)	–	–	–	–
<b>Profit/(loss) for the year/period</b>	<u>29,123</u>	<u>7,942</u>	<u>17,612</u>	<u>11,183</u>	<u>(2,274)</u>

	Year ended 31 December			Nine months ended	
	2017	2018	2019	30 September	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other comprehensive income</b>					
Items that may be subsequently reclassified to profit or loss					
– Share of exchange differences on translation of associate	96	(117)	(108)	(118)	(2)
– Release of exchange reserve to profit or loss upon disposal of a subsidiary	1,245	–	–	–	–
<b>Other comprehensive income for the year/period</b>	<u>1,341</u>	<u>(117)</u>	<u>(108)</u>	<u>(118)</u>	<u>(2)</u>
<b>Total comprehensive income for the year/period</b>	<u><u>30,464</u></u>	<u><u>7,825</u></u>	<u><u>17,504</u></u>	<u><u>11,065</u></u>	<u><u>(2,276)</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*as at 31 December 2017, 2018 and 2019 and 30 September 2020*

	<b>As at 31 December</b>			<b>As at</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>30 September</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2020</b>
				<i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current asset</b>				
Interests in associates	101,093	103,920	116,425	114,149
<b>Current asset</b>				
Other assets	35,820	23,315	23,315	23,315
<b>Current liability</b>				
Due to remaining group	5,012	5,009	5,010	5,010
<b>Net current assets</b>	<u>30,808</u>	<u>18,306</u>	<u>18,305</u>	<u>18,305</u>
<b>Total assets less current liability</b>	<u>131,901</u>	<u>122,226</u>	<u>134,730</u>	<u>132,454</u>
<b>Net assets</b>	<u>131,901</u>	<u>122,226</u>	<u>134,730</u>	<u>132,454</u>
<b>EQUITY</b>				
Share capital	1	1	1	1
Reserves	131,900	122,225	134,729	132,453
<b>Total equity</b>	<u>131,901</u>	<u>122,226</u>	<u>134,730</u>	<u>132,454</u>

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020

	Equity attributable to owners of the Company				Total	Non-controlling interests	Total Equity
	Share capital	Statutory reserve*	Exchange reserve*	Retained profits*			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
<b>Balance at 1 January 2017</b>	1	115	(1,223)	122,544	121,437	(4,930)	116,507
<b>Transactions with owners</b>							
Dividends paid	–	–	–	(20,000)	(20,000)	–	(20,000)
Disposal of a subsidiary	–	–	–	–	–	4,930	4,930
<b>Total transactions with owners</b>	–	–	–	(20,000)	(20,000)	4,930	(15,070)
<b>Comprehensive income</b>							
Profit for the year	–	–	–	29,123	29,123	–	29,123
<b>Other comprehensive income</b>							
Release of exchange fluctuation reserve to profit or loss upon disposal of a subsidiary	–	–	1,245	–	1,245	–	1,245
Share of exchange differences on translation of an associate	–	–	96	–	96	–	96
<b>Total comprehensive income for the year</b>	–	–	1,341	29,123	30,464	–	30,464
Release of statutory reserve upon disposal of a subsidiary	–	(115)	–	115	–	–	–
<b>Balance at 31 December 2017</b>	<b>1</b>	<b>–</b>	<b>118</b>	<b>131,782</b>	<b>131,901</b>	<b>–</b>	<b>131,901</b>

	Equity attributable to owners of the Company				Total	Non-controlling interests	Total Equity
	Share capital	Statutory reserve*	Exchange reserve*	Retained profits*			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2018</b>	1	–	118	131,782	131,901	–	131,901
<b>Transactions with owners</b>							
Dividends paid	–	–	–	(17,500)	(17,500)	–	(17,500)
<b>Total transactions with owners</b>	–	–	–	(17,500)	(17,500)	–	(17,500)
<b>Comprehensive income</b>							
Profit for the year	–	–	–	7,942	7,942	–	7,942
<b>Other comprehensive income</b>							
Share of exchange differences on translation of an associate	–	–	(117)	–	(117)	–	(117)
<b>Total comprehensive income for the year</b>	–	–	(117)	7,942	7,825	–	7,825
<b>Balance at 31 December 2018</b>	<u>1</u>	<u>–</u>	<u>1</u>	<u>122,224</u>	<u>122,226</u>	<u>–</u>	<u>122,226</u>

	Equity attributable to owners of the Company				Total	Non-controlling interests	Total equity
	Share capital	Statutory reserve*	Exchange reserve*	Retained profits*			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
<b>Balance at 1 January 2019</b>	1	–	1	122,224	122,226	–	122,226
<b>Transactions with owners</b>							
Dividends paid	–	–	–	(5,000)	(5,000)	–	(5,000)
<b>Total transactions with owners</b>	–	–	–	(5,000)	(5,000)	–	(5,000)
<b>Comprehensive income</b>							
Profit for the year	–	–	–	17,612	17,612	–	17,612
<b>Other comprehensive income</b>							
Share of exchange differences on translation of an associate	–	–	(108)	–	(108)	–	(108)
<b>Total comprehensive income for the year</b>	–	–	(108)	17,612	17,504	–	17,504
<b>Balance at 31 December 2019</b>	<u>1</u>	<u>–</u>	<u>(107)</u>	<u>134,836</u>	<u>134,730</u>	<u>–</u>	<u>134,730</u>
<b>Balance at 1 January 2019</b>	1	–	1	122,224	122,226	–	122,226
<b>Comprehensive income</b>							
Profit for the period	–	–	–	11,183	11,183	–	11,183
<b>Other comprehensive income</b>							
Share of exchange differences on translation of an associate	–	–	(118)	–	(118)	–	(118)
<b>Total comprehensive income for the period</b>	–	–	(118)	11,183	11,065	–	11,065
<b>Balance at 30 September 2019</b>	<u>1</u>	<u>–</u>	<u>(117)</u>	<u>133,407</u>	<u>133,291</u>	<u>–</u>	<u>133,291</u>

	Equity attributable to owners of the Company				Total	Non-controlling interests	Total equity
	Share capital	Statutory reserve*	Exchange reserve*	Retained profits*			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2020</b>	1	–	(107)	134,836	134,730	–	134,730
<b>Comprehensive income</b>							
Loss for the period	–	–	–	(2,274)	(2,274)	–	(2,274)
<b>Other comprehensive income</b>							
Share of exchange differences on translation of an associate	–	–	(2)	–	(2)	–	(2)
<b>Total comprehensive income for the period</b>	–	–	(2)	(2,274)	(2,276)	–	(2,276)
<b>Balance at 30 September 2020</b>	<u>1</u>	<u>–</u>	<u>(109)</u>	<u>132,562</u>	<u>132,454</u>	<u>–</u>	<u>132,454</u>

\* These reserve accounts comprise the consolidated reserves in the unaudited consolidated statement of financial position.

## UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020

	Year ended 31 December			Nine months ended	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>					
Profit/(loss) before income tax	29,577	7,942	17,612	11,183	(2,274)
Adjustments for:					
Share of (loss)/profit of an associate	(20,009)	(7,944)	(17,613)	(11,183)	2,274
Interest income	(12)	–	–	–	–
Finance costs	60	–	–	–	–
Gain on disposal of a subsidiary	(28,247)	–	–	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Operating loss before working capital changes	(18,631)	(2)	(1)	–	–
Decrease in other assets	19,085	–	–	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Cash generated from/(used in) operations	454	(2)	(1)	–	–
Income tax paid	(454)	–	–	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash used in operating activities</b>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	–	(2)	(1)	–	–
<b>Cash flows from financing activity</b>					
Increase in amount due from remaining group	–	2	1	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash generated from financing activity</b>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	–	2	1	–	–

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net change in cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents at the beginning of the year/period	-	-	-	-	-
Cash and cash equivalents at the end of the year/period	-	-	-	-	-
Analysis of balances of cash and cash equivalents					
Cash and deposits	-	-	-	-	-

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION OF SURE BEST

## 1 GENERAL INFORMATION

On 16 December 2020, Citychamp Watch & Jewellery Group Limited (the “Company”) entered into a sale and purchase agreement (the “Agreement”) with Tycoon Idea Global Limited (the “Purchaser”), which is indirectly owned by Mr. Hon Kwok Lung (“Mr. Hon”), the chairman and an executive director and Ms. Lam Suk Ying, spouse of Mr. Hon, as to 80% and 20%, respectively. Pursuant to the Agreement, the Company conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the entire issued share capital and shareholder’s loan of Sure Best.

Sure Best is an investment holding company. Upon the completion, the Company will cease to have control over Sure Best.

Financial Information of Sure Best is presented in Hong Kong dollars, which is also the function currency of Sure Best.

## 2 BASIS OF PREPARATION

The unaudited Financial Information for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020 (the “Relevant Periods”) (the “Unaudited Financial Information”) has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules, and solely for the purpose of inclusion in this circular.

The Unaudited Financial Information for the Relevant Periods has been prepared in accordance with the same accounting policies as set out in the annual report of the Company for the Relevant Periods. The consolidated financial statements of the Company have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) “Presentation of Financial Statements” or an interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting”, issued by the HKICPA and should be read in connection with the relevant published annual report of the Company for the Relevant Periods.

## 3 RELATED PARTY TRANSACTIONS

- (a) The Sure Best had carried out the following material transaction with related party during the years/periods:

	Year ended 31 December			Nine months ended	
	2017	2018	2019	30 September	2020
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Disposal of the equity interests in a subsidiary to an associate	5	–	–	–	–

The above transaction was entered into in the normal course of business at terms mutually agreed by the relevant parties.

(b) Year/period end balances with related parties are as follows:

	As at 31 December			As at
	2017	2018	2019	30 September
	HK\$'000	HK\$'000	HK\$'000	2020
				HK\$'000
Receivables from related parties				
– Due from associate*	35,820	23,315	23,315	23,315
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Payables to related parties				
– Due to remaining group	5,012	5,009	5,010	5,010
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

These balances with related parties are unsecured, interest free and repayable on demand.

\* These balances have been included in other assets in the unaudited consolidated statement of financial position.

#### 4 MAJOR NON-CASH TRANSACTIONS

Remaining Group has received the dividend of HK\$20,000,000, HK\$17,500,000 and HK\$5,000,000 from an associate on behalf of the Company and interim dividend of HK\$20,000,000, HK\$17,500,000 and HK\$5,000,000 was settled by current account with remaining Group for the year ended 31 December 2017, 2018 and 2019.

Set out below are the financial information of Unique Leader Limited (“Unique Leader”) which comprises the unaudited consolidated statements of financial position as at 31 December 2017, 2018 and 2019 and 30 September 2020 and unaudited consolidated statements of comprehensive income, unaudited consolidated statements of changes in equity and unaudited consolidated statements of cash flows for each of the years then ended and the nine months ended 30 September 2019 and 2020 and explanatory notes (“Financial Information”). The Financial Information has been reviewed by the independent auditor of the Company, BDO Limited, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, nothing has come to their attention that causes them to believe that the Financial Information of Unique Leader is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Financial Information of Unique Leader.

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020

	Year ended 31 December			Nine months ended	
	2017	2018	2019	30 September 2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>					
Sales of goods	1,596	1,833	3,437	743	–
Cost of sales	(19,004)	(1,737)	(3,437)	(743)	–
<b>Gross (loss)/profit</b>	(17,408)	96	–	–	–
Other ordinary income and other net gains or losses	(670)	212	(713)	(466)	250
Administrative expenses	(6,418)	(67)	(2,184)	(2,184)	(1)
Finance costs	(1,288)	(1,337)	(1,297)	(970)	(1,219)
<b>Loss before income tax</b>	(25,784)	(1,096)	(4,194)	(3,620)	(970)
Income tax expense	–	–	–	–	–
<b>Loss for the year/period</b>	(25,784)	(1,096)	(4,194)	(3,620)	(970)

	Year ended 31 December			Nine months ended	
	2017	2018	2019	30 September	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other comprehensive income</b>					
Items that may be subsequently reclassified to profit or loss					
– Exchange differences on translation to presentation currency	686	(501)	–	–	–
– Release of exchange reserve to profit or loss upon deregistration of a subsidiary	–	–	1,006	1,006	–
<b>Other comprehensive income for the year/period</b>	<u>686</u>	<u>(501)</u>	<u>1,006</u>	<u>1,006</u>	<u>–</u>
<b>Total comprehensive income for the year/period</b>	<u><u>(25,098)</u></u>	<u><u>(1,597)</u></u>	<u><u>(3,188)</u></u>	<u><u>(2,614)</u></u>	<u><u>(970)</u></u>

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017, 2018 and 2019 and 30 September 2020

	As at 31 December			As at 30
	2017	2018	2019	September
	HK\$'000	HK\$'000	HK\$'000	2020
				HK\$'000
<b>ASSETS AND LIABILITIES</b>				
<b>Current assets</b>				
Inventories	36,178	32,097	28,858	28,858
Other assets	27,121	30,717	32,640	34,673
Cash and deposits	8,232	8,287	382	2
	<u>71,531</u>	<u>71,101</u>	<u>61,880</u>	<u>63,533</u>
<b>Current liabilities</b>				
Other liabilities	1,103	1,103	1,103	1,103
Due to remaining group	130,799	131,966	125,933	128,556
	<u>131,902</u>	<u>133,069</u>	<u>127,036</u>	<u>129,659</u>
<b>Net liabilities and current liabilities</b>	<u>(60,371)</u>	<u>(61,968)</u>	<u>(65,156)</u>	<u>(66,126)</u>
<b>EQUITY</b>				
Share capital	1	1	1	1
Reserves	(60,372)	(61,969)	(65,157)	(66,127)
<b>Capital deficiencies</b>	<u>(60,371)</u>	<u>(61,968)</u>	<u>(65,156)</u>	<u>(66,126)</u>

