2021
ANNUAL REPORT

ERNEST BOREL
1856

ERNEST BOREL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

STOCK CODE : 1856

CONTENTS

CORPORATE INFORMATION

Ernest Borel Holdings Limited ((the "**Company**"), and together with its subsidiaries, the "**Group**")

DIRECTORS

Executive Directors

Mr. Teguh Halim
*(Chairman of the Board of Directors (the "**Board**")*
Ms. Lam Lai

Non-executive Director

Mr. Xiong Ying

Independent Non-executive Directors

Mr. To Chun Kei
Mr. Hui Cheuk Kit Frederick
Ms. Chan Lai Wa

COMPANY SECRETARY

Mr. Ng Kin Sun

AUDIT COMMITTEE

Mr. To Chun Kei *(Chairman)*
Mr. Hui Cheuk Kit Frederick
Ms. Chan Lai Wa

REMUNERATION COMMITTEE

Mr. To Chun Kei *(Chairman)*
Mr. Teguh Halim
Mr. Hui Cheuk Kit Frederick
Ms. Chan Lai Wa

NOMINATION COMMITTEE

Mr. Teguh Halim *(Chairman)*
Mr. To Chun Kei
Mr. Hui Cheuk Kit Frederick
Ms. Chan Lai Wa

EXECUTIVE COMMITTEE

Mr. Teguh Halim *(Chairman)*
Ms. Lam Lai

INVESTMENT COMMITTEE

Mr. Teguh Halim *(Chairman)*
Ms. Lam Lai

AUTHORISED REPRESENTATIVES

Ms. Lam Lai
Mr. Ng Kin Sun

COMPANY'S WEBSITE

www.ernestborel.ch

REGISTERED OFFICE

Second Floor, Century Yard, Cricket Square
P.O. Box 902, Grand Cayman, KY1-1103
Cayman Islands

HEAD OFFICE IN SWITZERLAND

8, rue des Perrières
2340 Le Noirmont
Switzerland

OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

Unit 901, Level 9
Tower A, Onelink International Centre
No. 230 Tianhe Road
Tianhe District, Guangzhou
China

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN HONG KONG

Unit 1612–18, Level 16, Tower 1
Grand Century Place
193 Prince Edward Road West
Mongkok, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Tricor Services (Cayman Islands) Limited
Second Floor, Century Yard, Cricket Square
P.O. Box 902, Grand Cayman, KY1-1103
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

INDEPENDENT AUDITOR

BDO Limited
Certified Public Accountants

PRINCIPAL BANKER

Hang Seng Bank Limited

FINANCIAL HIGHLIGHTS

- Turnover for the financial year ended 31 December 2021 ("**FY2021**") increased from approximately HK$122.6 million to approximately HK$149.3 million when compared with the financial year ended 31 December 2020 ("**FY2020**").
- Gross profit margin increased from approximately 59.5% for FY2020 to approximately 60.9% for FY2021. Gross profit increased from approximately HK$73.0 million for FY2020 to approximately HK$90.8 million for FY2021.
- Loss attributable to the owners of the Company for FY2021 was approximately HK$31.8 million (FY2020: Profit of approximately HK$1.3 million).
- Loss per share for FY2021 was approximately HK$9.16 cents (FY2020: Earnings per share was approximately HK$0.38 cent).
- The Board has resolved not to recommend any payment of a final dividend for FY2021 (FY2020: Nil).

Note: In the case of any inconsistency between the Chinese translation and the English text of this annual report, the English text shall prevail.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Ernest Borel Holdings Limited ("**Ernest Borel**", the "**Company**" or "**We**"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2021.

It has been over two years since the breakout of the novel coronavirus ("**COVID-19**") epidemic, which has radically changed the lifestyle of people and the ordinary operation of various industries in different countries, among which, the retail market of premium watch has been one of the most impacted sectors. During the year under review, various industries affected by COVID-19 have been finding their way out of the storm, and the Group has taken various measures to cope with the difficulties in response to the development of the epidemic, including: optimizing the point-of-sale ("**POS**") network, strengthening the development of e-commerce business and controlling unnecessary costs and expenses more prudently.

In order to curb the spread of the virus, countries have continued to implement various border closure and tourist entry quarantine measures. As a result, global tourism and retail industries have taken a hard hit, consumer sentiment weakened and customers at shopping malls and POS around the world decreased, all of which materially affected the Group's watch sales business. Nevertheless, the Group continuously adjusted its sales strategies, supported by different promotional strategies and offers, to actively endeavor to expand the market of local customers and to attract and stimulate local consumption by local customers.

Despite the restrictions on overseas shopping trips, total national retail sales of consumer goods in the People's Republic of China (the "**PRC**"), the Group's main sales market, continued to ease as the epidemic mitigated and the Chinese government promoted domestic consumption. During the year under review, the Group's recorded decent sales in the PRC market and significant increase in sales revenue compared to last year. As the economy in the PRC is gradually stabilizing, the Group seized the opportunity to make strategic deployment and timely adjustments to its POS network in cities below the third tier, with a view to capturing POS in prime locations to enhance sales revenue and operational efficiency. At the same time, the Group regularly conducted internal evaluation of the performance of all POS and closed those with poor sales performance, so as to optimize resource allocation and improve the POS network, for the purpose of maximizing profit.

As for sales in the Hong Kong Special Administrative Region ("**Hong Kong**"), the Macau Special Administrative Region ("**Macau**") and overseas regions, the Group has taken sales management measures to cope with the difficulties due to the continued impact of the resurgence of epidemic and customs closure measures in these regions, which resulted in unsatisfactory sales performance. The Group will adopt a prudent approach in seeking development opportunities in these regions once the epidemic subsides.

In order to keep pace with the changes in the premium watch market and cater to the tastes of target consumers, the Group, despite such a challenging business environment, has been actively developing new watch collections by leveraging its brand strengths, including the 165th Anniversary Edition, the upgraded Heartful Collection, the Sage Collection and the Galaxy Collection, incorporated with innovative designs and unique selling points, which achieved remarkable sales performance and were widely welcomed by consumers. The new product collections are promoted by the Group's new brand ambassador, Ms. Zhang Xingyu, in the romantic, elegant and fashionable style of the "Ernest Borel" brand. The new advertising and promotion materials, by presenting different models of watches to the target customers, have injected fresh vitality into the brand and introduced to consumers a brand new feeling. During the year under review, Ms. Zhang Xingyu participated in the e-commerce livestream event held in Shenzhen and the China International Import Expo and 165th Anniversary New Products Launch held in Shanghai, playing an important role in further promoting and publicizing the brand image of "Ernest Borel". On the other hand, in view of the impacts from the epidemic, the Company adjusted its marketing strategy and focused on online promotion and marketing, including promotion on different e-commerce and social media platforms, such as Xiaohongshu, TicTok and WeChat, so as to keep the brand sufficiently active on the Internet, thereby promoting and enhancing the awareness and reputation of the "Ernest Borel" brand.

The Group's online e-commerce sales revenue has been steadily increasing. In addition to selling products on a number of mainstream online sales platforms such as Tmall and JD.com, the Group also actively attempted to further expand its e-commerce business by selling products through influencer direct sales and short videos marketing. During the year under review, e-commerce sales recorded impressive performance and became one of the main drivers of the Group's revenue. As e-commerce becomes more popular and other online sales models continue to grow, the Group will actively participate in and experiment with other online sales models, and will continue to optimize the image and setting of its existing stores on various platforms at the same time, to meet the tastes of its target customers and maintain the momentum of e-commerce sales.

With the popularization of vaccination, it is anticipated that economic activities in various countries will gradually resume and social distance measures will ease. Though, uncertainties, such as mutated viruses, still exist. The Group remains cautiously optimistic about the retail market in the coming 2022. To ensure stable cash flow and a strong financial position, the Group continues to implement an effective inventory management policy and improve the inventory structure. In conclusion, the Group will continue to seek different channels to generate sales revenue and closely control the Group's operating costs in terms of selling, distribution and administrative expenses in order to achieve the goal of "raising revenue and reducing expenditure". The Group will also prepare for future opportunities with the aim of expanding its earnings and generating valuable and sustainable returns for our shareholders.

Lastly, I would like to express my sincere gratitude to our shareholders and customers for their long-lasting trust and support in the Group.

Mr. Teguh Halim
Chairman
30 March 2022

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Teguh Halim, aged 40, was appointed as an Executive Director and Vice Chairman of the Board of the Company on 12 October 2018. He was also appointed as a member of the Remuneration Committee, Executive Committee and Investment Committee of the Company on 12 October 2018. Mr. Halim has been re-designated as the Chairman of the Board, the chairman of Nomination Committee, Executive Committee and Investment Committee on 5 January 2022. Currently, Mr. Halim is an Executive Director of Citychamp Watch & Jewellery Group Limited ("**Citychamp**"), a company listed on the main board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with stock code 256, and which, as at the date of this annual report, holds 64.08% equity interest in the Company through VGB Limited ("**VGB**"), a wholly-owned subsidiary of Citychamp and a direct controlling shareholder of the Company. Mr. Halim is a director of VGB and several subsidiaries of the Company. Mr. Halim joined Citychamp in October 2008 and has been appointed as an Executive Director of Citychamp since 23 January 2018. Before being appointed as the Executive Director of Citychamp, he was a Vice President of Citychamp. Mr. Halim is also the chairman of the European executive committee of the Citychamp group and director of several subsidiaries of Citychamp engaged in watch business. He has extensive experience in the watch manufacturing and distribution industry and business management. Mr. Halim graduated from Ohio State University as bachelor of science in business administration majoring in accounting.

Ms. Lam Lai (林黎), aged 43, was appointed as an Executive Director and Authorized Representative as well as several subsidiaries of the Company on 12 October 2018. She was also appointed as a member of the Executive Committee and Investment Committee of the Company on 12 October 2018. Ms. Lam joined Citychamp in 2008 as investment manager and has been redesignated as CEO assistant mainly responsible for merger and acquisition as well as business development. Since April 2021, Ms. Lam has been redesignated as the Vice President of Citychamp. Ms. Lam is also appointed as director of various subsidiaries of Citychamp, including Bendura Bank AG and VGB. Ms. Lam serves as a Non-executive Director of Dragon Mining Limited, a company listed on the main board of the Stock Exchange with stock code 1712, with effect from 18 July 2019. Ms. Lam graduated from University of Western Sydney in 2001 with a bachelor degree of business majoring in marketing.