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020

	Share capital HK\$'000	Statutory reserve* HK\$'000	Exchange reserve* HK\$'000	Accumulated losses* HK\$'000	Total equity HK\$'000
<b>Balance at</b>					
<b>1 January 2017</b>	1	10	(1,191)	(34,093)	(35,273)
<b>Comprehensive income</b>					
Loss for the year	–	–	–	(25,784)	(25,784)
<b>Other comprehensive income</b>					
Exchange differences on translation to presentation currency	–	–	686	–	686
<b>Total comprehensive income for the year</b>	–	–	686	(25,784)	(25,098)
<b>Balance at</b>					
<b>31 December 2017</b>	<u>1</u>	<u>10</u>	<u>(505)</u>	<u>(59,877)</u>	<u>(60,371)</u>
<b>Balance at</b>					
<b>1 January 2018</b>	1	10	(505)	(59,877)	(60,371)
<b>Comprehensive income</b>					
Loss for the year	–	–	–	(1,096)	(1,096)
<b>Other comprehensive income</b>					
Exchange differences on translation to presentation currency	–	–	(501)	–	(501)
<b>Total comprehensive income for the year</b>	–	–	(501)	(1,096)	(1,597)
<b>Balance at</b>					
<b>31 December 2018</b>	<u>1</u>	<u>10</u>	<u>(1,006)</u>	<u>(60,973)</u>	<u>(61,968)</u>

	Share capital <i>HK\$'000</i>	Statutory reserve* <i>HK\$'000</i>	Exchange reserve* <i>HK\$'000</i>	Accumulated losses* <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
<b>Balance at 1 January 2019</b>	1	10	(1,006)	(60,973)	(61,968)
<b>Comprehensive income</b>					
Loss for the year	–	–	–	(4,194)	(4,194)
<b>Other comprehensive income</b>					
Release of exchange reserve to profit or loss upon deregistration of a subsidiary	–	–	1,006	–	1,006
<b>Total comprehensive income for the year</b>	–	–	1,006	(4,194)	(3,188)
Release of statutory reserve upon deregistration of a subsidiary	–	(10)	–	10	–
<b>Balance at 31 December 2019</b>	<u>1</u>	<u>–</u>	<u>–</u>	<u>(65,157)</u>	<u>(65,156)</u>

## APPENDIX IIG

## FINANCIAL INFORMATION OF UNIQUE LEADER

	Share capital <i>HK\$'000</i>	Statutory reserve* <i>HK\$'000</i>	Exchange reserve* <i>HK\$'000</i>	Accumulated losses* <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
<b>Balance at 1 January 2019</b>	1	10	(1,006)	(60,973)	(61,968)
<b>Comprehensive income</b>					
Loss for the period	–	–	–	(3,620)	(3,620)
<b>Other comprehensive income</b>					
Release of exchange reserve to profit or loss upon deregistration of a subsidiary	–	–	1,006	–	1,006
<b>Total comprehensive income for the period</b>	–	–	1,006	(3,620)	(2,614)
Release of statutory reserve upon deregistration of a subsidiary	–	(10)	–	10	–
<b>Balance at 30 September 2019</b>	<u>1</u>	<u>–</u>	<u>–</u>	<u>(64,583)</u>	<u>(64,582)</u>
<b>Balance at 1 January 2020</b>	1	–	–	(65,157)	(65,156)
<b>Comprehensive income</b>					
Loss for the period	–	–	–	(970)	(970)
<b>Total comprehensive income for the period</b>	–	–	–	(970)	(970)
<b>Balance at 31 September 2020</b>	<u>1</u>	<u>–</u>	<u>–</u>	<u>(66,127)</u>	<u>(66,126)</u>

\* These reserve accounts comprise the consolidated reserves in the unaudited consolidated statement of financial position.

## UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>					
Loss before income tax	(25,784)	(1,096)	(4,194)	(3,620)	(970)
Adjustments for:					
Finance costs	1,288	1,337	1,297	970	1,219
Release of exchange reserve upon deregistration of a subsidiary	–	–	1,006	1,006	–
Provision and impairment losses	–	–	1,175	1,175	–
	<u>–</u>	<u>–</u>	<u>1,175</u>	<u>1,175</u>	<u>–</u>
Operating (loss)/profit before working capital changes	(24,496)	241	(716)	(469)	249
Decrease in inventories	24,682	4,081	3,160	466	–
Increase in other assets	(10,730)	(4,086)	(3,019)	(461)	(2,033)
	<u>(10,544)</u>	<u>236</u>	<u>(575)</u>	<u>(464)</u>	<u>(1,784)</u>
Cash (used in)/generated from operations	(10,544)	236	(575)	(464)	(1,784)
Income tax paid	(129)	–	–	–	–
	<u>(10,673)</u>	<u>236</u>	<u>(575)</u>	<u>(464)</u>	<u>(1,784)</u>
<b>Net cash (used in)/generated from operating activities</b>	<u>(10,673)</u>	<u>236</u>	<u>(575)</u>	<u>(464)</u>	<u>(1,784)</u>

	Year ended 31 December			Nine months ended	
	2017	2018	2019	30 September	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from financing activities</b>					
Increase/(decrease) in due to remaining group	8,906	(170)	(7,330)	(7,703)	1,404
<i>Net cash generated from/(used in) financing activities</i>	8,906	(170)	(7,330)	(7,703)	1,404
<b>Net (decrease)/ increase in cash and cash equivalents</b>	(1,767)	66	(7,905)	(8,167)	(380)
<b>Cash and cash equivalents at the beginning of the year/period</b>	9,989	8,232	8,287	8,287	382
<b>Effect of foreign exchange rate changes, net</b>	10	(11)	–	–	–
<b>Cash and cash equivalents at the end of the year/period</b>	<u>8,232</u>	<u>8,287</u>	<u>382</u>	<u>120</u>	<u>2</u>
<b>Analysis of balances of cash and cash equivalents</b>					
Cash and deposits	<u>8,232</u>	<u>8,287</u>	<u>382</u>	<u>120</u>	<u>2</u>

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION OF UNIQUE LEADER****1 GENERAL INFORMATION**

On 16 December 2020, Citychamp Watch & Jewellery Group Limited (the “Company”) entered into a sale and purchase agreement (the “Agreement”) with Tycoon Idea Global Limited (the “Purchaser”), which is indirectly owned by Mr. Hon Kwok Lung (“Mr. Hon”), the chairman and an executive director and Ms. Lam Suk Ying, spouse of Mr. Hon, as to 80% and 20%, respectively. Pursuant to the Agreement, the Company conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the entire issued share capital and shareholder’s loan of Unique Leader.

Unique Leader is principally engaged in distribution of watches and timepieces. Upon the completion, the Company will cease to have control over Unique Leader.

Financial Information of Unique Leader is presented in Hong Kong dollars, which is also the function currency of Unique Leader.

**2 BASIS OF PREPARATION**

The unaudited Financial Information for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020 (the “Relevant Periods”) (the “Unaudited Financial Information”) has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules, and solely for the purpose of inclusion in this circular.

The Unaudited Financial Information for the Relevant Periods has been prepared in accordance with the same accounting policies as set out in the annual report of the Company for the Relevant Periods. The consolidated financial statements of the Company have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) “Presentation of Financial Statements” or an interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting”, issued by the HKICPA and should be read in connection with the relevant published annual report of the Company for the Relevant Periods.

The Unaudited Financial Information have been prepared on a going concern basis though Unique Leader had net current liabilities and capital deficiencies of (i) HK\$66,126,000 as at 30 September 2020; (ii) HK\$65,156,000 as at 31 December 2019; (iii) HK\$61,968,000 as at 31 December 2018; and (iv) HK\$60,371,000 as at 31 December 2017, respectively. The going concern basis has been adopted on the basis of (a) the undertaking from the ultimate holding company to provide adequate continuing financial support to Unique Leader and (b) the undertakings from the disposal group companies, remaining group companies and related parties for not to demand repayment of debts from Unique Leader until such time when the repayment will not affect Unique Leader ability to repay other creditors in the normal course of business. Accordingly, the Unaudited Financial Information have been prepared on a going concern basis.

Should Unique Leader be unable to continue in business as a going concern, adjustments would have to be made to provide for any further liabilities which might arise. The Unaudited Financial Information do not include any adjustments relating to the carrying amounts of liabilities that might be necessary should Unique Leader be unable to continue as a going concern.

## 3 RELATED PARTY TRANSACTIONS

- (a) The Unique Leader had carried out the following material transactions with related parties during the years/periods:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to related parties	439	249	125	–	–
Sales to disposal group	758	1,584	3,311	743	–
Sales to remaining group	319	–	–	–	–
Purchases from disposal group	14,754	1,742	277	277	–
Interest paid to remaining group	1,288	1,337	1,297	970	1,219
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The above transactions were entered into in the normal course of business at terms mutually agreed by the relevant parties.

- (b) Year/period end balances with related parties are as follows:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Receivables from related parties				
– Due from related parties*	1,065	1,065	1,065	1,065
– Due from disposal group*	24,811	28,472	31,575	33,608
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Payables to related parties				
– Due to disposal group*	1,103	1,103	1,103	1,103
– Due to remaining group	130,799	131,966	125,933	128,556
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The amount due to remaining group of HK\$26,166,290 was unsecured, interest bearing at 5% per annum and repayable on demand. Save as the aforementioned amount, the remaining balance of balances with related parties are unsecured, interest free and repayable on demand.

- \* These balances have been included in other assets and other liabilities in the unaudited consolidated statement of financial position.

**(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP**

The unaudited pro forma financial information of the Remaining Group (the “**Unaudited Pro Forma Financial Information**”) presented below is prepared to illustrate (a) the financial position of the Remaining Group as if the Disposal had been completed on 30 June 2020; and (b) the financial performance and cash flows of the Remaining Group for the year ended 31 December 2019 as if the Disposal had been completed on 1 January 2019. This unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Remaining Group as at 30 June 2020 or at any future date had the Disposal been completed on 30 June 2020 or financial performance and cash flows of the Remaining Group for the year ended 31 December 2019 or for any future period had the Disposal been completed on 1 January 2019.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2020 as set out in the 2020 interim report of the Company and the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2019 extracted from the consolidated financial statements of the Group for the year ended 31 December 2019 as set out in the 2019 annual report of the Company, the unaudited historical financial information as set out in Appendix IIA, IIB, IIC, IID, IIE, IIF and IIG to this circular after giving effect to the pro forma adjustments described in the notes prepared in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules.

## 1. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

	The Group		Pro Forma Adjustments			The
	as at					Remaining
	30 June 2020					Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	as at
	Note 4(a)	Note 4(b)	Note 4(c)	Note 4(d)	Note 4(h)	30 June 2020
						HK\$'000
<b>Assets</b>						
Cash and deposits	2,423,047	(126,246)	1,500,000	(165,745)	(5,000)	3,626,056
Due from clients	2,118,488	–				2,118,488
Due from banks	6,352,552	–				6,352,552
Trading portfolio investments	96,574	(4,221)				92,353
Income tax recoverable	4,541	(2,867)				1,674
Derivative financial assets	17,794	–				17,794
Trade receivables	393,393	(381,662)				11,731
Inventories	2,149,872	(1,852,046)				297,826
Other financial assets at amortised cost	1,347,004	–				1,347,004
Financial assets at fair value through other comprehensive income	358,439	(5,713)				352,726
Interests in associates	114,415	(114,299)				116
Interests in joint ventures	748	–				748
Property, plant and equipment	1,112,297	(751,641)				360,656
Investment properties	182,186	(52,613)				129,573
Intangible assets	51,845	(1,626)				50,219
Goodwill	1,059,625	(600,006)				459,619
Deferred tax assets	12,561	(2,619)				9,942
Other assets	527,525	(395,366)	2,030,000	(400,000)		1,762,159
Due from Remaining Group	–	(187,166)	187,166			–
<b>Total assets</b>	<b>18,322,906</b>	<b>(4,478,091)</b>				<b>16,991,236</b>

## APPENDIX III

**UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**

	<b>The Group as at 30 June 2020</b>		<b>Pro Forma Adjustments</b>			<b>The Remaining Group as at 30 June 2020</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
	<i>Note 4(a)</i>	<i>Note 4(b)</i>	<i>Note 4(c)</i>	<i>Note 4(d)</i>	<i>Note 4(h)</i>		
<b>Liabilities</b>							
Due to banks	9,767	–				9,767	
Due to clients	11,160,339	–				11,160,339	
Derivative financial liabilities	9,369	–				9,369	
Trade payables	299,763	(140,927)				158,836	
Contract liabilities	6,615	(9,626)				(3,011)	
Income tax payable	58,646	(7,442)				51,204	
Borrowings	1,744,990	(402,603)				1,342,387	
Provisions	1,703	–				1,703	
Deferred tax liabilities	55,138	(21,937)				33,201	
Due to directors	17,000	–				17,000	
Due to a shareholder	12,000	–				12,000	
Other liabilities	454,799	(314,581)				140,218	
Lease liabilities	67,509	(17,541)				49,968	
Due to Remaining Group	–	(2,568,436)	2,568,436			–	
<b>Total liabilities</b>	<u>13,897,638</u>	<u>(3,483,093)</u>				<u>12,982,981</u>	
<b>Equity</b>							
<b>Equity attributable to owners of the Company</b>							
Share capital	435,189					435,189	
Reserves	3,654,285		277,723	(565,745)	(5,000)	3,361,263	
	4,089,474					3,796,452	
Non-controlling interests	335,794		(123,991)			211,803	
<b>Total equity</b>	<u>4,425,268</u>					<u>4,008,255</u>	
<b>Total liabilities and equity</b>	<u><u>18,322,906</u></u>					<u><u>16,991,236</u></u>	

2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME OF THE REMAINING GROUP

	The Group for the year ended 31 December 2019		Pro Forma Adjustments				The Remaining Group for the year ended 31 December 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note 4(a)	Note 4(b)	Note 4(e)	Note 4(f)	Note 4(g)	Note 4(h)	
Interest income from banking business	220,821	-					220,821
Interest expenses from banking business	(37,359)	-					(37,359)
<b>Net interest income from banking business</b>	183,462	-					183,462
Service fees and commission income from banking business	280,627	-					280,627
Service fees and commission expenses from banking business	(68,066)	-					(68,066)
<b>Net service fee and commission income from banking business</b>	212,561	-					212,561
Trading income from banking business	57,230	-					57,230
Services fees and commission income from financial business	3,195	-					3,195
Interest income from financial business	165	-					165
Sales of goods from non-banking and financial businesses	2,249,737	(2,111,199)			2,980		141,518
Rental income from non-banking and financial businesses	9,915	(2,875)					7,040
<b>Total revenue</b>	2,716,265	(2,114,074)					605,171

## APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP

	The Group for the year ended 31 December 2019		Pro Forma Adjustments				The Remaining Group for the year ended 31 December 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note 4(a)	Note 4(b)	Note 4(e)	Note 4(f)	Note 4(g)	Note 4(h)	
Cost of sales from non-banking and financial businesses	(1,004,030)	923,150			(2,980)		(83,860)
Other ordinary income and other net gains or losses	104,393	(65,795)	97,800	(224,462)	(2,045)		(90,109)
Selling and distribution expenses	(817,889)	776,891					(40,998)
Administrative expenses	(777,114)	311,712				(5,000)	(470,402)
Share of loss of joint ventures	(1,343)	–					(1,343)
Share of profit of associates	17,675	(17,613)					62
Finance costs from non-banking business	(95,320)	25,906			2,045		(67,369)
<b>Profit/(loss) before income tax</b>	<u>142,637</u>	<u>(159,823)</u>					<u>(148,848)</u>
Income tax expense	(71,456)	45,372					(26,084)
<b>Profit/(loss) for the year</b>	<u>71,181</u>	<u>(114,451)</u>					<u>(174,932)</u>
<b>Other comprehensive income:</b>							
Item that will not be subsequently reclassified to profit or loss:							
– Remeasurement of net defined benefit obligations	2,490	(9,175)					(6,685)
– Change in fair value of financial assets at fair value through other comprehensive income	(204,233)	–					(204,233)
	<u>(201,743)</u>	<u>(9,175)</u>					<u>(210,918)</u>

## APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP

	The Group		Pro Forma Adjustments				The
	for the year						Remaining
	ended						Group for
	31						the year
	December						ended
	2019						31
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	December
	Note 4(a)	Note 4(b)	Note 4(e)	Note 4(f)	Note 4(g)	Note 4(h)	2019
							HK\$'000
Items that may be subsequently reclassified to profit or loss:							
– Exchange differences on translation to presentation currency	(91,282)	107,953					16,671
– Share of exchange differences on translation of associates	(108)	108					–
– Release of exchange reserve to profit or loss upon deregistration of a subsidiary	–	(1,006)					(1,006)
– Release of exchange reserve to profit or loss upon the disposal of subsidiaries	–	–		121,232			121,232
	<u>(91,390)</u>	<u>107,055</u>					<u>136,897</u>
<b>Other comprehensive income for the year</b>	<u>(293,133)</u>	<u>97,880</u>					<u>(74,021)</u>
<b>Total comprehensive income for the year</b>	<u>(221,952)</u>	<u>(16,571)</u>					<u>(248,953)</u>
<b>Profit/(loss) for the year attributable to:</b>							
– Owners of the Company	44,246	(96,748)	97,800	(224,462)		(5,000)	(184,164)
– Non-controlling interests	26,935	(17,703)					9,232
	<u>71,181</u>	<u>(114,451)</u>					<u>(174,932)</u>

	The Group						The
	for the year						Remaining
	ended						Group for
	31						the year
	December						ended
	2019						31
	Pro Forma Adjustments						December
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	2019
	Note 4(a)	Note 4(b)	Note 4(e)	Note 4(f)	Note 4(g)	Note 4(h)	HK\$'000
Total comprehensive							
income for the year							
attributable to:							
- Owners of the Company	(243,713)	(1,557)	97,800	(103,230)		(5,000)	(255,700)
- Non-controlling interests	21,761	(15,014)					6,747
	<u>(221,952)</u>	<u>(16,571)</u>					<u>(248,953)</u>

3. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF  
THE REMAINING GROUP

	The								The
	Group for								Remaining
	the year								Group for
	ended 31								the year
	December								ended 31
	2019								December
									2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Pro Forma Adjustments				HK\$'000
	Note 4(a)	Note 4(b)	Note 4(c)	Note 4(d)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note 4(a)	Note 4(b)	Note 4(c)	Note 4(d)	Note 4(e)	Note 4(f)	Note 4(h)	Note 4(i)	Note (j)
<b>Cash flows from</b>									
<b>operating activities</b>									
Profit before income tax	142,637	(159,823)			97,800	(224,462)	(5,000)		(148,848)
Adjustments for:									
- Depreciation and amortisation	174,866	(104,497)							70,369
- Provision and impairment losses	34,829	(7,260)							27,569
- Net surplus on the revaluation of investment properties	(4,047)	(242)							(4,289)
- Share of profits of associates	(17,675)	17,613							(62)
- Share of losses of joint ventures	1,343	-							1,343
- Interest income from non-banking business	(4,257)	8,133			(97,800)				(93,924)
- Finance costs	95,320	(25,906)							69,414
- Gain on disposal property, plant and equipment	(159)	(102)							(261)
- Net exchange gain	-	(1,878)							(1,878)
- Loss on disposal of subsidiaries	-	-					224,462		224,462
- Dividend income	(13,324)	-							(13,324)
<b>Operating profit before working capital changes</b>	409,533	(273,962)							130,571
Decrease in due to clients	(669,484)	-							(669,484)
Increase in due from clients	(447,716)	-							(447,716)
Increase in due to banks	13,461	-							13,461
Increase in due from banks	(1,485,374)	-							(1,485,374)
Increase in trade receivables	82,474	(56,159)							26,315
Increase in inventories	19,647	11,097							30,744

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**

	The								The
	Group for								Remaining
	the year								Group for
	ended 31								the year
	December								ended 31
	2019								December
	Pro Forma Adjustments								2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note 4(a)	Note 4(b)	Note 4(c)	Note 4(d)	Note 4(e)	Note 4(f)	Note 4(h)	Note 4(i)	Note (j)
Increase in cash held on behalf of clients	(57,295)	-							(57,295)
Increase in other assets	(21,671)	56,934							35,263
Increase in derivative financial assets	(2,443)	-							(2,443)
Increase in derivative financial liabilities	33,922	-							33,922
Increase in trade payables	86,965	(8,570)							78,395
Increase in contract liabilities	(12,204)	13,504							1,300
Increase in trading portfolio assets									
investments	(103,411)	-							(103,411)
Decrease in other liabilities	(52,626)	10,399							(42,227)
<b>Cash used in operations</b>	<b>(2,206,222)</b>	<b>(246,757)</b>							<b>(2,452,979)</b>
Income tax paid	(82,739)	58,906							(23,833)
<b>Net cash used in operating activities</b>	<b>(2,288,961)</b>	<b>(187,851)</b>							<b>(2,476,812)</b>
<b>Cash flows from investing activities</b>									
Proceeds from disposal of property, plant and equipment	20,112	(263)							19,849
Proceeds from the Disposal	-	-	1,500,000		200,000				1,700,000
Dividends received	13,324	-							13,324
Increase in other financial assets at amortised cost	(256,159)	-							(256,159)
Purchase of property, plant and equipment	(144,993)	62,015							(82,978)
Increase in pledged bank deposits	(111,763)	-							(111,763)
Increase in restricted bank deposits	(1,260)	-							(1,260)
Interest received from non-banking business	4,257	(8,133)			97,800				93,924
Decrease in due from Remaining Group	-	68,314						(68,314)	-
<b>Net cash used in investing activities</b>	<b>(476,482)</b>	<b>121,933</b>							<b>1,374,937</b>

	The								The	
	Group for								Remaining	
	the year								Group for	
	ended 31								the year	
	December								ended 31	
	2019								December	
	Pro Forma Adjustments								2019	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note 4(a)	Note 4(b)	Note 4(c)	Note 4(d)	Note 4(e)	Note 4(f)	Note 4(h)	Note 4(i)	Note (j)	
<b>Cash flows from financing activities</b>										
Acquisition of non-controlling interests	(1,490)	-								(1,490)
Proceeds from partial disposal of subsidiaries without loss of control	111,371	-								111,371
Transaction cost for equity transaction	(4,887)	-								(4,887)
Interest paid	(84,024)	20,442								(63,582)
Proceeds from borrowings	1,479,128	(256,684)								1,222,444
Repayment of principal portion of the lease liabilities	(37,480)	12,073								(25,407)
Repayment of borrowings	(866,520)	160,030								(706,490)
Dividends paid to non-controlling interests	(31,255)	18,720								(12,535)
Decrease in due to non-controlling interests	-	2,478								2,478
Dividends paid to the remaining group	-	204,486						(204,486)		-
Dividend paid	-	-		(165,745)						(165,745)
Reduce in investment from non-controlling interests	(389)	-								(389)
Repayment of corporate bonds	(756,022)	-								(756,022)
Advance from a shareholder	12,000	-								12,000
Repayment to a shareholder	(73,000)	-								(73,000)
Advance from directors	22,000	-								22,000
Increase in due to Remaining Group	-	(89,213)							89,213	-
<b>Net cash used in financing activities</b>	<b>(230,568)</b>	<b>72,332</b>								<b>(439,254)</b>

	Pro Forma Adjustments								The	
The									Remaining	
Group for									Group for	
the year									the year	
ended 31									ended 31	
December									December	
2019									2019	
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Note 4(a)</i>	<i>Note 4(b)</i>	<i>Note 4(c)</i>	<i>Note 4(d)</i>	<i>Note 4(e)</i>	<i>Note 4(f)</i>	<i>Note 4(h)</i>	<i>Note 4(i)</i>	<i>Note 4(j)</i>		
Net decrease in cash and cash equivalents	(2,996,011)	6,414	1,500,000	(165,745)	297,800	-	(5,000)	(204,486)	20,899	(1,546,129)
Cash and cash equivalents at 1 January 2019	7,639,989	(254,261)								7,385,728
Effect of foreign exchange rate changes, net	<u>(12,276)</u>	<u>26,826</u>								<u>14,550</u>
Cash and cash equivalents at 31 December 2019	<u>4,631,702</u>	<u>(221,021)</u>								<u>5,854,149</u>

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

- (a) The amount are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2020 as set out in the published condensed consolidated financial statements of the Group for the six months period ended 30 June 2020, the audited consolidated statement of comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 December 2019 as set out in the published annual report of the Company for the year ended 31 December 2019.
- (b) The adjustments represent: (i) the exclusion of assets and liabilities of Disposal Group as at 30 June 2020 as if the Disposal had taken place on 30 June 2020 for the unaudited pro forma consolidated statement of financial position; (ii) the exclusion of the operating results of Disposal Group for the year ended 31 December 2019 as if the Disposal had been completed on 1 January 2019 for the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 December 2019; and (iii) the exclusion of the cash flows of Disposal Group for the year ended 31 December 2019 as if the Disposal had been completed on 1 January 2019 for the unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2019.

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

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

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

	Financial information of EB Brand as extracted from Appendix IIA	Financial information of Volant as extracted from Appendix IB	Financial information of Jia Cheng as extracted from Appendix IC	Financial information of Joyful Surplus as extracted from Appendix IID	Financial information of Sharptech as extracted from Appendix IIE	Financial information of Sure Best as extracted from Appendix IIF	Financial information of Unique Leader as extracted from Appendix IIG	Total balances of Disposal Group	Reclassifications#	Elimination*	Total balances of Target Companies for the purpose of Unaudited Pro Forma Financial Information
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
<b>Current liabilities</b>											
Trade payables	27,693	30,544	34,187	48,503	-	-	-	140,927	-	-	140,927
Contract liabilities	4,246	-	5,380	-	-	-	-	9,626	-	-	9,626
Other liabilities	80,083	172,747	113,429	106,031	545	-	1,103	473,938	15,773	(175,130)	314,581
Lease liabilities	316	3,231	7,909	485	-	-	-	11,941	5,600	-	17,541
Borrowings	136,699	1,253	209,964	54,687	-	-	-	402,603	-	-	402,603
Income tax payables	68	122	7,252	-	-	-	-	7,442	-	-	7,442
Due to Remaining Group	5,843	1,116,320	224,810	1,087,897	-	5,010	128,536	2,568,436	-	-	2,568,436
	254,948	1,324,217	602,931	1,297,603	545	5,010	129,659	3,614,913			
<b>Net current assets</b>	487,204	(782,711)	588,278	(729,881)	(92)	18,305	(66,126)	(485,023)			
<b>Total assets less current liabilities</b>	789,736	(711,860)	1,517,364	(623,168)	(92)	132,454	(66,126)	1,038,308			
<b>Non-current liabilities</b>											
Lease liabilities	-	5,600	-	-	-	-	-	5,600	(5,600)	-	-
Deferred tax liabilities	21,800	137	-	-	-	-	-	21,937	-	-	21,937
Other liabilities	-	-	-	15,773	-	-	-	15,773	(15,773)	-	-
	21,800	5,737	-	15,773	-	-	-	43,310			
<b>Net assets</b>	767,936	(717,597)	1,517,364	(638,941)	(92)	132,454	(66,126)	994,998			
											<b>Total liabilities</b>
											3,483,093



Unaudited consolidated/combined statement of comprehensive income for the year  
ended 31 December 2019