NON-EXECUTIVE DIRECTOR

Mr. Xiong Ying (熊鷹), aged 49, was appointed as the Non-executive Director of the Company on 31 October 2018. Mr. Xiong graduated from the Department of International Finance & Trade at Shenzhen University in 1995 and worked in the property insurance project department of Shenzhen Pacific Insurance Company Limited* (深圳太平洋保險有限公司) from 1995 to 2000. Mr. Xiong obtained a degree of master of business administration from Peking University in 2002. After that, Mr. Xiong worked in the securities investment department at Beijing Gehua Cable Co., Ltd.* (北京歌華有線股份有限公司) from 2003 to 2005. Since 2006, Mr. Xiong has been a director of Beijing P&C Investment Limited* (北京共和同創投資有限公司).

* *For identification purpose only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. To Chun Kei (杜振基), aged 55, was appointed as an Independent Non-executive Director of the Company and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Company with effect from 4 October 2016. Mr. To was appointed as the chairman of the Audit Committee and Remuneration Committee with effect on 6 September 2019. Mr. To graduated from the University of Western Sydney with a bachelor degree in Business Administration in 1999 and received a master degree in Professional Accounting from the Hong Kong Polytechnic University in 2009. Mr. To is also a fellow member of the Hong Kong Institute of Certified Public Accountants. From 2004 to 2011, he was an Independent Non-executive Director, chairman of the audit committee and remuneration committee of China Development Bank International Investment Limited, a company listed on the main board of the Stock Exchange with stock code 1062. Mr. To serves as an Independent Non-executive Director of AVIC Joy Holdings (HK) Limited, a company listed on the main board of the Stock Exchange with stock code 260, with effect from 18 September 2020. Moreover, Mr. To is currently the Hong Kong and Macau business partner of Beijing Central Finova Financial Services Co., Ltd. (北京中央金創金融服務股份有限公司).

Mr. Hui Cheuk Kit Frederick (許卓傑), aged 42, was appointed as an Independent Non-executive Director of the Company and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Company with effect from 6 September 2019. Mr. Hui holds a Master of Laws Degree from the University of Hong Kong, Bachelor of Laws Degree from the University of London and a Bachelor of Science Degree from the University of Toronto. He is a partner of Zhong Lun Law Firm and is a Solicitor Advocate and Notary Public. He is qualified to practise law in Hong Kong, England and Wales.

Ms. Chan Lai Wa (陳麗華), aged 57, was appointed as an Independent Non-executive Director of the Company and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Company with effect from 22 December 2017. Ms. Chan obtained an economic management professional qualification in the PRC in June 1998 and is currently the owner and director of an accounting and taxation consultancy firm in Hong Kong.

* *For identification purpose only*

SENIOR MANAGEMENT

Mr. He Wen (何文), aged 47, was appointed as the Chief Executive Officer ("**CEO**") of the Company on 10 June 2019. Mr. He graduated from Hunan University of Finance and Economics majoring in auditing in 1996. He is a certified public accountant in China. From March 1998 to September 2014, he worked in EBOHR Luxuries International Limited* (依波精品(深圳)有限公司) ("**EBOHR**") and successively served as the personnel manager, financial manager, assistant to general manager, financial controller and operations director. From September 2014 to October 2016, he worked in Zhuhai Rossini Watch Industry Limited as executive vice general manager. From October 2016 to present, he worked in the Company, successively serving as the vice president, chief operation officer and executive vice president.

COMPANY SECRETARY

Mr. Ng Kin Sun (吳建新), aged 52, was appointed as the Company Secretary, Chief Financial Officer and Authorized Representative of the Company with effect from 24 October 2020. Mr. Ng graduated from University of Western Sydney, Nepean (currently known as University of Western Sydney) in Australia with a bachelor's degree in Commerce in May 1994. Mr. Ng also obtained a master's degree in business administration from the University of Manchester in the United Kingdom in June 2011. Mr. Ng became a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants in August 1997 and April 1998 respectively. Mr. Ng has over 25 years of experience in auditing and financial management, company secretarial matters and regulatory compliance matters gained from various international accounting firms and listed companies.

CHANGE OF INFORMATION RELATING TO DIRECTORS

Changes in information relating to the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") are set out below:

(1) Mr. Halim has been re-designated as the Chairman of the Board, the chairman of Nomination Committee, Executive Committee and Investment Committee on 5 January 2022.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Established since 1856 in Switzerland, Ernest Borel has a proud heritage spanning 166 years. Throughout the course of its history and across its operations, the Group has upheld the principles of producing high precision "Swiss-made" products and implemented stringent quality controls. Under its own brand "Ernest Borel", the Group is engaged in the design, production, marketing and sale of mechanical and quartz premium watches. As one of the oldest Swiss premium watchmakers, Ernest Borel has adopted the "dancing couple" as its icon, which embodies "romance and elegance". Together with its distinctive market position, Ernest Borel has gained leadership among brands of watches for couples in Switzerland. The extensive distribution network of the Group covers retail markets in the PRC, Hong Kong, Macau and other markets. As at 31 December 2021, the Group has more than 825 POS.

Ernest Borel recorded a revenue of approximately HK$149.3 million (2020: approximately HK$122.6 million), representing a year-on-year increase of approximately 21.7%, and gross profit and gross profit margin increased to approximately HK$90.8 million (2020: approximately HK$73.0 million) and approximately 60.9% (2020: approximately 59.5%), respectively. Consequently, loss attributable to equity holders amounted to approximately HK$31.8 million in FY2021 (2020: profit of approximately HK$1.3 million).

OVERVIEW

As a result of border closures and tourist entry quarantine measures in various countries due to the spread of the COVID-19 pandemic over the world since 2020, coupled with a series of social distancing measure, the number of sightseeing and shopping tourists dwindled, which has resulted in a significant drop in the Group's revenue in Hong Kong, Macau and other retail markets. In contrast, mainland China, the Group's main sales market, has tackled the epidemic more effectively than other countries, with economic activities gradually recovering in the second half of 2020 and consumers spending domestically as a result of Chinese government policies, further stimulating growth in all retail sectors. The Group has been investing in the development of its e-commerce business by selling its proprietary and exclusive products on a number of mainstream online sales platforms such as Tmall and JD.com. All of these factors have contributed to the Group's increasing sales performance. As the economy in mainland China is gradually stabilizing, the Group seized the opportunity to continue to invest more resources in product research and development and promotion with the aim of bringing further revenue to the Group.

The PRC Market

The PRC remains the core market of the Group. As at 31 December 2021, the Group had around 715 POS in the country. Revenue from the PRC segment increased by approximately 22.9% from approximately HK$118.8 million for FY2020 to approximately HK$146.0 million for FY2021, which accounted for approximately 97.8% of total revenue.

Hong Kong and Macau Markets

As at 31 December 2021, the Group had around 45 POS in Hong Kong and Macau markets. Revenue in these markets increased by approximately 88.1% from approximately HK$1.0 million for FY2020 to approximately HK$1.9 million for FY2021, which accounted for approximately 1.3% of total revenue.

Other markets

As at 31 December 2021, the Group had 65 POS in the other markets, mainly in Southeast Asia and Europe. Revenue in these markets decreased by approximately 52.0% from approximately HK$2.8 million for FY2020 to approximately HK$1.3 million for FY2021, which accounted for approximately 0.9% of total revenue.

FINANCIAL REVIEW

Revenue and segment information

Our revenue increased by approximately HK$26.7 million, or approximately 21.7% from approximately HK$122.6 million for FY2020 to approximately HK$149.3 million for FY2021.

Performance by geographical locations

	2021	2020	Changes	
	HK$'000	HK$'000	HK$'000	%
The PRC market	**146,021**	118,799	27,222	22.9
Hong Kong and Macau markets	**1,890**	1,005	885	88.1
Other markets mainly in Southeast Asia and Europe	**1,341**	2,792	(1,451)	(52.0)
Total	**149,252**	122,596	26,656	21.7

The PRC market

The PRC continues to be our major market, representing approximately 97.8% of our total revenue for FY2021. Revenue in this region showed an increase of approximately 22.9% from approximately HK$118.8 million for FY2020 to approximately HK$146.0 million for FY2021.

Hong Kong and Macau markets

Hong Kong and Macau markets accounted for approximately 1.3% of our total revenue for FY2021. Revenue in these markets increased by approximately 88.1% from approximately HK$1.0 million for FY2020 to approximately HK$1.9 million for FY2021.

Other markets

Revenue from other markets, mainly in Southeast Asia and Europe, accounted for approximately 0.9% of our total revenue for FY2021. Revenue in these markets decreased by approximately 52.0% from approximately HK$2.8 million for FY2020 to approximately HK$1.3 million for FY2021.

Cost of sales

Cost of sales increased by approximately 17.8% from approximately HK$49.6 million for FY2020 to approximately HK$58.4 million for FY2021.

Gross profit

Our gross profit increased by approximately HK$17.9 million or approximately 24.5% from approximately HK$73.0 million for FY2020 to approximately HK$90.8 million for FY2021, while the gross profit margin increased from approximately 59.5% for FY2020 to approximately 60.9% for FY2021.

Other gains and losses, net

Our gains decreased by HK$13.6 million or approximately 90.0% from HK$15.1 million for FY2020 to HK$1.5 million for FY2021.

Distribution expenses

Our distribution expenses increased by approximately HK$21.8 million or approximately 48.0% from approximately HK$45.3 million for FY2020 to approximately HK$67.1 million for FY2021.

Administrative expenses

Our administrative expenses increased by approximately HK$5.0 million or approximately 12.7% from approximately HK$39.6 million for FY2020 to approximately HK$44.7 million for FY2021.

Finance costs

Our finance costs increased by approximately HK$1.8 million or approximately 15.6% from approximately HK$11.7 million for FY2020 to approximately HK$13.5 million for FY2021.