	Financial information of EB Brand as extracted from Appendix IIA HK\$'000	Financial information of International Volant as extracted from Appendix IIB HK\$'000	Financial Information of Jia Cheng as extracted from Appendix IIC HK\$'000	Financial Information of Joyful Surplus as extracted from Appendix IID HK\$'000	Financial Information of Sharptech as extracted from Appendix IIE HK\$'000	Financial Information of Sure Best as extracted from Appendix IIF HK\$'000	Financial information of Unique Leader as extracted from Appendix IIG HK\$'000	Total balances of Disposal Group Elimination* HK\$'000	Total balances of Target Companies for the purpose of Unaudited Pro Forma Financial Information HK\$'000		
<b>Revenue</b>										<b>Revenue</b>	
Sales of goods	575,134	129,199	1,240,626	273,373	-	-	3,437	2,221,769	(110,570)	2,111,199	Sales of goods from non-banking and financial business
Cost of sales	(256,981)	(78,586)	(561,924)	(132,792)	-	-	(3,437)	(1,033,720)	110,570	(923,150)	Cost of sales from non-banking and financial business
<b>Gross profit</b>	<b>318,153</b>	<b>50,613</b>	<b>678,702</b>	<b>140,581</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,188,049</b>			
Rental income	2,875	-	-	-	-	-	-	2,875		2,875	Rental income from non-banking and financial business
Other ordinary income and other net gains or losses	7,897	9,555	50,065	-	1	-	(713)	66,805	(1,010)	65,795	Other ordinary income and other net gains or losses
Selling and distribution expenses	(234,803)	(41,054)	(403,150)	(97,884)	-	-	-	(776,891)		(776,891)	Selling and distribution expenses
Administrative expenses	(75,975)	(52,829)	(97,409)	(83,217)	(97)	(1)	(2,184)	(311,712)		(311,712)	Administrative expenses
Share of profit of associate	-	-	-	-	-	17,613	-	17,613		17,613	Share of profit of associate
Finance costs	(6,545)	(7,665)	(10,135)	(1,274)	-	-	(1,297)	(26,916)	1,010	(25,906)	Finance costs from non-banking and financial business
<b>Profit before income tax</b>	<b>11,602</b>	<b>(41,380)</b>	<b>218,073</b>	<b>(41,794)</b>	<b>(96)</b>	<b>17,612</b>	<b>(4,194)</b>	<b>159,823</b>		<b>159,823</b>	<b>Profit before income tax</b>
Income tax expense	(2,351)	(150)	(42,017)	(854)	-	-	-	(45,372)		(45,372)	Income tax expense
<b>Profit for the year</b>	<b>9,251</b>	<b>(41,530)</b>	<b>176,056</b>	<b>(42,648)</b>	<b>(96)</b>	<b>17,612</b>	<b>(4,194)</b>	<b>114,451</b>		<b>114,451</b>	<b>Profit for the year</b>

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**

	Financial information of EB Brand as extracted from Appendix IIA	Financial information of International Volant as extracted from Appendix IIB	Financial Information of Jia Cheng as extracted from Appendix IIC	Financial Information of Joyful Surplus as extracted from Appendix IID	Financial Information of Sharptech as extracted from Appendix IIE	Financial Information of Sure Best as extracted from Appendix IIF	Financial information of Unique Leader as extracted from Appendix IIG	Total balances of Disposal Group	Elimination*	Total balances of Target Companies for the purpose of Unaudited Pro Forma Financial Information
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other comprehensive income</b>										<b>Other comprehensive income</b>
Item that will not be subsequently reclassified to profit or loss										Item that will not be subsequently reclassified to profit or loss
– Remeasurement of net defined benefit obligations	–	1,194	–	7,981	–	–	–	9,175		– Remeasurement of net defined benefit obligations
Items that may be subsequently reclassified to profit or loss										Items that may be subsequently reclassified to profit or loss
– Exchange differences on translation to presentation currency	(12,238)	(43,846)	(45,335)	(6,534)	–	–	–	(107,953)		– Exchange differences on translation to presentation currency
– Release of exchange reserve to profit or loss upon deregistration of a subsidiary	–	–	–	–	–	–	1,006	1,006		– Release of exchange reserve to profit or loss upon deregistration of a subsidiary
– Share of exchange differences on translation of associate	–	–	–	–	–	(108)	–	(108)		– Share of exchange differences on translation of associate
Other comprehensive income for the year	(12,238)	(42,652)	(45,335)	1,447	–	(108)	1,006	(97,880)		Other comprehensive income for the year
Total comprehensive income for the year	(2,987)	(84,182)	130,721	(41,201)	(96)	17,504	(3,188)	16,571		Total comprehensive income for the year
<b>Profit for the year attributable to:</b>										<b>Profit for the year attributable to:</b>
Owners of the Company	9,251	(40,813)	157,636	(42,648)	(96)	17,612	(4,194)	96,748		Owners of the Company
Non-controlling interests	–	(717)	18,420	–	–	–	–	17,703		Non-controlling interests
	9,251	(41,530)	176,056	(42,648)	(96)	17,612	(4,194)	114,451		

**APPENDIX III**

**UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**

	Financial information of EB Brand as extracted from Appendix IIA	Financial information of Volant as extracted from Appendix IIB	Financial information of Cheng as extracted from Appendix IIC	Financial information of Joyful Surplus as extracted from Appendix IID	Financial information of Sharptech as extracted from Appendix IIE	Financial information of Sure Best as extracted from Appendix IIF	Financial information of Unique Leader as extracted from Appendix IIG	Total balances of Disposal Group	Elimination*	Total balances of Target Companies for the purpose of Unaudited Pro Forma Financial Information
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Total comprehensive income for the year attributable to:</b>										
Owners of the Company	(2,987)	(83,448)	114,973	(41,201)	(96)	17,504	(3,188)	1,557		1,557
Non-controlling interests	-	(734)	15,748	-	-	-	-	15,014		15,014
	<u>(2,987)</u>	<u>(84,182)</u>	<u>130,721</u>	<u>(41,201)</u>	<u>(96)</u>	<u>17,504</u>	<u>(3,188)</u>	<u>16,571</u>		<u>16,571</u>

Unaudited consolidated/combined statement of cashflows for the year ended 31  
December 2019

	Financial information of EB Brand as extracted from Appendix IIA HK\$'000	Financial information of International Volant as extracted from Appendix IIB HK\$'000	Financial Information of Jia Cheng as extracted from Appendix IIC HK\$'000	Financial Information of Joyful Surplus as extracted from Appendix IID HK\$'000	Financial Information of Sharp tech as extracted from Appendix IIE HK\$'000	Financial Information of Sure Best as extracted from Appendix IIF HK\$'000	Financial information of Unique Leader as extracted from Appendix IIG HK\$'000	Total balances of Disposal Group HK\$'000	Elimination* HK\$'000	Total balances of Target Companies for the purpose of Unaudited Pro Forma Financial Information HK\$'000
<b>Cash flows from operating activities</b>										
Profit/(loss) before income tax	11,602	(41,380)	218,073	(41,794)	(96)	17,612	(4,194)	159,823		159,823
Adjustments for:										
Depreciation and amortisation	38,455	18,238	37,659	10,145	-	-	-	104,497		104,497
Provision and impairment losses	(33)	207	4,188	1,629	94	-	1,175	7,260		7,260
Net surplus on revaluation of investment properties	242	-	-	-	-	-	-	242		242
Interest income	(464)	(479)	(8,199)	-	(1)	-	-	(9,143)	1,010	(8,133)
Finance costs	6,545	7,665	10,135	1,274	-	-	1,297	26,916	(1,010)	25,906
Gain on disposal of property, plant and equipment	46	-	56	-	-	-	-	102		102
Net exchange gain	-	-	-	872	-	-	1,006	1,878		1,878
Share of profit of an associate	-	-	-	-	-	(17,613)	-	(17,613)		(17,613)
Operating profit before working capital changes	56,393	(15,749)	261,912	(27,874)	(3)	(1)	(716)	273,962		273,962
(Increase)/decrease in trade receivables	13,973	15,199	42,669	(15,764)	82	-	-	56,159		56,159
(Increase)/decrease in inventories	20,179	9,492	(4,077)	(39,769)	(82)	-	3,160	(11,097)		(11,097)
Decrease/(increase) in other assets	(28,170)	(26,880)	2,141	(1,006)	-	-	(3,019)	(56,934)		(56,934)
(Decrease)/increase in trade payables	(22,749)	30,793	1,865	(1,339)	-	-	-	8,570		8,570
Increase/(decrease) in contract liabilities	4,979	-	(18,483)	-	-	-	-	(13,504)		(13,504)
Increase/(decrease) in other liabilities	(21,055)	8,348	16,107	(13,795)	(4)	-	-	(10,399)		(10,399)
Operating profit before working capital changes										
Decrease in trade receivables										
Increase in inventories										
Increase in other assets										
Increase in trade payables										
Decrease in contract liabilities										
Decrease in other liabilities										

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**

	Financial information of EB Brand as extracted from Appendix IIA HK\$'000	Financial information of Volant as extracted from Appendix IIB HK\$'000	Financial Information of Jia Cheng as extracted from Appendix IIC HK\$'000	Financial Information of Joyful Surplus as extracted from Appendix IID HK\$'000	Financial Information of Sharp tech as extracted from Appendix IIE HK\$'000	Financial Information of Sure Best as extracted from Appendix IIF HK\$'000	Financial Information of Unique Leader as extracted from Appendix IIG HK\$'000	Total balances of Disposal Group HK\$'000	Elimination* HK\$'000	Total balances of Target Companies for the purpose of Unaudited Pro Forma Financial Information HK\$'000
Cash generated from/(used in) operations	23,550	21,203	302,134	(99,547)	(7)	(1)	(575)	246,757		246,757
Income tax paid	(3,820)	-	(52,713)	(2,373)	-	-	-	(58,906)		(58,906)
<b>Net cash generated from/(used in) operating activities</b>	<b>19,730</b>	<b>21,203</b>	<b>249,421</b>	<b>(101,920)</b>	<b>(7)</b>	<b>(1)</b>	<b>(575)</b>	<b>187,851</b>		<b>187,851</b>
<b>Cash flows from investing activities</b>										
Proceeds from disposal of property, plant and equipment	263	-	-	-	-	-	-	263		263
Purchases of property, plant and equipment	(20,953)	(9,366)	(31,685)	(11)	-	-	-	(62,015)		(62,015)
Interest received	464	479	8,199	-	1	-	-	9,143	(1,010)	8,133
Increase in due from Remaining Group	(68,314)	-	-	-	-	-	-	(68,314)		(68,314)
<b>Net cash (used in)/generated from investing activities</b>	<b>(88,540)</b>	<b>(8,887)</b>	<b>(23,486)</b>	<b>(11)</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>(120,923)</b>		<b>(121,933)</b>
										Cash generated from operations
										Income tax paid
										<b>Net cash generated from operating activities</b>
										<b>Cash flows from investing activities</b>
										Proceeds from disposal of property, plant and equipment
										Purchases of property, plant and equipment
										Interest received
										Increase in due from Remaining Group
										<b>Net cash used in investing activities</b>

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**

	Financial information of EB Brand as extracted from Appendix IIA HK\$'000	Financial information of International Volant as extracted from Appendix IIB HK\$'000	Financial Information of Jia Cheng as extracted from Appendix IIC HK\$'000	Financial Information of Joyful Surplus as extracted from Appendix IID HK\$'000	Financial Information of Sharptech as extracted from Appendix IIE HK\$'000	Financial Information of Sure Best as extracted from Appendix IIF HK\$'000	Financial information of Unique Leader as extracted from Appendix IIG HK\$'000	Total balances of Disposal Group HK\$'000	Elimination* HK\$'000	Total balances of Target Companies for the purpose of Unaudited Pro Forma Financial Information HK\$'000
<b>Cash flows from financing activities</b>										<b>Cash flows from financing activities</b>
Increase/(decrease) in due to Remaining Group	(17,209)	77,860	(64,305)	100,196	-	1	(7,330)	89,213		Increase in due to Remaining Group
Interest paid	(6,545)	(4,053)	(9,580)	(1,274)	-	-	-	(21,452)	1,010	Interest paid
Proceeds from borrowings	139,700	-	116,984	-	-	-	-	256,684		Proceeds from borrowings
Repayment of principal portion of the lease liabilities	(1,235)	(3,323)	(7,111)	(404)	-	-	-	(12,073)		Repayment of principal portion of the lease liabilities
Repayments of borrowings	(89,408)	(70,622)	-	-	-	-	-	(160,030)		Repayments of borrowings
Dividends paid to owners of the Company	-	-	(204,486)	-	-	-	-	(204,486)		Dividends paid to owners of the Company
Dividends paid to non-controlling interests	-	-	(18,720)	-	-	-	-	(18,720)		Dividends paid to non-controlling interests
Decrease in due to non-controlling interests	-	-	(2,478)	-	-	-	-	(2,478)		Decrease in due to non-controlling interests
<b>Net cash generated from/(used in) financing activities</b>	<b>25,303</b>	<b>(138)</b>	<b>(189,696)</b>	<b>98,518</b>	<b>-</b>	<b>1</b>	<b>(7,330)</b>	<b>(73,342)</b>		<b>Net cash used in financing activities</b>

	Financial information of EB Brand as extracted from Appendix IIA	Financial information of International Volant as extracted from Appendix IIB	Financial Information of Cheng as extracted from Appendix IIC	Financial Information of Joyful Surplus as extracted from Appendix IID	Financial Information of Sharptech as extracted from Appendix IIE	Financial Information of Sure Best as extracted from Appendix IIF	Financial information of Unique Leader as extracted from Appendix IIG	Total balances of Disposal Group	Elimination*	Total balances of Target Companies for the purpose of Unaudited Pro Forma Financial Information
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net (decrease)/increase in cash and cash equivalents	(43,507)	12,178	36,239	(3,413)	(6)	-	(7,905)	(6,414)		(6,414)
Cash and cash equivalents at the beginning of the year	58,245	7,978	166,275	13,334	142	-	8,287	254,261		254,261
Effect of foreign exchange rate changes, net	(357)	(4,361)	(21,796)	(312)	-	-	-	(26,826)		(26,826)
Cash and cash equivalents at the end of the year	<u>14,381</u>	<u>15,795</u>	<u>180,718</u>	<u>9,609</u>	<u>136</u>	<u>-</u>	<u>382</u>	<u>221,021</u>		<u>221,021</u>
Analysis of balances of cash and cash equivalents										
Cash and deposits	<u>14,381</u>	<u>15,795</u>	<u>180,718</u>	<u>9,609</u>	<u>136</u>	<u>-</u>	<u>382</u>	<u>221,021</u>		<u>221,021</u>

# The adjustment represent the reclassification of the balances to conform the presentation of the Company's consolidated financial statement.