Loss attributable to owners of the Company

We recorded a loss of approximately HK$31.8 million for FY2021 as compared to net profit of approximately HK$1.3 million for FY2020.

Inventories

Inventories amounted to approximately HK$372.7 million as at 31 December 2021, which represented an increase of approximately HK$13.1 million from approximately HK$359.6 million as at 31 December 2020.

Trade and other receivables and payables

The Group's trade and other receivables amounted to approximately HK$47.7 million as at 31 December 2021, which represented a decrease of approximately HK$7.3 million from approximately HK$55.0 million as at 31 December 2020.

The Group's trade and other payables amounted to approximately HK$38.5 million as at 31 December 2021, which represented an increase of approximately HK$14.3 million from approximately HK$24.2 million as at 31 December 2020.

Liquidity, financial resources and capital structure

As at 31 December 2021, the Group had non-pledged cash and bank balances of approximately HK$7.6 million (2020: approximately HK$18.4 million). As at 31 December 2021, the Group had bank and other borrowings of approximately HK$283.0 million (2020: approximately HK$264.0 million), of which approximately HK$4.3 million (2020: approximately HK$4.4 million) were secured and interest-free; of which approximately HK$11.4 million (2020: approximately HK$19.4 million) were secured and carried with variable interest bearings ranged from 3.04% to 5.24% (2020: 3.19% to 5.24%) per annum; and of which approximately HK$267.3 million (2020: approximately HK$240.2 million) were unsecured and carried with fixed interest bearings ranged from 5% to 6% (2020: 5% to 6%) per annum. As at 31 December 2021, part of the bank and other borrowings amounted to approximately HK$3.5 million was repayable over one year and the remaining balance amounted to approximately HK$279.5 million was repayable within one year.

As at 31 December 2021, the Group's gearing ratio was approximately 250.9% (2020: approximately 173.9%). This was calculated by dividing the bank and other borrowings (including bank borrowings, amount due to a related party, amounts due to fellow subsidiaries and amounts due to directors) by total equity attributable to owners of the Company as at 31 December 2021.

The Group has adopted a prudent financial and surplus funds management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2021. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the sufficient financial resources are available in order to meet its funding requirements and commitment timely.

Foreign exchange exposure

Certain members of our Group have foreign currency sales, which expose us to foreign currency exchange fluctuation risk. In addition, certain amounts of our trade receivables, other receivables and deposits, bank balances, other payables and accrued expenses, bank borrowings and our intra-group balances were denominated in foreign currencies.

We monitor foreign exchange trends and shall consider hedging significant foreign currency exposure should the need arise.

Charge on assets

As at 31 December 2021, the Group had no charges on the Group's assets (2020: Nil).

Material acquisition and disposal of subsidiaries or associated companies

No material acquisition or disposal of any subsidiaries or associated companies was made during FY2021.

Future plan for material investment and capital assets

The Group does not have any plan authorised by the Board for material investments or additions of capital assets as at the date of this report.

Significant investments held

During FY2021, no significant investments were held by the Group.

Contingent liabilities

As at 31 December 2021, the Group did not have any contingent liabilities.

Employees and remuneration policies

As at 31 December 2021, the Group had a total of 175 full-time employees, which represented a decrease of approximately 8.4% compared to 191 employees as at 31 December 2020. Total staff costs for FY2021 increased to approximately HK$55.1 million from approximately HK$50.2 million for FY2020.

All of our full-time employees are paid a fixed salary and may be granted other allowances, based on their positions. Members of the sales staff are also eligible for commissions based on their ability to meet sales targets. In addition, year-end bonuses may also be awarded to the employees at our discretion and based on employees' performance. Yearly performance appraisals are conducted to ensure that the employees receive feedback on their performance. Our Company has adopted a share option scheme (the "**Share Option Scheme**") on 24 June 2014, which became effective on 11 July 2014 and will expire on 24 June 2024. No option has been granted under the Share Option Scheme during FY2021.

The Group provides training to its employees on a regular basis to keep them abreast of their knowledge in the Group's products, technology developments and market conditions of its industry. In addition, the Group's senior management also participates in conferences and exhibitions to deepen their knowledge in the industry.

Capital commitments

There was no capital commitments as at 31 December 2021 (2020: Nil).

EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events after the reporting period which needs to be disclosed.

PROSPECTS

The Group anticipates economic activities in various countries to get back on track with the popularization of vaccination. Nevertheless, the Group expects that the retail market for premium watches in the PRC may still face tough challenges, and therefore the performance and financial position of the Group in the current year and the coming years will inevitably be affected to a certain extent. Going forward, the Group will work on various fronts so that we can sustain operation in a difficult business environment and deliver a brighter performance.

Products

The Group always insists on making high-quality "Swiss-made" watches. During the year under review, the market responded positively to the new product collection launched by the Group. In the future, the Group will continue to closely monitor market conditions and keep abreast of the popular trend by analyzing the behavior, habit and consumption power of our major consumers and design watch series, that conformed to the preference of our target consumers, for men, women and couples with our professional product design ability.

Brand Promotion

The Group continues to promote and enhance the reputation of "Ernest Borel" brand through various marketing tactics. Ms. Zhang Xingyu, the brand ambassador of Ernest Borel, whose romantic, elegant, and fashionable young style perfectly echoes the Company's romantic image, together with our combined online and offline marketing model, have enhanced the promotion of our e-commerce and social platform and brought very positive effects to the brand of "Ernest Borel". During the year under review, Ms. Zhang Xingyu participated in the China International Import Expo and 165th Anniversary New Products Launch held in Shanghai, which further enhanced the popularity of "Ernest Borel" and increased the awareness of the brand of "Ernest Borel" by customers from all over the world. In the future, the Group will continue to leverage on the positive influence of Ms. Zhang Xingyu and formulate effective promotion solutions that are in line with the market to enable the penetration of our watch products into different levels of consumers. At the same time, the Group will strengthen our popularity and regional promotion activities to align the brand with market, thereby increasing consumers' attention and awareness of the brand.

In terms of online marketing and promotion, the Group will strengthen brand promotion on internet and new media, integrate resources from e-commerce platform to conduct new product online launch and online live-streaming to bring consumers from online to offline stores and further promote physical offline sales. In the future, the Group will tap into the brand promotion model of "contactless sales" in the PRC, and add black technology elements such as identification interaction in online and offline exhibition activities, to demonstrate to consumers a technological and innovative image of "Ernest Borel" brand.

Distribution Channel

POS sales

The Group continues to adopt effective sales strategies to stabilize our market shares in tier-1 and tier-2 cities through different brand promotion tactics; meanwhile, the Group endeavors to explore new POS beyond tier-3 cities with growth potential and large consumer pool. In addition, the Group will continue to review the performance of each POS and abandon those with a weak performance with a view to increasing the sales revenue of POS with better performances, and continue to optimize our sales network. In the future, the Group aims to explore cities beyond tier-3 cities as our main business growth points.

Online e-commerce sales

In terms of e-commerce, despite the increasing competition among peers, the Company continues to render good performance on e-commerce business. The Group will continue to monitor market conditions for steady growth. We will reasonably evaluate the results between the various inputs and outputs of the platform, and make appropriate optimizations to further enhance the profitability of the platform. The Group will allocate resources to e-commerce in a timely manner so that our professional e-commerce team can operate more efficiently and professionally. In the future, in addition to the existing traditional e-commerce platforms such as Tmall and JD.com, the Group will actively explore and find some potential local and overseas cooperation platforms. In addition, under the current live-streaming sales model, the Group is also actively tapping into different types of live-streaming models to drive sales and enhance brand awareness. Lastly, we will perform ongoing review on the pricing policy of watches, as well as launch quality watches in different price ranges, with a view to attracting more consumers and increase our revenue from e-commerce sales.

Operation

The Group has always adopted effective cost control strategies to utilize and allocate resources, enabling the Company to cut unnecessary operation cost and expenditure. Meanwhile, the Company has also been closely monitoring our inventory and was able to maintain it on a reasonable level to reduce inventory risk.

Conclusion

Looking ahead, the Group expects that COVID-19 will continue to affect the global economy and people's livelihood and its variant will pose great risk of uncertainty in terms of its global impact. Therefore, in the future, the Group will maintain a prudential and active attitude, grasp opportunities during hardships and closely monitor market conditions and, adjust the Group's operation strategies based on our actual situations while controlling operation expense with more caution. In conclusion, the Group is confident in the future of premium watch retails market and hopes that the pandemic will soon be overcome, so that the Group can foster constructive development for "Ernest Borel" brand and bring valuable and sustainable returns for our shareholders.

CORPORATE GOVERNANCE REPORT

Good corporate governance is conducive to enhancing overall performance and accountability and is essential in modern corporate administration. During the year ended 31 December 2021 (the "**Year**"), the Company has adopted, for corporate governance purposes, the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**"), version up to 31 December 2021 as set out in Appendix 14 of the Listing Rules. The Board will continue to observe the principles of good corporate governance in the interests of shareholders of the Company (the "**Shareholders**") and devote considerable effort to identifying and formalizing best practice.

MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in the securities of the Company by the Directors. Following specific enquiries made by the Company on the Directors, all Directors have confirmed that they had fully complied with the required standards set out in the Model Code during FY2021, except that Mr. Tao Li ("**Mr. Tao**") and Mr. Xiong Ying ("**Mr. Xiong**"), both are the Non-executive Director (the "**NED**") of the Company, without notifying the Chairman of the Company for the purpose of acknowledgement of their shares dealings: (i) Mr. Tao has disposed 1,044,000 shares of Citychamp on 22 December 2020; and (ii) Mr. Xiong has acquired 10,000 shares and 60,000 shares of Citychamp on 16 June 2021 and 2 August 2021 respectively. The Company shall iterate and remind the directors from time to time in respect of the relevant procedures, rules and requirements in relation to directors' dealings in order to ensure the directors' compliance.

BOARD OF DIRECTORS

Responsibilities of the Board

The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group's operation and financial performance, internal control and risk management systems. The Directors have to make decisions objectively in the interests of the Group. The decision making power on day-to-day operation of the Group has been delegated to the management team, which is led by a team of senior management with substantial experience and expertise in the Group's business.

Board Composition

As of the date of this annual report, the Board is comprised of two Executive Directors, one NED and three Independent Non-executive Directors (the "**INEDs**"):

Executive Directors

Mr. Teguh Halim *(Chairman of the Board)*
Ms. Lam Lai

NED

Mr. Xiong Ying

INEDs

Mr. To Chun Kei
Mr. Hui Cheuk Kit Frederick
Ms. Chan Lai Wa

The Board is well-balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The Executive Directors, the NED and the INEDs bring a variety of experience and expertise to the Company. The biographical information of the Directors is set out in the section headed "**Biographical Details of Directors and Senior Management**" of this annual report.

Board meetings have been held from time to time to discuss the business strategies of the Group; monitor financial and operational performance; approve the annual and interim results of the Group; and discuss the corporate governance functions of the Board.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the Executive Directors has entered into a service contract with the Company for a specific term of three years, which may be terminated by either party upon a three-month prior written notice. The service contracts are automatically renewed upon expiration.

Each of our NED and INEDs has entered into an appointment letter with the Company for a term of three years. The appointment letters are automatically renewed upon expiration.

All the Directors, including the INEDs are subject to retirement by rotation and re-election at an annual general meeting ("**AGM**") at least once every three years in accordance with the articles of association of the Company (the "**Articles of Association**"). The Articles of Association provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

BOARD DIVERSITY POLICY

Pursuant to the CG Code, the Board adopted a board diversity policy (the "**Board Diversity Policy**") in June 2014. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and CEO are held by Mr. Teguh Halim and Mr. He Wen, respectively. The Chairman and the CEO are not related, and their roles are segregated with a clear division of responsibilities. The Chairman is responsible to lead and effectively run the Board, ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner; and the CEO, appointed by the Board under its authority, is responsible for the day to day general management and control of the business and operations of the Company.

INDEPENDENCE OF INEDs

The INEDs have played a significant role in the Board by bringing their independent judgment at the Board meetings and scrutinizing the Group's performance. Their views carry significant weight in the Board's decisions. In particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All INEDs possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. The INEDs provide independent advice on the Group's business strategy, results and management so that all interests of the Shareholders can be taken into account, and the interests of the Company and its Shareholders can be protected.

The Board has three INEDs with one of them, namely Mr. To Chun Kei, possessing appropriate professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rules 3.10(1) and (2) and 3.10A of the Listing Rules.

The Company has received an annual written confirmation of independence from each of the existing INEDs in accordance with Rule 3.13 of the Listing Rules. Based on the content of such confirmations, the Company considers that all the existing INEDs are independent in accordance with the Listing Rules.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company has arranged for appropriate and sufficient insurance coverage on Director's liabilities in respect of legal actions taken against the Directors arising out of corporate activities.

MEETINGS

The Board meets regularly either in person or through electronic means of communication to discuss the overall strategy as well as the operation and financial performance of the Group. The total number of the meetings and the attendance of each Director at these meetings for the Year have been set out as follows:

	No. of attendance/No. of meetings						
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	Executive Committee Meetings	Investment Committee Meeting	AGM
Executive Directors							
Mr. Shang Jianguang [(1)]	3/4	N/A	N/A	1/1	0/3	0/0	1/1
Mr. Teguh Halim	4/4	N/A	1/1	N/A	3/3	0/0	1/1
Mr. Xiong Wei [(2)]	2/4	N/A	1/1	1/1	0/3	0/0	1/1
Ms. Lam Lai	4/4	N/A	N/A	N/A	3/3	0/0	1/1
NEDs							
Mr. Xiong Ying	4/4	N/A	N/A	N/A	N/A	N/A	1/1
Mr. Tao Li [(3)]	4/4	N/A	N/A	N/A	N/A	N/A	1/1
INEDs							
Mr. To Chun Kei	4/4	2/2	1/1	1/1	N/A	N/A	1/1
Mr. Hui Cheuk Kit Frederick	2/4	2/2	1/1	1/1	N/A	N/A	1/1
Ms. Chan Lai Wa	3/4	2/2	1/1	1/1	N/A	N/A	1/1

Notes:

1. Mr. Shang Jianguang has resigned as the Executive Director on 5 January 2022.

2. Mr. Xiong Wei has resigned as the Executive Director on 20 April 2021.

3. Mr. Tao Li has resigned as the NED on 5 January 2022.

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the senior management and the Company Secretary of the Company at all times and may seek independent professional advice at the Company's expense. Where queries are raised by the Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings. Notices of at least 14 days of regular Board meetings are given to the Directors and Board procedures complied with the Articles of Association, as well as relevant rules and regulations.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

The Directors have been informed of the requirement under Code provision A.6.5 of the CG Code regarding continuous professional development. According to the records maintained by the Company, the Directors received the following training by attending briefings, webinars, conferences or reading relevant materials with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuous professional development during the Year:

	Attending expert briefings/ webinars / conferences/ relevant materials relevant to the business, corporate governance, accounting or directors' duties
Executive Directors	
Mr. Teguh Halim *(Chairman of the Board)*	✓
Mr. Shang Jianguang [(1)]	✓
Mr. Xiong Wei [(2)]	✓
Ms. Lam Lai	✓
NEDs	
Mr. Xiong Ying	✓
Mr. Tao Li [(3)]	✓
INEDs	
Mr. To Chun Kei	✓
Mr. Hui Cheuk Kit Frederick	✓
Ms. Chan Lai Wa	✓

Notes:

1. Mr. Shang Jianguang has resigned as the Executive Director on 5 January 2022.

2. Mr. Xiong Wei has resigned as the Executive Director on 20 April 2021.

3. Mr. Tao Li has resigned as the NED on 5 January 2022.

BOARD COMMITTEES

The Board has established (i) the Audit Committee, (ii) the Remuneration Committee, (iii) the Nomination Committee, (iv) the Executive Committee and (v) the Investment Committee with defined terms of reference. The terms of reference of the Board committees, which explain their respective roles and the authority delegated to them by the Board are available on the respective websites of the Company and the Stock Exchange. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

(i) Audit Committee

The Company established the Audit Committee pursuant to a resolution of the Directors passed on 24 June 2014 in compliance with Rules 3.21 and 3.22 of the Listing Rules. The primary duties of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee the internal control procedures of the Company. The Audit Committee currently consists of three members, namely Mr. To Chun Kei, Mr. Hui Cheuk Kit Frederick and Ms. Chan Lai Wa, all of whom are INEDs. Mr. To Chun Kei has appropriate professional qualifications and experience in accounting matters and is the chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the existing external auditors of the Company.

During the Year, the Audit Committee held two meetings and mainly performed following duties:

- reviewed the Group's audited annual results for the year ended 31 December 2020 and unaudited interim results for the six months ended 30 June 2021, met with the external auditors to discuss annual results and internal control issues without the Company's management being present, and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure had been made;
- reviewed the accounting principles and practices adopted by the Group;
- reviewed the Group's internal control system and related matters;
- assisted the Board in meeting its responsibilities for maintaining an effective system of internal control and risk management;
- considered and made recommendations on the re-appointment of the independent auditor of the Group, and the terms of engagement; and
- reviewed the continuing connected transactions of the Group.

There had been no disagreement between the Board and the Audit Committee during the Year.

(ii) Remuneration Committee

The Company established the Remuneration Committee on 24 June 2014 with written terms of reference. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Company, review remuneration, and ensure none of the Directors determine their own remuneration. The Remuneration Committee currently consists of four members, namely Mr. To Chun Kei, Mr. Hui Cheuk Kit Frederick and Ms. Chan Lai Wa (all being INEDs) and Mr. Teguh Halim (one of the Executive Directors). Mr. To Chun Kei is the chairman of the Remuneration Committee.

During the Year, the Remuneration Committee held one meeting and mainly performed following duties:

- reviewed the Group's remuneration policy and recommended to the Board the remuneration package of the Executive Directors and senior management for the Year; and
- recommended to the Board on the remuneration of Non-executive Directors.

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 12 to the consolidated financial statements.

(iii) Nomination Committee

The Company established the Nomination Committee on 24 June 2014 with written terms of reference. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis and to recommend to the Board the suitable candidates for Directors after consideration of the nominees' independence and quality in order to ensure the fairness and transparency of all nominations. The Nomination Committee will also take into consideration the Board Diversity Policy when identifying suitable and qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy so as to develop and review measurable objectives for implementing the Board Diversity Policy and to monitor the progress on achieving these objectives.

The Board approved and adopted a nomination policy (the "**Board Nomination Policy**") on 21 December 2018 in order to set out the approach to guide the nomination committee of the Company in relation to the selection and recommendation of candidates for directorship.

This Board Nomination Policy aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business.

In assessing, selecting and recommending candidates for directorship to the Board, the Nomination Committee will give due consideration to the factors including but not limited to (collectively, the "**Factors**"):

(a) reputation for character and integrity;

(b) accomplishment and experience in the relevant industries in which the Company's business is involved and other professional qualifications;

(c) number of directorship the candidate holds in listed companies, commitment in respect of available time and relevant interest;

(d) diversity in all aspects including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills, knowledge and length of service;

(e) contribution that the candidates can potentially bring to the Board;

(f) whether cross-directorship or significant links with other Directors through involvements in other companies or bodies exists; and

(g) plans in place for the orderly succession of the Board.

The Nomination Committee currently consists of four members, namely Mr. Teguh Halim (one of the Executive Directors); Mr. To Chun Kei, Mr. Hui Cheuk Kit Frederick and Ms. Chan Lai Wa (all being INEDs). Mr. Teguh Halim is the chairman of the Nomination Committee.

During the Year, the Nomination Committee held one meeting and mainly performed the following duties:

- reviewed the annual confirmation of independence submitted by the INEDs and assessed their independence;
- reviewed the structure, size and composition of the Board during the Year;
- considered and made recommendation to the Board on the changes in compositions of the Board and Board Committees during the Year; and
- considered the re-election of the Directors of the Company at the AGM of the Company.