\* The adjustment represent the elimination of intra-group balances/transactions.

(c) Pursuant to the Agreement, the consideration comprises (i) the consideration for the Sales Shares of HK\$1,500,000,000; and (ii) the consideration for the Sale Loans of HK\$2,030,000,000, subject to adjustment at Completion. The gross proceeds to be received by the Company from the Disposal shall be HK\$3,530,000,000 and shall be settled as follows:

(a) the consideration for the Sale Shares being HK\$1,500,000,000 shall be settled by way of cash at Completion;

- (b) the consideration for the Sale Loans of HK\$2,030,000,000 shall be settled in the following manner:
- (i) HK\$400,000,000 shall be offset by the Special Dividend at Completion (“First Payment”);
  - (ii) minimum of HK\$200,000,000 and maximum of HK\$1,630,000,000, plus Interest within one year from the Completion Date (“Second Payment”);
  - (iii) minimum of HK\$200,000,000 and maximum of HK\$1,430,000,000, plus Interest within the second year from the Completion Date (“Third Payment”); and
  - (iv) the remaining balance of up to HK\$1,230,000,000, plus Interest within the third year from the Completion Date (“Fourth Payment”).

Adjustment at Completion represented that if the difference between either net asset value of the Disposal Group and Remaining Group or Sale Loans of Disposal Group and each of the members of Remaining Group as shown in the Accounts and Completion Accounts exceeds 20%, then the consideration for the Sale Shares shall be adjusted based on the amount exceeding 20% to be settled by way of cash at Completion.

The adjustment represent the receipt of consideration of HK\$1,500,000,000 as if the Disposal has been completed as at 30 June 2020 and no adjustment would be made at Completion based on the consolidated accounts of the Company as at 30 September 2020.

The estimated net effect of the Disposal on the equity attributable to owners of the Company as if it had been taken place on 30 June 2020:

	<i>HK\$'000</i>
Fair value of the consideration for the Disposal	3,530,000
Less: Assets (including goodwill) and liabilities of Disposal Group as at 30 September 2020 ( <i>note 4(b)</i> )	(994,998)
Add: Non-controlling interests of Disposal Group 30 September 2020 ( <i>note 4(b)</i> )	123,991
Less: Net sales loans as at 30 September 2020 assigned to the purchaser as if the Disposal has been completed on 30 June 2020	<u>(2,381,270)</u>
Estimated net effect of the Disposal on the equity attributable to owners of the Company	<u><u>277,723</u></u>

- (d) Pursuant to the section – Intended Use of Proceeds, the board decided the distribution of Special Dividend to the Shareholders (representing Special Dividend of not less than HK\$0.13 per share) at the Completion. The number of outstanding shares is assumed as 4,351,888,000 based on the register of the Company as at 30 June 2020. In the opinion of the directors, HK\$0.13 per share is assumed for the distribution and

total dividend would be HK\$565,745,000, in which HK\$400,000,000 would be set off with the consideration as abovementioned (note 4(c)(b)(i)) and the remaining of HK\$165,745,000 would be paid by cash at Completion.

- (e) As abovementioned in note (c), the consideration for the Sale Loans shall be settled by cash of minimum of HK\$200,000,000 and maximum of HK\$1,630,000,000, plus Interest within one year from the Completion date. Pursuant to the Agreement, the Interest would be 6% per annum for each of the Second Payment, Third Payment and Fourth Payment, which are HK\$1,630,000,000 in total. In the opinion of the directors, HK\$200,000,000 and the Interest of HK\$97,800,000 are assumed to be settled by the Purchaser as at 31 December 2019 as if the disposal has been completed on 1 January 2019.
- (f) The adjustments in the pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 December 2019 represented the estimated loss on the Disposal and the reclassification of the cumulative amount of the exchange differences relating to Disposal Group from other comprehensive income to profit or loss as if it had been taken place on 1 January 2019:

	<i>HK\$'000</i>
Fair value of the consideration for the Disposal	3,530,000
Less: Assets (including goodwill) and liabilities of Disposal Group as at 1 January 2019 ( <i>note (i)</i> )	(1,484,362)
Add: Non-controlling interests of Disposal Group as at 1 January 2019 ( <i>note (i)</i> )	139,413
Less: Realisation of the cumulative amount of exchange differences related to Disposal Group as at 1 January 2019 as if the Disposal has been completed on 1 January 2019	(121,332)
Less: Net sales loans as at 1 January 2019 assigned to the purchaser as if the Disposal has been completed on 1 January 2019	<u>(2,288,181)</u>
Pro forma loss on the Disposal	<u><u>(224,462)</u></u>

- (i) The amount represents the carrying amount of assets (including goodwill) and liabilities of Disposal Group:

	Certain financial information of EB Brand as extracted from Appendix IIA HK\$'000	Certain financial information of International Volant as extracted from Appendix IIB HK\$'000	Certain financial information of Jia Cheng as extracted from Appendix IIC HK\$'000	Certain financial information of Joyful Surplus as extracted from Appendix IID HK\$'000	Certain financial information of Sharptech as extracted from Appendix IIE HK\$'000	Certain financial information of Sure Best as extracted from Appendix IIF HK\$'000	Certain financial information of Unique Leader as extracted from Appendix IIG HK\$'000	Total balances of Disposal Group HK\$'000
Net								
assets/(liabilities)	766,416	(555,930)	1,744,207	(530,594)	5	122,226	(61,968)	1,484,362
Due from								
Remaining								
Group	568	-	-	-	-	-	-	568
Due to Remaining								
Group	(13,312)	(944,128)	(209,343)	(984,991)	-	(5,009)	(131,966)	(2,288,749)
Exchange reserves	(30,835)	(5,153)	(76,634)	(8,721)	-	1	10	(121,332)
Non-controlling								
interests	-	(21,620)	161,033	-	-	-	-	139,413

- (ii) Since the carrying amount of net assets of each of Disposal Group on the date of actual completion of the Disposal may be different from the amounts used when preparing the Unaudited Pro Forma Financial Information of the Remaining Group, and the disposals of each of Disposal Group may not concurrently take place, the financial impact of the Disposals is for illustrative purpose only and subject to change upon actual completion of the Disposal.
- (iii) In the opinion of the directors, the tax effect on the Disposal would be minimal as the vendor has provided the tax indemnity to the Group. No tax effect would be considered in the Disposal.
- (g) The adjustment represents the reinstatement of intra-group balances/transactions, which have been eliminated at consolidation.

The amount represents the intra-group transactions as follows:

	Certain financial information of EB Brand as extracted from Appendix IIA HK\$'000	Certain financial information of International Volant as extracted from Appendix IIB HK\$'000	Certain financial information of Jia Cheng as extracted from Appendix IIC HvK\$'000	Certain financial information of Joyful Surplus as extracted from Appendix IID HK\$'000	Certain financial information of Sharptech as extracted from Appendix IIE HvK\$'000	Certain financial information of Sure Best as extracted from Appendix IIF HK\$'000	Certain financial information of Unique Leader as extracted from Appendix IIG HK\$'000	Total balances of Disposal Group HK\$'000
Sales to disposal group	96,430	2,444	6,127	2,258	-	-	3,311	110,570
Purchase from disposal group	94,373	6,748	6,087	3,085	-	-	277	110,570
Purchase from remaining group	-	-	2,839	141	-	-	-	2,980
Interest paid to disposal group	1,010	-	-	-	-	-	-	1,010
Interest income from disposal group	-	-	1,010	-	-	-	-	1,010
Interest paid to remaining group	-	-	-	-	-	-	1,297	1,297
Interest income from remaining group	879	-	2,463	-	-	-	-	3,342

- (h) The transaction costs represent professional fee directly attributable to the Disposals which are estimated to be HK\$5,000,000 and it is assumed that the fees will be settled by cash. The amount of professional fee is subject to change upon the actual completion of the Disposal.
- (i) The adjustment represents the exclusion of dividend paid to the Remaining Group during the year ended 31 December 2019 as if the Disposal had been completed as at 1 January 2019.
- (j) The adjustment represents the exclusion of cash flow movements between Disposal Group and the Remaining Group as if the Disposal of Sales Shares and Sale Loans had been completed as at 1 January 2019.

The following is the text of a report from BDO Limited, Certified Public Accountants, Hong Kong, the independent reporting accountant, in respect of the unaudited pro forma financial information as set out in this Appendix and prepared for the sole purpose of inclusion in this circular.

**(B) INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**



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**TO THE DIRECTORS OF CITYCHAMP WATCH & JEWELLERY GROUP LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Citychamp Watch and Jewellery Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2020, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2019 and related notes as set out on pages III-1 to III-26 in Appendix III to the circular of the Company dated 25 February 2021 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-26 in Appendix III to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Disposal on the Group’s financial position as at 30 June 2020 and the Group’s financial performance and cash flows for the year ended 31 December 2019 as if the Disposal had taken place at 30 June 2020 and 1 December 2019, respectively. As part of this process, information about the Group’s financial position as at 30 June 2020 has been extracted by the Directors from the interim report of the Group for the period ended 30 June 2020, on which no audit or review report has been published. Information about the Group’s financial performance and cash flows has been extracted by the Directors from the consolidated financial statements of the Company for the year ended 31 December 2019, on which an audit report has been published.

**DIRECTORS’ RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL  
INFORMATION**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting

Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### **OUR INDEPENDENCE AND QUALITY CONTROL**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **REPORTING ACCOUNTANT’S RESPONSIBILITIES**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the date of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus”, issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal at 30 June 2020 or 1 January 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## OPINION

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

### **BDO Limited**

*Certified Public Accountants*

Hong Kong,  
25 February 2021

Upon completion of the Disposal, the Remaining Group would be engaged in the banking and financial businesses, watches and timepieces businesses and property investment. The management discussion and analysis of the Remaining Group for each of the years ended 31 December 2017, 2018 and 2019, and the nine months ended 30 September 2020 as derived from the consolidated financial statements of the Company for the corresponding year/period are set out below.

## FOR FINANCIAL YEAR ENDED 31 DECEMBER 2017

### Business Overview

In 2017, the Remaining Group recorded total revenue of approximately HK\$399.2 million and net profit after tax of approximately HK\$1.2 billion.

#### *Revenue*

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

The revenue contributed by the banking and financial businesses in 2017 was approximately HK\$382.3 million, of which approximately HK\$372.8 million was contributed by Bendura Bank. The Company acquired Shun Heng in February 2017, which generated revenue of approximately HK\$9.5 million.

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

The Remaining Group did not record any revenue from the watches and timepieces businesses in 2017 as it had not yet acquired equity interests in Ernest Borel Holdings Limited.

##### *3. Property investment*

Various properties owned by the Remaining Group were leased out and generated rental return of approximately HK\$16.9 million in 2017.

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

The net profit after tax amounted to approximately HK\$1.2 billion in 2017, of which profit of approximately HK\$137.7 million from the banking and financial businesses, profit of approximately HK\$1.2 billion from property investment and approximately HK\$181.0 million of unallocated loss from headquarter and other expenses (which mainly comprised interest expenses to bank borrowings in relation to the watches and timepieces businesses of the Group before the Disposal). In 2017, the Remaining Group's net profit after tax was mainly inflated by a net gain of approximately HK\$1.3 billion from the disposal of the entire equity interest of Seti Timber Industry (Shenzhen) Co., Ltd and its subsidiaries, in line with the Company's intention to redepoly its resources into more efficient businesses that it was operating. Bendura Bank

developed organically with the growth in asset under management, improved profitability and increased headcount.

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

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

As at 31 December 2017, cash and deposit held by the Remaining Group amounted to approximately HK\$7.2 billion, of which approximately HK\$6.8 billion was sight deposit with central banks placed by Bendura Bank and its subsidiaries, and HK\$47.3 million was cash held on behalf of clients.

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

As at 31 December 2017, total due from clients of the Remaining Group amounted to approximately HK\$1.1 billion and total due from banks amounted to approximately HK\$5.9 billion.

### ***Investments***

The investments of the Remaining Group as at 31 December 2017 included (a) trading portfolio investments of HK\$641 million; (b) derivative financial assets of HK\$4.7 million; and (c) financial assets at amortised cost of approximately HK\$1.1 billion.

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

As at 31 December 2017, the amount due to clients of the Remaining Group amounted to approximately HK\$14.3 billion, of which approximately HK\$14.2 billion was amounts of bank deposits by clients.

### ***Capital Structure***

As at 31 December 2017, the Remaining Group had non-pledged cash and bank balances of approximately HK\$7.2 billion. Based on the borrowings of approximately HK\$336.9 million, the corporate bonds of approximately HK\$733.0 million and shareholders' equity of approximately HK\$3.2 billion, the Remaining Group's gearing ratio (being borrowings plus corporate bonds divided by shareholders' equity) was 33.3%.

As at 31 December 2017, the Remaining Group's borrowings amounting to approximately HK\$336.9 million were repayable within one year, representing 100% of the total borrowings.

**Material Investment, Acquisition and Disposal**

In February 2017, the Remaining Group completed the acquisition of Shun Heng for a total cash consideration of approximately HK\$30.8 million, which was financed by the Remaining Group's internal resources.

**Capital Commitments and Contingent Liabilities*****Capital Commitments***

Capital commitments as at 31 December 2017 were approximately HK\$275.3 million in total related to (i) purchase of property, plant and equipment, and (ii) investment in associate – Citychamp Allied International Limited. Except for the above, the Remaining Group had no other material capital commitments as at 31 December 2017.