(iv) Executive Committee

The Company established the Executive Committee on 29 March 2017 with written terms of reference. It is responsible for facilitating more efficient day-to-day operations of the Company, handling such matters as delegated by the Board from time to time and expediting the process of decision making from the Board on a timely fashion. Meetings of the Executive Committee shall be held at least once a year. The Executive Committee currently consists of two members, namely Mr. Teguh Halim and Ms. Lam Lai (all of them are Executive Directors).

During the Year, the Executive Committee held three meetings, mainly handled relevant matters that shall not be necessarily dealt with through regular Board meetings or too late to be dealt with through provisional Board meetings as considered by the Chairman of the Board.

(v) Investment Committee

The Company established the Investment Committee on 29 March 2017 with written terms of reference. It is responsible for evaluating investment projects proposed by the Company and making recommendations to the Board on such investment projects. The Investment Committee currently consists of two members, namely Mr. Teguh Halim and Ms. Lam Lai (all of them are Executive Directors).

During the Year, no Investment Committee meeting was held.

CORPORATE GOVERNANCE FUNCTIONS

The Company's corporate governance function is carried out by the Board and the Executive Committee pursuant to a set of written terms of reference adopted by the Board in compliance with Code provision D.3.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report. During the Year, the Board had (a) reviewed the Company's policies and practices on corporate governance; (b) reviewed the training and continuous professional development of the Directors; and (c) reviewed the Company's compliance with the CG Code and disclosure in the corporate governance report.

FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL CONTROLS

Financial reporting

The Board, supported by the Chief Financial Officer and the finance department, is responsible for the preparation of the financial statements of the Company and the Group for each financial year, which shall give a true and fair view of the financial position, performance and cash flow of the Group for that year. The Directors acknowledge their responsibilities for preparing the financial statements of the Company. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibilities of BDO Limited, the Company's external auditors in Hong Kong, on the financial statements are set out in the "**Independent Auditors' Report**" in this annual report.

Risk Management and Internal Controls

The Board is responsible for ensuring the reliability and effectiveness of the Group's risk management and internal control systems on, among other things, financial, operational and compliance controls. In order to safeguard the Group's assets and shareholders' investments, the Board and the Audit Committee have performed annual review on the effectiveness of the risk management and internal control systems on all major operations of the Group during the Year. The system of internal control of the Group is designed to manage rather than eliminate the risk of failure to achieve corporate objectives and provide reasonable but not absolute assurance against material misstatement or loss.

During the Year, the Audit Committee and the Board have performed a risk assessment with the intention to identify, evaluate and priorities the critical risks of the Group as well as conducted review on the effectiveness of risk management and internal control systems. Moreover, the Internal Auditor from Citychamp has reviewed the Group's risk management and internal control systems and provided recommendations for improvement.

The Company has taken appropriate measures to identify inside information and preserve its confidentiality until proper dissemination via the electronic publication system operated by the Stock Exchange.

INDEPENDENT AUDITOR

The Company has re-appointed BDO Limited as the independent auditor in Hong Kong during the Year. The Audit Committee reviews the independent auditor's audit scope and approves its fees. For the Year, the total fee paid/payable in respect of audit and non-audit services provided by the Company's independent auditor is set out below:

	HK$'000
Audit services	780,000
Non-audit services	30,600
Total	810,600

The non-audit services mainly included professional service in respect of review of continuing connected transactions.

There is no disagreement between the Board and the Audit Committee on the re-appointment of the independent auditor, and they both have agreed to recommend the re-appointment of BDO Limited as the Company's independent auditor for the ensuing year at the forthcoming AGM.

COMPANY SECRETARY

Mr. Ng Kin Sun is the Company Secretary of the Company. Details of his biography are set out in the section headed "**Biographical Details of Directors and Senior Management**" of this annual report. Mr. Ng has been informed of the requirements under Rule 3.29 of the Listing Rules and he has confirmed that he had attained not less than 15 hours of relevant professional training during the Year.

DIVIDEND POLICY

The Company has approved and adopted a dividend policy (the "**Dividend Policy**") on 21 December 2018 in order to provide return to the Shareholders whilst retaining adequate reserves for the Group's future development.

The Company considers stable and sustainable returns to the Shareholders to be our goal. The Company may declare and distribute dividends to Shareholders provided that the declaration and distribution of dividends does not affect the normal operations of the Group. According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the following factors:

(a) the Group's retained earnings and distributable reserves;

(b) the Group's future earnings;

(c) the Group's capital requirements;

(d) the Group's working capital requirements;

(e) the general financial conditions of the Group;

(f) the Group's business development strategies and future expansion plans;

(g) contractual restrictions on payment of dividends;

(h) the general economic and industrial conditions; and

(i) any other factors that the Board considers relevant.

The declaration and payment of dividends by the Company shall be determined at the sole discretion of the Board and shall be subject to any restrictions under the Companies Law of the Cayman Islands and the Articles of Association. The Dividend Policy will continue to be reviewed from time to time and could be modified at any time at the sole and absolute discretion of the Board. There can be no assurance that dividends will be proposed or declared in any particular amount for any given period.

CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company during the Year.

Pursuant to Rule 13.90 of the Listing Rules, the Company has posted its Memorandum and Articles of Association on the respective websites of the Stock Exchange and the Company.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Board recognizes the importance of maintaining clear, timely and effective communication with Shareholders and investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that the investors and the Shareholders receive accurate, clear, comprehensive and timely information of the Group by the publication of interim/annual reports, announcements and circular. The Company also publishes all corporate correspondence on the Company's website www.ernestborel.ch. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. The Directors and the members of the various Board committees will attend and answer questions raised at the AGM. Separate resolutions will be proposed at the general meeting on each substantially separate issue.

The chairman of the general meetings of the Company will explain the procedures for conducting a poll before putting a resolution to vote. The results of the voting by poll will be published on the respective websites of the Stock Exchange and the Company.

SHAREHOLDERS' RIGHTS

Procedures by which Shareholders can convene an extraordinary general meeting (the "EGM") and put forward proposals at Shareholders' meetings

Pursuant to article 58 of the Articles of Association, any one or more Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary by mail at the Company's correspondence address in Hong Kong, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary by mail at the principal place of business and head office in Hong Kong at Unit 1612-18, Level 16, Tower 1, Grand Century Place, 193 Prince Edward Road West, Mongkok, Kowloon, Hong Kong or by email to the Company Secretary at nelsonng@ernestborel.ch. Upon receipt of the enquiries, the Company Secretary will forward communications relating to (a) matters within the Board's purview to the Board and (b) ordinary business matters, such as suggestions, enquiries and consumer complaints to the Executive Directors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

Ernest Borel Holdings Limited (hereinafter referred to as "**We**", "**Ernest Borel**", the "**Company**") and its subsidiaries (collectively the "**Group**") are pleased to present its Environmental, Social & Governance ("**ESG**") Report (the "**Report**"), which demonstrates the ESG performance of the Group in achieving sustainable development for the future.

1.1 About Ernest Borel

Ernest Borel listed on the Stock Exchange of Hong Kong Limited in 2014, under our own brand "Ernest Borel", the Group is principally engaged in the design, production, marketing and sale of Swiss-made mechanical and quartz premium watches for men and women in the PRC, Hong Kong, Macau and other markets.

1.2 Statement of the Board

The Board of directors the Group (the "**Board**") assumes full responsibility for the Group's ESG strategy and reporting, and is responsible for assessing and determining the Group's risks related to ESG, and ensuring that the Company has appropriate and effective ESG risk management and internal control systems in place. Therefore, the Board fully monitors the related risks and opportunities as well as conducts enterprise risk assessment at least once a year to identify, assess and monitor environmental, social and governance related risks in the ordinary course of business.

We pay extra attention to the sustainable development of the Company, with the Board leading and participating in the deliberation and decision-making of major ESG matters, including identifying and assessing ESG risks, formulating ESG strategies and guidelines, establishing management policies and plans, approving and reviewing ESG target management, and approving each annual ESG report and other management matters.

Moreover, the Group has been focusing on maintaining closer connections with different stakeholders, listening to the voices of all parties, caring for and growing with its employees, and taking on more social responsibilities. We have identified key ESG issues to specify the focus of its work, including: employee rights and interests, safety and health, green building opportunities, product quality and safety, and innovation management, etc. The Group reviewed the above issues and improved its performance in its daily operation, and managed its targets accordingly. In the future, we will continue to adjust our sustainability management strategies and promotion methods in line with stakeholders' expectations and the Group's actual operating situation, thereby continuously improving the level of sustainable development.

Going forward, the Board will continue to oversee and refine the Group's measures and performance on sustainable development in order to create long-term value for all stakeholders and the communities in which we operate.

1.3 ESG Management

The Board is the highest authority in managing the Group's ESG-related matters, they uphold the overall responsibility to review and approve this Report.

1.4 Reporting period

This Report which covers the material ESG issues faced by the Group for the period from 1 January 2021 to 31 December 2021.

1.5 Reporting Scope

This Report focuses on the operations of "**Swiss-made**" watches business of the Group, the reporting scope is the same as that of last financial year's Report which covers Hong Kong and Guangzhou offices as well as the production plants in Switzerland. The key performance indicators ("**KPI**"), have been used for tracking and set out to demonstrate our performance through the utilisation of our resources.

1.6 Reporting Standard

This Report is prepared in accordance with the ESG Guide contained in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Group refers to the reporting guide with a complete index in compliance is available at the end of this Report for reference. Except for provisions that the Group considers are inapplicable to its operations, for which explanations have been given on the rightmost column in the said index, this Report has complied with all "**comply or explain**" provisions set out in the reporting guide.

1.7 Reporting Principles

The four reporting principles of this Report:

- Materiality: The Group determines material ESG issues by stakeholder engagement and materiality assessment. Details are explained in the section headed "**Materiality Assessment**".

- Quantitative: Information is presented with quantitative measure, whenever feasible, including information on the standards, methodologies, assumptions used and provision of comparative data.

- Balance: Both our achievements and improvement plan present an unbiased picture of our ESG performance.

- Consistency: The reporting methodologies remain consistent with past reports to enable a meaningful comparison of our performance.

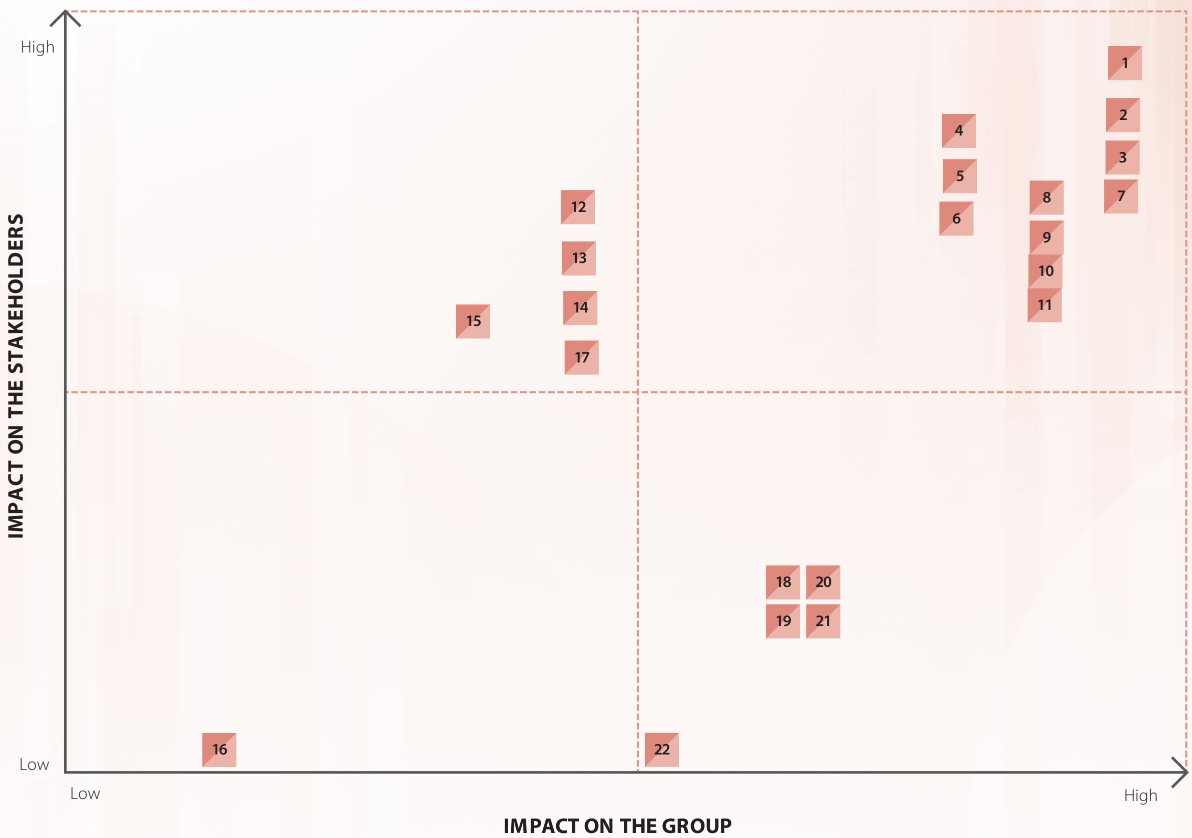
2. ESG GOVERNANCE

The Group believes that good ESG governance strategies and practices are the key to enhancing its investment value and bringing long-term returns to its stakeholders. The Board bears the primary responsibilities of overseeing and reporting on the Group's ESG strategies, as well as identifying and assessing ESG-related risks, so as to establish effective management approaches on ESG risk. The Board delegates authority to the management of different departments, where ESG policies and measures are formulated and executed.

2.1 Materiality Assessment

The Report covers the environmental and social subject areas, which underline various aspects of relevant ESG issues. As the chart below, the Group has identified the relevant material issues to its operations and has disclosed the respective performances in the Report:

Materiality matrix for Environmental, Social and Governance Aspects



1	Product quality and safety	9	Diversity and equal opportunity	17	Community support
2	Customer satisfaction	10	Intellectual properties	18	Energy use
3	Customer privacy	11	Product and service labelling	19	Water use
4	Occupational health and safety	12	Marketing communications	20	Air emission
5	Employee development	13	Forced labor	21	Greenhouse gas emission
6	Labor rights	14	Child labor	22	Non-hazardous waste generation
7	Ethical business	15	Use of materials		
8	Supply chain management	16	Hazardous waste generation		

2.2 Stakeholder Engagement

The preparation of the Report was supported by the employees across various departments, enabling us to have a thorough understanding of our current environmental and social development. The information that the Group gathered is a summary of the environmental and social initiatives carried out by the Group during the year and acts as the basis for mapping out its short-term and long-term sustainable development strategies. Meanwhile, the Group strives to create long-term values for our stakeholders, we place great emphasis on engaging and communicating with both internal and external stakeholders listed below:

Internal Stakeholders	Expectations and Requirements	Means of Communication and Response
Employees	• Protection of rights • Occupational health and safety • Remunerations and benefits • Career development	• Meetings • Annual appraisals with employees • Training and workshop • Internal portal

External Stakeholders	Expectations and Requirements	Means of Communication and Response
Governmental and regulators	• Compliance with national policies, laws and regulations • Tax payment on time	• Annual reports, interim reports, ESG reports and other public information
Investors and Shareholders	• Returns • Compliant operation • Transparency and effective communication	• Annual General meetings and other general meetings • Announcements • Email, telephone communication and company website • Annual reports, interim reports, ESG reports and other public information
Customers	• Products with good quality • Good after-sales service • Health and Safety • Operational integrity	• Customer service hotline and repairing centers • Social media platforms
Suppliers	• Long-term and sustainable business relationship • Fair competition	• Suppliers contracts, emails and interview • Suppliers evaluation

2.3 Stakeholder's Feedback

For any enquiries, comments or suggestions regarding this Report, please contact our Company Secretary of the Group at:

Unit Nos. 1612–18, Level 16, Tower I,
Grand Century Place,
193 Prince Edward Road West,
Mongkok, Kowloon, Hong Kong

Tel: (852) 3628 5511
Fax: (852) 3582 4933
E-mail: nelsonng@ernestborel.ch

3. ENVIRONMENTAL

The Group aims to minimize environmental footprint through efficient use of resources, we believe that increased environmental awareness is the key to environmental protection and wellness to the general community. The Group's offices are located in Hong Kong, Mainland China and Switzerland, the main emissions and waste produced by the Group are primarily attributable to its use of electricity, water, paper and packing materials.

During the reporting period, the Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the environment and natural resources relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.

3.1 Air Pollutant Emissions

The air pollutants emitted by the Group mainly come from the fuel consumed by few vehicles owned by the Group. The vehicles are used for the passenger transportation purpose, the Group believed that the emission from our vehicles imposed immaterial impact on the overall air pollution in different countries. During the reporting period, the air pollutant emissions were as follows:

Type of air pollutants	Year 2021 Total	Year 2020 Total
Nitrogen oxides (NO_x)	17.28 kg	21.19 kg
Sulphur dioxide (SO_2)	0.19 kg	0.17 kg
Particulate matter (PM)	1.53 kg	1.92 kg

Note:

1. Reference was made to the "Appendix 2: Reporting Guidance on Environmental KPIs (last updated version on 28 May 2021" published by the Stock Exchange.

3.2 Greenhouse Gas Emissions

In view of the challenges due to climate change, the Group is committed to paying efforts in reducing our carbon emissions in our daily operations. To understand the Group's environmental performance, we have conducted a carbon quantification on our energy and resource usage. The use of stationary fuel, vehicle fuel and electricity are identified as the major sources of the Group's greenhouse gas emissions. During the reporting period, the Group has emitted a total of 135.96 tCO_2e of greenhouse gas, with an intensity of 0.0027 tCO_2e per watch.

		Year 2021		Year 2020	
Greenhouse Gas		Emission	Unit	Emission	Unit
Scope 1	Stationary fuel	18.33	tCO_2e	20.94	tCO_2e
	Vehicle fuel	35.20	tCO_2e	31.52	tCO_2e
Scope 2	Electricity	82.43	tCO_2e	77.88	tCO_2e
Total		135.96	tCO_2e	130.34	tCO_2e
Intensity		0.0027	tCO_2e per watch	0.0032	tCO_2e per watch

Notes:

1. The Greenhouse Gas is calculated according to the "Appendix 2: Reporting Guidance on Environmental KPIs (last updated version on 28 May 2021" published by the Stock Exchange.

2. Reference was made to the "Annual report 2021 of CLP Power Hong Kong, page 158" for the emission factors of electricity in Hong Kong.

3. Reference was made to the "Appendix 2: Reporting Guidance on Environmental KPIs (last updated version on 28 May 2021" published by the Stock Exchange for the emission factors of electricity in China.

4. Reference was made to the "Carbon footprint — Country specific electricity grid greenhouse gas emission factors" at www.carbonfootprint.com for the emission factors of electricity in Switzerland.

5. Intensity was calculated by dividing the total unit of Greenhouse Gas emitted in FY 2021 and FY 2020 by the number of quartz and mechanical watches have been produced in FY 2021 and FY 2020, which is 50,331 and 40,317.

3.3 Waste Management

Hazardous wastes

Due to the nature of our business, our production at our workshop in Switzerland mainly involves watch assembling and thus we do not generate hazardous waste or industrial pollutants during our operations.

Nevertheless, we strive to practise maximum recycling in our operations, for example, all used watch batteries are recycled by a third-party recycling company in order to avoid chemical substances from releasing to the landfill, which may pose threats to the environment. Moreover, all domestic wastes from the workshop, which are mainly composed of metals, are carefully collected and mostly recycled and where necessary, disposed of in full compliance with Swiss environmental laws and regulations.

The Group adheres to its commitment to sustainable management and has taken various measures in Hong Kong and Guangzhou offices to encourage recycling to reduce waste generation, for instance, we encourage staff to reuse used envelopes and document folders whenever possible. Moreover, in our Hong Kong office, we donated discarded computers, printers and projectors to Caritas Computer Workshop.