***Financial Guarantee***

As at 31 December 2017, the Remaining Group had contingent liability in relation to guarantee of approximately HK\$60.0 million given to a bank in respect of a revolving loan facility of up to HK\$60.0 million granted to an associate. The corporate guarantee is ending on the expiry of the term of the revolving loan facility. In the opinion of the directors, it is unlikely that a claim will be made against the Remaining Group and no cash outflow under the financial guarantee contract; the financial impact arising from the above guarantee is insignificant; and accordingly, they are not accounted for in the consolidated financial statements.

***Legal Proceeding***

In June 2016, Bendura Bank and Bendura Fund Management Alpha AG have been confronted with potential claims of one investor having invested into an investment fund that currently is in liquidation. Bendura Bank acted as custodian and Bendura Fund Management Alpha AG acted as fund management company whereas the asset management function has been outsourced to an external asset manager. The court dismissed the case at first instance. The investor appealed against the decision. Bendura Bank and Bendura Fund Management Alpha AG, together with its legal advisers, concluded that the outcome of the case cannot be reliably estimated and the possibility of an outflow of economic resources is not probable as at 31 December 2016 and 2017.

*Credit Card Commitments*

As at 31 December 2017, the Remaining Group had contingent liability in relation to credit card commitments of approximately HK\$72.5 million given to third parties. Credit card commitments represents the undrawn amount of credit card limits. In the opinion of the directors, those credit commitments are given with collateral and the possibility of an outflow of economic resources is not probable.

**Financial Risks***Foreign Currency Risk*

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Remaining Group mainly operates in Hong Kong, Switzerland, United Kingdom, Liechtenstein and the PRC with most of the transactions denominated and settled in HK\$, US\$, Euro, CHF, GBP and RMB. The Remaining Group's exposure to foreign currency risk primarily arises from certain financial instruments including available-for-sale financial assets, other assets, cash and deposits, due from clients and banks, trading portfolio investments, derivative financial assets, held-to-maturity investments, due to clients, derivative financial liabilities, other liabilities and borrowings which are denominated in US\$, Euro, CHF, GBP and RMB. The Remaining Group currently does not have a foreign currency hedging policy but the management continuously monitors the foreign exchange exposure.

The Remaining Group's reporting currency is Hong Kong Dollar. When the Remaining Group prepares the consolidated financial statements, the profits made in foreign currencies are translated into Hong Kong Dollar at the average exchange rates of the relevant financial years whereas foreign currency balance sheets are translated into Hong Kong Dollar at the rates at the balance sheet date. Accordingly, the profits derived in foreign currencies would be lower should there be any appreciation in the exchanges of Hong Kong Dollar against the respective currencies.

The following table summarises the Remaining Group's major financial assets and financial liabilities denominated in currencies other than the functional currencies of the respective group companies as at 31 December 2017.

	<i>Expressed in HK\$'000</i>				
	US\$	Euro	CHF	GBP	RMB
<b>As at 31 December 2017</b>					
Cash and Cash equivalent	20,603	3,344,536	759	65	194
Due from clients	119,154	548,568	–	–	–
Due from banks	4,097,543	789,358	–	–	–
Trading portfolio investments	513	9,649	–	–	–
Derivative financial assets	16	2,901	–	–	–
Available for sale financial asset	156,639	14,067	–	–	237,959
Held-to-maturity investments	689,937	378,708	–	–	–
Other assets	40,503	1,266	–	–	–
Due to clients	(7,708,671)	(4,992,129)	–	–	–
Derivative financial liabilities	(35,067)	–	–	–	–
Borrowings	(104,204)	–	–	–	–
Other liabilities	(7,312)	(95,911)	–	(16)	(26,714)
<b>Overall net exposure</b>	<b>(2,730,346)</b>	<b>1,013</b>	<b>759</b>	<b>49</b>	<b>211,439</b>

### ***Interest Rate Risk***

Interest rate risk stems from the fluctuation of the fair value or cash flows of a financial instrument due to changes in market interest rates. The Remaining Group's exposure to the risk of changes in market interest rates relates primarily to the Remaining Group's due from client balance, debt obligations and bank deposits with a floating interest rate. As at 31 December 2016 and 2017, the interest-bearing loans amounted to approximately HK\$995.5 million and HK\$336.9 million respectively. The Remaining Group does not use financial instruments for hedging its interest rate risks. The Remaining Group will keep monitoring the trend of interest rate of the global capital markets and adjust the mix of fixed-rate and floating-rate interest-bearing loans accordingly.

In respect of the banking business, interest rate risk is managed by taking into account market conditions and controlled at a reasonable level. Applying the prudent risk appetite and dealing with mainly the repricing risk, Bendura Bank continues to optimize the maturity structure of deposits and take the initiative to manage sensitive gaps in interest rates for the overall objective of achieving steady growth both in net interest income and economic value within a tolerable level of interest rate risk.

*List of borrowing by currencies and by nature of interest rate and by duration*

Currency	Nature of interest rate	Duration Within	Duration More
		1 year	than 1 year
		HK\$ million	HK\$ million
HKD	Floating	230.0	–
USD	Floating	106.9	–
		<u>336.9</u>	<u>–</u>

The borrowings of the Remaining Group are charged at floating rates ranging from 2.04% to 5.34% per annum. The Remaining Group does not have any material borrowings at fixed interest rate in 2017.

### **Employees**

As at 31 December 2017, the Remaining Group had approximately 152 full-time staff in Hong Kong, the PRC and Europe. The remuneration packages offered to the employees were determined and reviewed on an arm's length basis with reference to the market condition and individual performance. The Remaining Group also provided other benefits to its employees, including year-end double pay, medical insurance and retirement benefits, and incentive bonus with reference to the Remaining Group's operating results and employees' individual performance. All employees of the Remaining Group in Hong Kong had joined the provident fund scheme. Employees of the Remaining Group's subsidiaries in the PRC also participated in social insurance scheme administrated and operated by local authorities and contributions were made according to the local laws and regulations.

## **FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

### **Business Overview**

In 2018, the Remaining Group recorded an increase in total revenue of approximately HK\$135.8 million or 34.0% to approximately HK\$535.0 million. Net profit after tax declined from HK\$1.2 billion to HK\$18.5 million.

### **Revenue**

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

The revenue contributed by the banking and financial businesses in 2018 was approximately HK\$483.9 million, an increase of approximately HK\$101.6 million, or 26.6%, from approximately HK\$382.3 million in 2017. The increase in revenue in 2018 was mainly due

to an increase in Bendura Bank's revenue of HK\$107.6 million or 28.9% from approximately HK\$372.8 million in 2017 to approximately HK\$480.4 million in 2018, as a result of the interest rate hikes in the US and the resulting extra interest income from interbank deposits held in US\$ and the increase in lending volume to clients. Other financial businesses recorded revenue of approximately HK\$3.5 million in 2018, a decline of approximately HK\$6.0 million or 63.2% from approximately HK\$9.5 million in 2017, mainly due to decrease in service fees and commission income.

## 2. *Watches and timepieces businesses*

The Remaining Group recorded revenue of approximately HK\$42.8 million from the watches and timepieces businesses in 2018 as a result of the acquisition of controlling equity interest of Ernest Borel Holdings Limited during the year.

## 3. *Property investment*

The properties in the PRC and Hong Kong owned by the Remaining Group were leased out, with stable rental returns to the Remaining Group for the year under review. During the year, these investment properties generated rental income of approximately HK\$8.3 million (31 December 2017: approximately HK\$16.9 million). The decrease in rental income was in line with the reduction of investment property portfolio resulting from the disposal of Seti Timber Industry (Shenzhen) Co., Ltd and its subsidiaries in 2017.

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

The net profit after tax amounted to approximately HK\$18.5 million in 2018, of which profit of approximately HK\$164.5 million from the banking and financial businesses, approximately HK\$35.9 million of loss from the watches and timepieces businesses, profit of approximately HK\$2.9 million from property investment and approximately HK\$113.0 million of unallocated loss from headquarter and other expenses (which mainly comprised interest expenses to bank borrowings in relation to the watches and timepieces businesses of the Group before the Disposal).

The net profit after tax in banking and financial businesses increased approximately HK\$26.8 million or 19.5%, mainly due to the growth in revenue for reasons stated above. As the Company acquired controlling equity interest in Ernest Borel Holdings Limited in September 2018, the Remaining Group did not record any net profit after tax from the watches and timepieces businesses in 2017. Ernest Borel Holdings Limited recorded net loss after tax of HK\$35.9 million in 2018, as its decline in revenue could not offset its operating costs. The net profit after tax from property investment declined significantly from HK\$1.2 billion in 2017 to HK\$2.9 million in 2018, mainly attributable to the gain from the disposal of the entire equity interest of Seti Timber Industry (Shenzhen) Co., Ltd and its subsidiaries in 2017.

**Liquidity, Financial Resources and Capital Structure*****Cash and Deposits***

As at 31 December 2018, cash and deposit held by the Remaining Group amounted to approximately HK\$7.4 billion (31 December 2017: approximately HK\$7.2 billion), of which approximately HK\$7.3 billion (31 December 2017: approximately HK\$6.8 billion) was sight deposit with central banks placed by Bendura Group, and HK\$46.9 million (31 December 2017: approximately HK\$47.3 million) was cash held on behalf of clients.

***Due from Banks and Clients***

As at 31 December 2018, total due from clients of the Remaining Group amounted to approximately HK\$1.6 billion (31 December 2017: approximately HK\$1.1 billion) and total due from banks amounted to approximately HK\$3.4 billion (31 December 2017: approximately HK\$5.9 billion).

***Investments***

The investments of the Remaining Group as at 31 December 2018 included (a) trading portfolio investments of HK\$112.2 million (31 December 2017: approximately HK\$641.0 million); (b) derivative financial assets of HK\$7.7 million (31 December 2017: approximately HK\$4.7 million); (c) financial assets at amortised cost of approximately HK\$1.0 billion (31 December 2017: approximately HK\$1.1 billion); and (d) other financial assets at fair value through other comprehensive income of HK\$621.5 million (31 December 2017: Nil).

***Due to Clients***

As at 31 December 2018, the amount due to clients of the Remaining Group amounted to approximately HK\$12.5 billion (31 December 2017: approximately HK\$14.3 billion) of which approximately HK\$12.4 billion (31 December 2017: approximately HK\$14.2 billion) was amounts of bank deposits by clients.

***Capital Structure***

As at 31 December 2018, the Remaining Group had non-pledged cash and bank balances of approximately HK\$7.4 billion (31 December 2017: approximately HK\$7.2 billion). Based on the borrowings of approximately HK\$749.9 million, the corporate bonds of approximately HK\$760.2 million (31 December 2017: approximately HK\$733.0 million) and amount due to a shareholder of approximately HK\$73.0 million (31 December 2017: Nil) and shareholders' equity of approximately HK\$3.1 billion (31 December 2017: approximately HK\$3.2 billion), the Remaining Group's gearing ratio (being borrowings plus corporate bonds plus amount due to a shareholder divided by shareholders' equity) was 51.2% (31 December 2017: 33.3%).

As at 31 December 2018, the Remaining Group's borrowings amounting to approximately HK\$543.6 million (31 December 2017: approximately HK\$336.9 million) were repayable within one year, representing 72.5% (31 December 2017: 100%) of the total borrowings.

### **Material Investment, Acquisition and Disposal**

On 12 September 2018, VGB Limited, a subsidiary of the Company, entered into two agreements to acquire 58.22% equity interest in Ernest Borel Holdings Limited, a Hong Kong listed company (stock code: 1856) with its Swiss watch brand "Ernest Borel", at the consideration of approximately HK\$374.0 million. The completion of the agreements took place on 18 September 2018 and Ernest Borel Holdings Limited became a subsidiary of the Remaining Group.

### **Capital Commitments and Contingent Liabilities**

#### ***Capital Commitments***

Capital commitments as at 31 December 2018 were approximately HK\$270.0 million in total related to investment in associate – Citychamp Allied International Limited. Except for the above, the Remaining Group had no other material capital commitments as at 31 December 2018.

#### ***Financial Guarantee***

As at 31 December 2018, the Remaining Group had contingent liability in relation to guarantee of approximately HK\$60.0 million given to a bank in respect of a revolving loan facility of up to HK\$60.0 million (2017: HK\$60.0 million) granted to an associate. The corporate guarantee is ending on the expiry of the term of the revolving loan facility. In the opinion of the Directors, it is unlikely that a claim will be made against the Remaining Group and no cash outflow under the financial guarantee contract; the financial impact arising from the above guarantee is insignificant; and accordingly, they are not accounted for in the consolidated financial statements.

#### ***Legal Proceeding***

In June 2016, Bendura Bank and Bendura Fund Management Alpha AG have been confronted with potential claims of one investor having invested into an investment fund that currently is in liquidation. Bendura Bank acted as custodian and Bendura Fund Management Alpha AG acted as fund management company whereas the asset management function has been outsourced to an external asset manager. The court dismissed the case at first instance. The investor appealed against the decision. Bendura Bank and Bendura Fund Management Alpha AG, together with its legal advisers, concluded that the outcome of the case cannot be reliably estimated and the possibility of an outflow of economic resources is not probable as at 31 December 2017 and 2018.

*Credit Card Commitments*

As at 31 December 2018, the Remaining Group had contingent liability in relation to credit card commitments of approximately HK\$98.4 million (2017: approximately HK\$72.5 million) given to third parties. Credit card commitments represents the undrawn amount of credit card limits. In the opinion of the Directors, those credit commitments are given with collateral and the possibility of an outflow of economic resources is not probable.