Non-hazardous wastes

The Group considered the number of non-hazardous wastes is not significant. The non-hazardous wastes generated by the Group's operations mainly consist of paper and packing materials, which mainly involves commercial printing and packing our products for transportation. In efforts to prevent paper wastage, the Group took a series of actions, for instance: (i) a default setting of double-sided printing on our staffs' computers; (ii) we purchase recycled paper or paper accredited with sustainable forest standard; (iii) re-using used envelope or paper; and (iv) placed sticker reminders around the office to encourage staff to "reducing usage of papers". Moreover, the Group encourages our customers to bring their own bags instead of purchasing shopping bags. For more details, please refer to the below section "3.4 — Use of Resources — Paper and packing materials".

During the reporting period, the Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the generation of hazardous and non-hazardous wastes.

3.4 Use of Resources

Recognizing the importance of conserving our resources, we strive to utilize resources in an efficient and responsible way, for instance, our "Procurement Policy" strictly controls our procurement and keep materials at an optimum level to avoid over-ordering and hence potential wastage; the lighting for watch assembling at our workshops is operated at an optimal level of brightness for our workers, avoiding consuming excessive energy while striking a balance between environmental protection and workplace comfort.

To better understand our continuous performance in resource management, we have started to track our consumption pattern during the reporting period. The results are presented below. The main types of resources consumed by our Group are identified as electricity, vehicle fuel, stationary fuel, drinking water and pipe water, paper, and various type of packaging materials.

	Year 2021		Year 2020	
Type of Resources	**Consumption**	**Unit**	**Consumption**	**Unit**
Electricity	186,230	kWh	156,544	kWh
Intensity	3.70	kWh per watch	3.88	kWh per watch
Vehicle fuel	12,995	Litre	11,647	Litre
Intensity	0.26	Litre per watch	0.29	Litre per watch
Stationary fuel	7,007	Litre	8,004	Litre
Intensity	0.14	Litre per watch	0.20	Litre per watch
Drinking water & pipe water	138.64	m^3	691.69	m^3
Intensity	0.003	m^3 per watch	0.017	m^3 per watch
Paper	1,626.88	kg	1,612.91	kg
Intensity	0.03	kg per watch	0.04	kg per watch

Type of Packaging Materials	Consumption	Unit	Consumption	Unit
Carton box, Plastic and Other	29,428	kg	33,590	kg
Intensity	0.58	kg per watch	0.83	kg per watch

Note:

1. Intensity was calculated by dividing the total unit of Greenhouse Gas emitted in FY 2021 and FY 2020 by the number of quartz and mechanical watches have been produced in FY 2021 and FY 2020, which is 50,331 and 40,317.

Electricity

The major resource used in all areas of the Group's business operation, such as general lighting, powering of laptops, printers and all electrical equipment in the offices and warehouse. The Group has been actively seeking for more energy efficient equipment to reduce electricity consumption and hence, Greenhouse Gas emission. We actively encourage and promote the idea of "green office" as we believe that it is the joint responsibility of all of us to conserve our valuable resources. Our green office policy covers various environmentally friendly actions such as implementing green procurement strategy, upgrading to energy-efficient LED lighting and placing "energy saving" sticker reminders near light switches.

Vehicle Fuel

Petrol and diesel were used in the Group's several motor vehicles for passenger transportation purpose, we encourage our staff to take public transit instead of going in motor vehicles.

Stationery Fuel

Stationery fuel was mainly used in the production plants in Switzerland in winter for indoor warming purpose, in long term, we will consider to replace the existing heater to a new heater which is using biomass or electricity.

Drinking Water and pipe water

Pipe water was used in the workshop in Switzerland and drinking water was consumed by our staff in Hong Kong and Guangzhou office. The Group constantly reminds employees of the importance of saving water.

Paper and packing materials

The total weight of packing materials and paper used was decreased as we encourage our staff to reduce paper wastes.

3.5 Environmental Protection

As a world-renowned Swiss watchmaker with production facilities in Switzerland, we fully recognize that protecting the environment is our core responsibility as a corporate citizen. Even though the Group's business poses insignificant impact on the environment, we are fully committed to conservation of precious natural resources by minimizing our environmental impacts and carbon footprints as detailed in the coming sections. Looking forward, we will continue to work towards sustainability and look for opportunities to reduce our environmental impact.

We have an essential obligation to reduce our carbon footprint and protect our natural resources in response to climate change in order to make our planet suitable for future generations. We remain proactive in managing environmental risks and improving our performance.

In order to pursue long-term and sustainable development in operation, we set the following environmental objectives on water use, waste efficiency and GHG management. The group will gradually reduce our environmental footprint and constantly review the market development and opportunities to improve our performance.

GHG emissions

- Reduce 10% carbon emissions intensity by 2027

Energy use efficiency

- Reduce 10% energy consumption intensity by 2027

3.6 Environmental Protection and Natural Resources Conservation

The Group pledges to uphold quality management and implements policies for conserving resources and managing waste. The Group will continue to increase its capacity for recycling to reduce the material impact of the Group's operation on the environment and natural resources. The Group adopts consistent policies to save resources effectively and follows the laws and regulations to achieve healthy business development. Awareness of environmental protection among all employees is enhanced through environmental protection activities and promotion. The Group is promoting the concepts of "Reduce", "Reuse" and "Recycle" in order to protect the environment and give back to society.

3.7 Climate Change

Climate change has become a popular topic and concern in the global market because it is related to the long-term sustainability of organizations.

To deal with any unforeseen climate related disasters, such as extreme weather, the operational contingency plans have been developed in the Group, for instance, the Group has developed mitigation measures in Hong Kong to reduce the effect raised by extreme weather conditions such as typhoons on our employees, properties and our operation, which is before the Black Rainstorm Warning Signals and No. 8 or above Tropical Cyclone Warning Signals incurred, the Group will release employees from work and ensure there is sufficient time for their journeys between living place and office. In addition, the Group also conducts inspection on windows during the typhoon and rainstorm season and ensure all inventories will be stocked on the shelves for the protection from the risk of water invasion.

Moreover, we recognize that there are any accidents in our working environments, thus we ensure adequate insurance covers the risks, for instance, fire accident, third party injury in our offices, employee injury in the process of business, loss or damage of finished products transported by the manufacturer etc.

4. EMPLOYMENT AND LABOUR PRACTICES

4.1 Employment Profile

Workforce As at	31 December 2021	31 December 2020
By Gender		
Male	73	79
Female	101	112
By Age group		
Aged 18–29	24	29
Aged 30–39	64	75
Aged 40–49	63	64
Aged 50–59	22	20
Aged 60 or above	1	3
By Geographical Region		
Hong Kong	30	41
The Mainland China	131	137
Switzerland	13	13
By employment type		
Full-time	174	191
Part-time	0	0
Total	174	191

4.2 Employee Turnover Rate % in 2021

By Geographical Region	Hong Kong	The Mainland China	Switzerland
Total	17.9%	25.8%	0.0%
By Gender			
Male	28.0%	17.2%	0.0%
Female	23.1%	30.0%	0.0%
By Age group			
Aged 18–29	0.0%	30.5%	0.0%
Aged 30–39	5.8%	32.0%	0.0%
Aged 40–49	0.0%	17.5%	0.0%
Aged 50–59	14.7%	20.0%	0.0%
Aged 60 or above	2.9%	0.0%	0.0%

4.3 Safe and Healthy Workplace

The Group values health and safety as of paramount importance and endeavours to provide safe working environment to all employees.

In the past three years, the number of work-related fatalities and lost days due to work-related injuries as follows:

	2021	2020	2019
Number of work-related fatalities	0	0	0
Number of lost days due to work-related injuries	0	0	0

Since our production is mainly related to assembling of timepieces and does not involve the use of heavy machinery or hazardous chemicals, our working environment is relatively safe and correspondingly the occupational health and safety risks faced by our employees are low. Nevertheless, we always take all necessary precautions and measures to ensure the safety of our workplace. For example:

- At our production workshop in Switzerland, we have posted notices and reminders to raise employees' awareness of potential dangers. We have also issued safety instructions and posters on ergonomics, to remind our employees the importance of correct postures while using computers and making watches.

- Apart from potential safety issues at workplace, we recognize the possibility of hazards caused by external factors, including potential fire outbreaks at office buildings. Hence, to prepare and ensure that our staff is aware of the potential danger and familiar with the emergency plans, we also asked our employees to attend and participate in fire drill in their respective workplace. Through these measures, we hope to minimize the occupational safety and health risks faced by our employees.

Response to COVID-19

Given the outbreak of COVID-19 disease during the year, we have taken measures to safeguard the health of its employees. To reduce gatherings and enhance social distancing, our staff in Guangzhou, Hong Kong and Switzerland offices have had to implement work-from-home and "Flexible working hours" arrangements, among them, the Research & Development department, Quality Check department and After-sales department, are always handling the movements and components, we encourage them to go to office by rotation in their team as the valuable movements and components are prohibited to take out of our office.

In addition, the Group has implemented various precautionary measures to prevent and control the spread of the COVID-19 pandemic at the working place, including but not limited to compulsory body temperature checks, mandatory wearing of a surgical face mask, appropriate sanitizers will be available throughout the office and limit the visitor to access our office.

Any employee who needs to work in office, we require he/she to wash his/her hands properly and often. Moreover, any employees who have travelled from specified high risk places within 14 days are requires compulsory quarantine and provide health certificate before returning to work.

4.4 Training and Continuous Development

In today's competitive market and increasingly volatile economy, continuous innovation and improvement are essential for companies to stay competitive and gain success in the market. We strongly believe that the continuous growth and development of our employees, will enable the Company to grow and develop as well. Therefore, as part of our Human Resources Management Policy, all new employees are required to attend orientation training to ensure the employees are aware and familiarise themselves with the Group's values and goals and understand their roles in the Group. In addition, we are committed to providing training and opportunities for our staff, so that they can grow with us. We also encourage staff to receive external training programmes and offer subsidies to support their continuous professional development. In addition, our training department will continuously provide on-job training for our salespersons. During the reporting period, the summary of trained employees as follows:

The percentage of employees trained by gender

Male	Female
33.3%	66.7%

Average training hours completed by gender

Male	Female
3 hours	3 hours

The percentage of employees trained by categories

Middle management or above	Staff
22.9%	77.1%

Average training hours completed by categories

Middle management or above	Staff
3 hours	3 hours

4.5 Labour Standards and Caring Employees

Our employees are one of our most valuable assets and we are committed to creating values for our employees through ensuring a safe and fair workplace, as well as providing regular training and personal development opportunities. The Group strictly complies with the labour laws and other relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, anti-discrimination, minimum wages, provision of statutory holidays and leaves, prohibition of child labour and forced labour practice etc in the PRC, Hong Kong and Switzerland.