**Financial Risks***Foreign Currency Risk*

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Remaining Group mainly operates in Hong Kong, Switzerland, United Kingdom, Liechtenstein and the PRC with most of the transactions denominated and settled in HK\$, US\$, Euro, CHF, GBP and RMB. The Remaining Group's exposure to foreign currency risk primarily arises from certain financial instruments including available-for-sale financial assets, other assets, cash and deposits, due from clients and banks, trading portfolio investments, derivative financial assets, held-to-maturity investments, due to clients, derivative financial liabilities, other liabilities and borrowings which are denominated in US\$, Euro, CHF, GBP and RMB. The Remaining Group currently does not have a foreign currency hedging policy but the management continuously monitors the foreign exchange exposure.

The Remaining Group's reporting currency is Hong Kong Dollar. When the Remaining Group prepares the consolidated financial statements, the profits made in foreign currencies are translated into Hong Kong Dollar at the average exchange rates of the relevant financial years whereas foreign currency balance sheets are translated into Hong Kong Dollar at the rates at the balance sheet date. Accordingly, the profits derived in foreign currencies would be lower should there be any appreciation in the exchanges of Hong Kong Dollar against the respective currencies.

The following table summarises the Remaining Group's major financial assets and financial liabilities denominated in currencies other than the functional currencies of the respective group companies as at 31 December 2018.

	<i>Expressed in HK\$'000</i>				
	US\$	Euro	CHF	GBP	RMB
<b>As at 31 December 2018</b>					
Cash and cash equivalent	11,303	4,925,392	1,040	54	47,171
Due from clients	122,489	884,262	–	–	–
Due from banks	2,577,822	176,602	–	–	–
Trading portfolio investments	546	5,931	–	–	–
Derivative financial assets	6,468	226	–	–	–
Available for sale financial asset	–	–	–	–	128,730
Other financial assets at amortised cost	613,832	347,405	–	–	–
Other assets	43,368	2,144	–	–	6,669
Due to clients	(4,797,723)	(6,343,678)	–	–	–
Derivative financial liabilities	(13,493)	–	–	–	–
Borrowings	–	–	–	–	(232)
Other liabilities	(6,886)	(1,360)	–	–	–
<b>Overall net exposure</b>	<b>(1,442,274)</b>	<b>(3,076)</b>	<b>1,040</b>	<b>54</b>	<b>182,338</b>

### *Interest Rate Risk*

Interest rate risk stems from the fluctuation of the fair value or cash flows of a financial instrument due to changes in market interest rates. The Remaining Group's exposure to the risk of changes in market interest rates relates primarily to the Remaining Group's due from client balance, debt obligations and bank deposits with a floating interest rate. As at 31 December 2017 and 2018, the interest-bearing loans amounted to approximately HK\$336.9 million and approximately HK\$749.9 million respectively. The Remaining Group does not use financial instruments for hedging its interest rate risks. The Remaining Group will keep monitoring the trend of interest rate of the global capital markets and adjust the mix of fixed-rate and floating-rate interest-bearing loans accordingly.

In respect of the banking business, interest rate risk is managed by taking into account market conditions and controlled at a reasonable level. Applying the prudent risk appetite and dealing with mainly the repricing risk, Bendura Bank continues to optimize the maturity structure of deposits and take the initiative to manage sensitive gaps in interest rates for the overall objective of achieving steady growth both in net interest income and economic value within a tolerable level of interest rate risk.

*List of borrowing by currencies and by nature of interest rate and by duration*

Currency	Nature of interest rate	Duration Within	Duration More
		1 year	than 1 year
		<i>HK\$ million</i>	<i>HK\$ million</i>
HKD	Floating	538.2	206.3
USD	Floating	5.4	–
		<u>543.6</u>	<u>206.3</u>

The borrowings of the Remaining Group are charged at floating rates ranging from 3.05% to 7% per annum. The Remaining Group does not have any material borrowings at fixed interest rate in 2018.

### Employees

As at 31 December 2018, the Remaining Group had approximately 399 full-time staff in Hong Kong, the PRC and Europe. The remuneration packages offered to the employees were determined and reviewed on an arm's length basis with reference to the market condition and individual performance. The Remaining Group also provided other benefits to its employees, including year-end double pay, medical insurance and retirement benefits, and incentive bonus with reference to the Remaining Group's operating results and employees' individual performance. All employees of the Remaining Group in Hong Kong had joined the provident fund scheme. Employees of the Remaining Group's subsidiaries in the PRC also participated in social insurance scheme administrated and operated by local authorities and contributions were made according to the local laws and regulations.

### FOR FINANCIAL YEAR ENDED 31 DECEMBER 2019

#### Business Overview

In 2019, the Remaining Group recorded an increase in total revenue of approximately HK\$70.1 million or 13.1% to approximately HK\$605.1 million. The Remaining Group recorded net loss after tax of approximately HK\$43.3 million, compared to net profit after tax of HK\$18.5 million in 2018.

**Revenue***1. Banking and financial businesses*

The revenue contributed by the banking and financial businesses in 2019 was approximately HK\$456.6 million, a decrease of approximately HK\$27.3 million, or 5.6%, from approximately HK\$483.9 million in 2018. The decrease in revenue in 2018 was mainly due to a decrease in Bendura Bank's revenue of HK\$27.1 million or 5.6% from approximately HK\$480.4 million in 2018 to approximately HK\$453.3 million in 2019, as a result of the negative interest rates in CHF and Euro, heavy regulatory pressure and the self-restraint measures imposed within the scope of Bendura Bank's de-risking strategy. Other financial businesses recorded revenue of approximately HK\$3.3 million in 2019, a decline of HK\$0.2 million or 5.7% from 2018.

*2. Watches and timepieces businesses*

The Remaining Group's watches and timepieces businesses recorded revenue of HK\$141.5 million, representing an increase of approximately of HK\$98.7 million or 230.6%, mainly due to the fact that the revenue for the year ended 31 December 2018 only covered period from 1 October 2018 to 31 December 2018 as the Remaining Group acquired Ernest Borel Holdings Limited on 18 September 2018.

*3. Property investment*

The properties in the PRC and Hong Kong owned by the Remaining Group were leased out, with stable rental returns to the Remaining Group for the year under review. During the year, these investment properties generated rental income of approximately HK\$7.0 million (31 December 2018: approximately HK\$8.3 million).

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

The net loss after tax amounted to approximately HK\$43.3 million, of which profit of approximately HK\$172.8 million from the banking and financial businesses, loss of approximately HK\$75.3 million from the watches and timepieces businesses, profit of approximately HK\$8.0 million from property investment and unallocated loss of approximately HK\$148.8 million from headquarter and other expenses (which mainly comprised interest expenses to bank borrowings in relation to the watches and timepieces businesses of the Group before the Disposal).

The net profit after tax in banking and financial businesses decreased approximately HK\$8.3 million or 5.0%, in line with the decline in revenue for reasons stated above. The net loss after tax from the watches and timepieces businesses widened from HK\$35.9 million in 2018 to HK\$75.3 million in 2019 mainly due to a decrease in sales caused by unfavourable

market conditions and an margin erosion. The net profit after tax from property investment was approximately HK\$8.0 million in 2019 (2018: approximately HK\$2.9 million).

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

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

As at 31 December 2019, cash and deposit held by the Remaining Group amounted to approximately HK\$4.7 billion (31 December 2018: approximately HK\$7.4 billion), of which approximately HK\$4.5 billion (31 December 2018: approximately HK\$7.3 billion) was sight deposit with central banks placed by Bendura Bank and its subsidiaries, and HK\$104.2 million (31 December 2018: approximately HK\$46.9 million) was cash held on behalf of clients.

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

As at 31 December 2019, total due from clients of the Remaining Group amounted to approximately HK\$2.1 billion (31 December 2018: approximately HK\$1.6 billion) and total due from banks amounted to approximately HK\$4.9 billion (31 December 2018: approximately HK\$3.4 billion).

#### ***Investments***

The investments of the Remaining Group as at 31 December 2019 included (a) trading portfolio investments of HK\$227.9 million (31 December 2018: approximately HK\$112.2 million); (b) derivative financial assets of HK\$10.3 million (31 December 2018: approximately HK\$ HK\$7.7 million); (c) financial assets at amortised cost of approximately HK\$1.3 billion (31 December 2018: approximately HK\$1.0 billion); and (d) other financial assets at fair value through other comprehensive income of HK\$417.2 million (31 December 2018: approximately HK\$621.5 million).

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

As at 31 December 2019, the amount due to clients of the Remaining Group amounted to approximately HK\$12.0 billion (31 December 2018: approximately HK\$12.5 billion), of which approximately HK\$11.9 billion (31 December 2018: approximately HK\$12.4 billion) was amounts of bank deposits by clients.

#### ***Capital Structure***

As at 31 December 2019, the Remaining Group had non-pledged cash and bank balances of approximately HK\$4.7 billion (31 December 2018: approximately HK\$7.4 billion). Based on the borrowings of approximately HK\$1.3 billion, no corporate bonds as at 24 July 2019 as the CHF 100 million (3.625%) corporate bonds were redeemed and repaid at the principal amount (31 December 2018: approximately HK\$760.2 million), due to a shareholder of HK\$12.0 million (31

December 2018: HK\$73.0 million), due to directors of approximately HK\$22.2 million (31 December 2018: Nil) and shareholders' equity of approximately HK\$3.1 billion (31 December 2018: approximately HK\$3.1 billion), the Remaining Group's gearing ratio (being borrowings plus corporate bonds, due to a shareholder and due to directors divided by Shareholders' equity) was 44.2% (31 December 2018: 51.2%).

As at 31 December 2019, the Remaining Group's borrowings amounting to approximately HK\$1.3 billion (31 December 2018: HK\$543.6 million) were repayable within one year, representing 100% (31 December 2018: 72.5%) of the total borrowings.

#### *Charge on Assets*

As at 31 December 2019, the Remaining Group's borrowings were secured by (a) corporate guarantees provided by certain subsidiaries within the Remaining Group; and (b) equity interest of certain subsidiaries within the Remaining Group.

#### **Capital Commitments and Contingent Liabilities**

##### *Capital Commitments*

Capital commitments as at 31 December 2019 were approximately HK\$ 270.0 million in total (31 December 2018: HK\$270.0 million), for investment in an associate – Citychamp Allied International Limited and purchase of property, plant and equipment. Except for the above, the Remaining Group had no other material capital commitments as at 31 December 2019.

##### *Financial Guarantee*

As at 31 December 2019, the Remaining Group had contingent liability in relation to guarantee of approximately HK\$30.0 million (2018: HK\$60.0 million) given to a bank in respect of a revolving loan facility of up to HK\$30.0 million (2018: HK\$60.0 million) granted to an associate. The corporate guarantee is ending on the expiry of the term of the revolving loan facility. In the opinion of the Directors, it is unlikely that a claim will be made against the Remaining Group and no cash outflow under the financial guarantee contract. The Directors have assessed and considered the financial impact arising from the above guarantee is insignificant.

##### *Legal Proceeding*

In June 2016, Bendura Bank and Bendura Fund Management Alpha AG have been confronted with potential claims of one investor having invested into an investment fund that currently is in liquidation. Bendura Bank acted as custodian and Bendura Fund Management Alpha AG acted as fund management company whereas the asset management function has been outsourced to an external asset manager. The court dismissed the case at first instance. The

investor appealed against the decision. The appeal court referred back to the first instance. The case has been settled during the year ended 31 December 2019.

### *Credit Card Commitments*

As at 31 December 2019, the Remaining Group had contingent liability in relation to credit card commitments of approximately HK\$93.5 million (2018: approximately HK\$98.4 million) given to third parties. Credit card commitments represents the undrawn amount of credit card limits. In the opinion of the Directors, those credit commitments are given with collateral and the possibility of an outflow of economic resources is not probable.

### **Financial Risks**

#### *Foreign Currency Risk*

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Remaining Group mainly operates in Hong Kong, Switzerland, United Kingdom, Liechtenstein and the PRC with most of the transactions denominated and settled in HK\$, US\$, Euro, CHF, GBP and RMB. The Remaining Group's exposure to foreign currency risk primarily arises from certain financial instruments including available-for-sale financial assets, other assets, cash and deposits, due from clients and banks, trading portfolio investments, derivative financial assets, held-to-maturity investments, due to clients, derivative financial liabilities, other liabilities and borrowings which are denominated in US\$, Euro, CHF, GBP and RMB. The Remaining Group currently does not have a foreign currency hedging policy but the management continuously monitors the foreign exchange exposure.

The following table summarises the Remaining Group's major financial assets and financial liabilities denominated in currencies other than the functional currencies of the respective group companies as at 31 December 2019.

	<i>Expressed in HK\$'000</i>				
	US\$	Euro	CHF	GBP	RMB
<b>As at 31 December 2019</b>					
Cash and cash equivalent	25,288	1,212,193	337	44	403
Due from clients	64,613	645,831	–	–	–
Due from banks	2,599,320	797,157	–	–	–
Trading portfolio investments	46,758	–	–	–	–
Derivative financial assets	401	8,635	–	–	–
Financial assets at fair value through OCI	–	–	–	–	135,174
Other financial assets at amortised cost	843,992	411,730	–	–	–
Other Assets	29,794	143	–	–	9,603
Due to clients	(6,985,123)	(3,751,785)	–	–	–
Derivative financial liabilities	(53,844)	(943)	–	–	–
Borrowings	(817,702)	(46,731)	–	–	(939)
Other liabilities	(7,695)	(466)	–	–	–
Due to banks	(16,358)	–	–	(16)	–
<b>Overall net exposure</b>	<b>(4,270,556)</b>	<b>(724,236)</b>	<b>337</b>	<b>28</b>	<b>144,241</b>

### ***Interest Rate Risk***

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Remaining Group's interest rate risk arises primarily from borrowings and bank deposits. Borrowings and bank deposits bearing variable rates and fixed rates expose the Remaining Group to cash flow interest rate risk and fair value interest rate risk respectively. The Remaining Group does not use financial instruments for hedging its interest rate risks.

The key controls adopted by the Remaining Group include the following: (i) manage by taking into account market conditions and controlled at a reasonable level; (ii) keep monitoring the trend of interest rate of the global capital markets and adjust the mix of fixed-rate interest-bearing loans accordingly; and (iii) optimize the maturity structure of deposits and take the initiative to manage sensitive gaps in interest rates for the overall objective of achieving steady growth both in net interest income and economic value within a tolerable level of interest rate risk.

*List of borrowing by currencies and by nature of interest rate and by duration*

Currency	Nature of interest rate	Duration Within	Duration More
		1 year HK\$ million	than 1 year HK\$ million
HKD	Floating	468.6	–
USD	Floating	828.3	–
EUR	Floating	46.7	–
RMB	Floating	0.9	–
		1,344.5	–
		1,344.5	–

The borrowings of the Remaining Group are charged at floating rates ranging from 2.72% to 5.65% per annum. The Remaining Group does not have any material borrowings at fixed interest rate in 2019.

### **Employees**

As at 31 December 2019, the Remaining Group had approximately 389 full-time staff in Hong Kong, the PRC and Europe. The remuneration packages offered to the employees were determined and reviewed on an arm's length basis with reference to the market condition and individual performance. The Remaining Group also provides other benefits to its employees, including year-end double pay, medical insurance and retirement benefits, and incentive bonuses are offered with reference to the Remaining Group's operating results and employees' individual performance. All employees of the Remaining Group in Hong Kong have joined the provident fund schemes. Employees of the Remaining Group's subsidiaries in the PRC also participate in social insurance scheme administrated and operated by local authorities and contributions are made according to the local laws and regulations.

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

#### **Business Overview**

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

**Revenue***1. Banking and financial businesses*

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

*2. Watches and timepieces businesses*

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

*3. Property investment*

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

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

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

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

**Liquidity, Financial Resources and Capital Structure*****Cash and Deposits***

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

***Due from Banks and Clients***

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

***Investments***

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

***Due to Clients***

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

***Capital Structure***

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

gearing ratio (being borrowings plus due to a shareholder and due to directors divided by Shareholders' equity) was 37.7% (31 December 2019: 44.2%).

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

#### ***Charge on Assets***

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

#### **Capital Commitment and Contingent Liabilities**

##### ***Capital Commitments***

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

##### ***Financial Guarantee***

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

***Legal Proceeding***

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

***Credit Card Commitments***

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

***Employees***

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

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests of Directors

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) were as follows:

Name of Director	Number of shares held in the Company			Total Interests	Percentage of Shareholding (Note 1)
	Beneficial Owner	Corporate Interests	Family Interests		
Hon Kwok Lung	3,500,000	3,017,389,515 (Note 2)	1,374,000 (Note 3)	3,022,263,515	69.45%
Shang Jianguang	5,300,000	–	–	5,300,000	0.12%
Shi Tao	5,000,000	–	–	5,000,000	0.11%
Lam Toi Man	2,400,000	–	–	2,400,000	0.06%
Sit Lai Hei	–	200,000,000 (Note 4)	–	200,000,000	4.60%
Hon Hau Wong	1,750,000	–	200,000,000 (Note 5)	201,750,000	4.64%
Teguh Halim	3,000,000	–	3,000,000 (Note 6)	6,000,000	0.14%

*Notes:*

1. Shareholding percentage is calculated based on 4,351,888,206 issued Shares as at the Latest Practicable Date.
2. The 3,017,389,515 shares comprise of 1,640,128,000 shares held by Full Day Limited, which is wholly-owned by Mr. Hon Kwok Lung and 1,377,261,515 shares held by Sincere View International Limited, which is owned as to 80% by Mr. Hon Kwok Lung and 20% by his spouse.
3. 1,374,000 shares were held by Ms. Lam Suk Ying, spouse of Mr. Hon Kwok Lung.
4. The 200,000,000 shares were held by Qiangda Limited, a wholly-owned subsidiary of Fengrong Investment (Hong Kong) Company Limited (“**Fengrong Hong Kong**”). Fengrong Hong Kong is wholly-owned by Fujian Fengrong Investment Company Limited (“**Fujian Fengrong**”), which is owned as to approximately 68.5% by Ms. Sit Lai Hei.
5. Mr. Hon Hau Wong is deemed to have an interest in 200,000,000 shares which were held by Qiangda Limited, a wholly-owned subsidiary of Fengrong Hong Kong. Fengrong Hong Kong is wholly-owned by Fujian Fengrong which is owned as to approximately 31.5% by Ms. Lu Xiaojun, spouse of Mr. Hon Hau Wong.
6. 3,000,000 shares were held by Mr. Teguh Halim’s wife.

**Number of shares held in the associated corporations of the Company**

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Nature of interest</b>	<b>Percentage of Shareholding</b>
Sit Lai Hei	Zhuhai Rossini Watch Industry Limited ( <i>Note 1</i> )	Corporate ( <i>Note 2</i> )	9%
Hon Hau Wong	Zhuhai Rossini Watch Industry Limited ( <i>Note 1</i> )	Family Interest ( <i>Note 2</i> )	9%

*Notes:*

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

Save as disclosed above, as at the Latest Practicable Date, no other person had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules.

**(b) Interests of Substantial Shareholders**

As the Directors were aware, as at the Latest Practicable Date, the following persons hold interests of 5% or more of the issued share capital of the Company, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Nature of interest	No. of shares	Percentage of existing issued capital (Note 1)
Sincere View International Limited	Beneficial owner	1,377,261,515	31.65%
Full Day Limited	Beneficial owner	1,640,128,000	37.69%
Hon Kwok Lung (Note 2)	Corporate interest, beneficial owner and family interest	3,022,263,515	69.45%
Lam Suk Ying (Note 2)	Beneficial owner and family interest	3,022,263,515	69.45%

*Notes:*

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 4,351,888,206 shares as at the Latest Practicable Date.
2. Mr. Hon Kwok Lung and Ms. Lam Suk Ying, his spouse, are deemed to have an interest in the same parcel of 3,022,263,515 shares, which comprise 1,377,261,515 shares held by Sincere View, 1,640,128,000 shares held by Full Day, 3,500,000 shares held by Mr. Hon Kwok Lung and 1,374,000 shares are held by Ms. Lam Suk Ying.

Save as disclosed above, as at the Latest Practicable Date, no other person, other than the Directors and chief executive of the Company, whose interests are set out in section 2(a) above headed "Interests of Directors", had registered an interest or short position in the shares and underlying shares of the Company that was required to be recorded pursuant to Section 366 of the SFO.

**3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, Mr. Shang Jianguang, the Executive Director and CEO, has entered into service contract with the Company for a term of three years commencing from 18 November 2011, which is subject to termination by either party by giving not less than three-month written notice. The contract can be renewed upon both parties' consent. Each of other Executive Directors of the Company has entered into service contract with the Company for an initial term of two years commencing from the date of appointment, which is

automatically renewed for successive terms unless it is terminated by either party by giving not less than two-month written notice. Each Independent Non-executive Director of the Company has entered into service contract with the Company for an initial term of two years commencing from the date of appointment, which is automatically renewed for successive terms unless it is terminated by either party by giving not less than one-month written notice.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

#### **4. DIRECTORS' INTERESTS IN CONTRACTS**

Save for the Sale and Purchase Agreement, as at the Latest Practicable Date, none of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

#### **5. DIRECTORS' INTEREST IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in, apart from the Group's business, any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

#### **6. DIRECTORS' INTEREST IN ASSETS**

Save for the Sale Shares and Sale Loans to be sold by the Group to the Purchaser under the Sale and Purchase Agreement, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

#### **7. LITIGATION**

Neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claims of material importance which is known to the Directors to be pending or threatened by or against either the Company or any of its subsidiaries as at the Latest Practicable Date.

#### **8. MATERIAL CONTRACTS**

Save for the Sale and Purchase Agreement, as at the Latest Practicable Date, no contract, not being contracts entered into in the ordinary course of business, was entered into by members of the Group within the two years immediately preceding the date of this circular and ending on the Latest Practicable Date which is or may be material.

## 9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
BDO Limited	Certified Public Accountants
Merdeka	Corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the very substantial disposal and connected transaction relating to the Disposal

BDO Limited and Merdeka have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters and references to their name in the form and context in which they are included. As at the Latest Practicable Date, BDO Limited and Merdeka:

- a. did not have any shareholding in or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- b. did not have any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

## 10. GENERAL

- a. Mr. Fong Chi Wah is the chief financial officer and company secretary of the Company. He is a member of the Hong Kong Institute of Certified Public Accountants, a member of CPA Australia, a Chartered Financial Analyst, a member of the Institute of Certified Management Accountants, Australia and a fellow of the Hong Kong Institute of Directors.
- b. The registered office of the Company is situated at P.O. Box 309, Ugland House, South Church Street, Grand Cayman, KY1-1104, Cayman Islands.
- c. The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

- d. The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

## 11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at Units 1902–04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong from the date of this circular up to and including the date of the EGM:

- a. the memorandum of association and articles of association of the Company;
- b. the material contracts referred to in the paragraph headed “Material Contracts” above in this Appendix;
- c. the letter from Merdeka, the text of which is set out in this circular;
- d. the review report on the financial information of the Disposal Group, the texts of which are set out in Appendices IIA to IIG to this circular;
- e. the report on the unaudited pro forma financial information of the Remaining Group, the texts of which are set out in Appendix III to this circular;
- f. the service contracts and the letter of appointments referred to in the section headed “3. Directors’ Service Contracts” in this Appendix;
- g. the annual reports of the Company for each of the three financial years ended 31 December 2017, 2018 and 2019, and the interim report of the Company for the six months ended 30 June 2020;
- h. the written consents referred to in the paragraphs headed “Experts and Consents” above in this Appendix; and
- i. this circular.

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## NOTICE OF EGM

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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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of Citychamp Watch & Jewellery Group Limited (the “**Company**”) will be held at 11:00 a.m. on Thursday, 25 March 2021 at Studio 1, 7/F, W Hong Kong, 1 Austin Road West, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

#### **ORDINARY RESOLUTIONS**

1. “**THAT**

- (a) the conditional sale and purchase agreement dated 16 December 2020 (the “**Agreement**”) entered into between the Company (the “**Vendor**”), Tycoon Idea Global Limited (the “**Purchaser**”) and Sincere View International Limited (the “**Purchaser’s Guarantor**”) (a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose), pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares (as defined in the circular of the Company dated 25 February 2021) and the Sale Loans (as defined in the circular of the Company dated 25 February 2021) at the Consideration (as defined in the circular of the Company dated 25 February 2021) (subject to adjustment required under the Agreement), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company be and is hereby authorised to do all such further acts and things and to sign and execute all such documents, under hand or under the common seal of the Company (or otherwise as a deed) as appropriate, and to take all such steps which in his/her opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the Agreement and the transactions contemplated thereunder or incidental thereto.”

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## NOTICE OF EGM

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### 2. “THAT

Subject to approval of the shareholders of the above Resolution no. 1 at the Meeting and Completion (as defined in the circular of the Company dated 25 February 2021) having taken place, a special dividend of not less than HK\$0.13 per share be declared and paid in the capital of the Company (the “**Special Dividend**”) to the shareholders of the Company whose names appear on the register of members of the Company on the record date to be fixed by the board of directors of the Company for determining the entitlements to the Special Dividend and any director of the Company be and is hereby authorized to take such action, do such things and execute such further documents as the director may at his/her absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the payment of the Special Dividend.”

By order of the Board of  
**Citychamp Watch & Jewellery Group Limited**  
**Fong Chi Wah**  
*Chief Financial Officer & Company Secretary*

Hong Kong, 25 February 2021

*Notes:*

1. A form of proxy for use at the Meeting is enclosed herewith.
2. Any shareholder of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the Meeting. A proxy need not be a shareholder of the Company. In addition, a proxy or proxies representing either an individual shareholder or a shareholder which is a corporation, shall be entitled to exercise the same powers on behalf of the shareholder which he/she or they represent as such shareholder could exercise.
3. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited at the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding of the Meeting or any adjournment thereof.
4. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting convened or at any adjourned meeting (as the case may be) and in such event, the form of proxy will be deemed to be revoked.
5. Where there are joint holders of any share of the Company, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he/she/it were solely entitled thereto, but if more than one of such joint holders be present at the Meeting personally or by proxy, then the one of such holders whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder in whose name any share stands shall for this purpose be deemed joint holders thereof.

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## NOTICE OF EGM

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6. The register of members of the Company will be closed from 22 March 2021 to 25 March 2021, both days inclusive, during which period no transfer of Shares will be effected. In order to determine the entitlement to attend and vote at the Meeting, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration on or before 4:30 p.m. on 19 March 2021 for such purpose.
7. If a typhoon signal No. 8 or above, or a "black" rainstorm warning signal is in effect any time after 7:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will post an announcement on the websites of the Company and the Stock Exchange to notify shareholders of the Company of the date, time and place of the rescheduled Meeting.
8. In light of the outbreak of novel coronavirus (COVID-19), the Company will implement the following precautionary measures at the Meeting in order to protect the health and safety of the attendees at the Meeting, including:
  - a. all attendees will subject to compulsory body temperature checks at the entrance of the Meeting venue. Any person with a body temperature of 37 degrees Celsius or higher may be denied entry to the Meeting venue or be required to leave the Meeting venue;
  - b. all attendees will be required to wear surgical face masks throughout the Meeting;
  - c. any person who does not comply with the above measures may be denied entry to the Meeting venue; and
  - d. no beverage or refreshments will be served at the Meeting.
9. The translation into Chinese language of this notice is for reference only. In the case of inconsistency, the English text of this notice shall prevail over the Chinese text.

*As at the date of this notice, the executive directors of the Company are Mr. Hon Kwok Lung, Mr. Shang Jianguang, Mr. Shi Tao, Mr. Lam Toi Man, Mr. Bi Bo, Ms. Sit Lai Hei, Mr. Hon Hau Wong, and Mr. Teguh Halim; 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.*