4.5.1 Employment Practices

We conduct all our human resources activities in accordance with Human Resources Management Policy which details all the necessary steps and procedures for human resources matters. We offer competitive remuneration packages and provide benefits including medical insurance and year-end bonuses for our employees. On top of statutory leaves, employees are also given annual and special leaves, providing them with flexibility to strike a balance between work and life. Other special staff benefits include a special staff discount for purchase of our company watches.

4.5.2 Equal Opportunity and Diversity

At Ernest Borel, we embrace diversity and believe that everyone should be treated fairly and equally, regardless of their genders, disability, race, family status, etc. We request our staff to strictly follow our Code of Conduct, and we do not tolerate any forms of harassments or discrimination. Besides, effective communication channels are provided for employees to express their opinions and report any related incidents at work. We treat each reported case seriously and will provide all necessary support and protection for employees.

During the year under review, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

5. SUPPLY CHAIN MANAGEMENT

5.1 Selection of Suppliers

The making of our premium watches involves assembling of many highly specialized parts and materials from various suppliers during our production. To establish an efficient supply chain, we have implemented a mature procurement process based on our "Procurement Policy", which have defined a clear set of criteria for selection and management of qualified suppliers, any supplier whose products and services with environmentally friendly and socially responsible features will be high preferable for us.

Prices of products and materials are not the only factor that determines our selection of suppliers. We assess suppliers with an integrate approach, among which quality, undoubtedly, is one of the most important aspects that we consider. Thus, we always conduct quality check ("**QC**") on products provided by suppliers, record the results of the checks on our QC statistic database, and monitor their performances on a monthly basis. We also maintain close communication with our suppliers and provide our feedback for improvement, especially in case of more frequent defects discovered regarding the materials we received.

5.2 Number of Suppliers by Geographical Region

During the year under review, the Group has 58 suppliers with the below geographic distribution:

Hong Kong
25

Mainland China
28

Switzerland
5

5.3 Environmental and Social Risk Consideration

The Group increasingly concerns the environmental and social performance of its business partners within the supply chain. Environmental and social risk considerations have been incorporated into the supplier selection and management.

5.3.1 Environmental risk

To ensure we have a reliable supply chain, all suppliers are required to comply with the legal requirements and regulations in the relevant jurisdictions in relation to environmental protection.

5.3.2 Social risk

In order to reduce the social risk, the Group has also scrutinised its business partners in terms of the compliance with relevant labour standards and the respect of human rights. Any child labour or forced labour is strictly prohibited.

To enhance the transparency of its governance, the Group will place greater concerns and consider devoting more resource in the due diligence of its supply chain in future.

6. PRODUCT RESPONSIBILITY

With the belief of creating the outstanding timepieces since the inception of the Company, we fully understand quality of our products is the key factor that attracts our customers. Therefore, to maintain and strive for a better quality, we fully understand we need to ensure the quality at every segment of our production cycle, from the initial procurement process to the final product finishing stage.

All of our watches are entitled to the branding of "Swiss-made" according to the corresponding Swiss Federal Law, i.e., the movement of our watches is Swiss-made, and the watches assembled and the final quality check conducted in Switzerland. Hence, all of our watches are required to be produced under strict production standards with the utmost care and diligence.

According to our "Procurement Policy" which governs the procurement of materials and equipment for production works, if any parts or materials are discovered to be defective during the assembling process, our production staff will notify our logistics department immediately to return such materials to the suppliers.

Our "Production Policy" governs the quality of our products during their production. Apart from the standard quality check for each watch, upon completion of the production process, a final quality check will be carried out before the products are delivered to our customers. This is to ensure that the products received by our customers are of the best quality.

6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons

During the Year under review, there was no product sold or shipped subject to recalls for safety and health reasons.

6.2 Deal with Complaints

During the Year under review, there was no material complaints on our products and service. However, in case of any complaints occurs, we will according to local rules and regulations as well as standards in Hong Kong, PRC and Switzerland in relation to health and safety, advertising, labelling and privacy matters, including but not limited to:

- Consumer Council Ordinance (Cap. 216 of the Laws of Hong Kong);
- Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong);
- Patents Ordinance (Cap. 514 of the Laws of Hong Kong);
- Product Quality Law of the People's Republic of China (中華人民共和國產品質量法);
- Law of the People's Republic of China on Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法);
- Advertising Law of the People's Republic of China (中華人民共和國廣告法);
- Patent Law of the People's Republic of China (中華人民共和國專利法); and
- Trademark Law of the People's Republic of China (中華人民共和國商標法).

6.3 Intellectual Property

We recognize the values of intellectual property — as the creativity and innovation embedded in intellectual property worth far more than any tangible assets. In fact, constant innovation and creation are very important to our success and competitiveness. As a world-class watchmaker, we fully understand the importance of intellectual property. In particular, when it comes to the designs and production of watches, we are fully committed to protecting and treasuring it. The designs of our timepieces, including their appearances, functions and the materials used for making them, are the key differences between a niche product and a mass product.

We have included in our Employee handbook the "Code of Conduct", which contains our "Confidentiality Policy" on Company's property and information, and set out clear guidelines and requirements for our employees on the protection of data and intellectual property. Therefore, not only do we make sure our intellectual property is safe through internal security policy, but we also respect others' intellectual property by avoiding and prohibiting any illegal use of the intellectual property.

6.4 Advertising, Labelling and Data Privacy

We also understand that advertising, labelling and data privacy are important factors affecting consumers' experience. Hence, on top of complying with the Trade Descriptions Ordinance (Cap. 362 of the Laws of Hong Kong) and other local laws and regulations on advertising in our operating locations, we have set up internal policy regarding advertisements to ensure that our advertisements do not contain misleading, offensive, or false information that may adversely affect customers' behavior.

In regard to data privacy, our Code of Conduct in our Employee Handbook sets out clear rules for controlling leakage of information, and we fully comply with the requirements in the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) by taking all necessary steps to ensure customers' data and information is secured and properly used.

6.5 Maintaining High Product Quality

According to our "Quality policy", we aim to keep our products in a high-quality standard.

We believe that our responsibility extends beyond quality assurance. In particular, we also put emphasis on after-sale services, as we believe that maintenance of product quality is just as important as its initial production. All customers who purchased the Ernest Borel watches from our shops and distributors are guaranteed with maintenance and repair services within the warranty period at our customer service centers and stores located all over the world.

7. ANTI-CORRUPTION

7.1 Ethical Conduct

We do not tolerate any forms of bribery, forgery, or corruption at Ernest Borel. To eliminate such forms of illegal activities, we have established a Code of Conduct for directors and as part of the Employee Handbook for all employees. We prohibit abuse, forgery, or fraud, as well as corrupting activities, including acceptance of benefits from personnel of business relationship with the Group.

Extending this code of ethical conduct to external stakeholders, we also request that our employees avoid conflicts of interest by constantly reviewing and making declarations where appropriate, especially for those purchasing staff that is responsible for making procurement decisions.

7.2 Whistle-blower Policy

Our "Whistle-blower Policy" is implemented to encourage our staff to report potential infringements. The identity of the whistle blower is fully protected and remains confidential throughout the investigation. The Company is committed to handling any reported cases swiftly and fairly.

In order to build up an ethical corporate culture and practices, the Group has established policies and procedures for anti- corruption and anti-money laundering, these policies and procedures together with the Code of Conduct can be found in the Employee Handbook for all employees. We aim to prevent the Group's employees and clients, customers, suppliers, vendors, and contractors from being misused for money laundering, terrorist financing or other financial crimes. For example, if there is an unusual or suspicious financial transaction, our employees should aware of it may be involved in money laundering, they must verify the identities of transaction parties to obtain their background information, for instance, the business nature and source of income etc.

Our "Whistle-blower Policy" is implemented to encourage our staff to report potential infringement. During the Year, no legal case regarding corrupt practices was brought against the Group or its employees. Also, no whistleblowing concerning a criminal offence or misconduct was reported.

8. COMMUNITY

As a responsible company, we aim at serving and strengthening the wider community, and encouraging employees to support the community. Our Group understands the importance of making positive contribution to the community where it operates, and considers community benefits as one of our social responsibility. The Group encourages our staff to take part in community welfare and voluntary work, through participating in these activities, public welfare education in the community such as environmental protection, conservation and other positive messages can be promoted.

However, the Covid-19 certainly presented obstacles for the Group to engage with the community and hence there were no relevant activities being held during the Reporting Period. Moving forward, the Group would actively explore public needs and gradually participate in community activities.

9 ESG GUIDE CONTENT INDEX OF THE STOCK EXCHANGE

Aspects, General Disclosures and KPIs	Descriptions	Corresponding section of this report/Remarks
A	**Environmental**	
Aspect A1 Emissions	General Disclosure (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	
KPI A1.1	Types of emissions and respective emissions data	3.1 Air Pollutant Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.2 Greenhouse Gas Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.3 Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.3 Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	3.5 Environmental Protection
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	3.3 Waste Management
Aspect A2 Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	3.4 Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	3.4 Use of Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	3.4 Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	3.4 Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	3.4 Use of Resources

Aspects, General Disclosures and KPIs	Descriptions	Corresponding section of this report/Remarks
Aspect A3 The Environment and Natural Resources	General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources.	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.6 Environmental Protection and Natural Resources Conservation
Aspect A4 Climate Change	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	3.7 Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	3.7 Climate Change
B	**Social**	
Aspect B1 Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	4.1 Employment Profile
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	4.2 Employee Turnover Rate % in 2021
Aspect B2 Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.3 Safe and Healthy Workplace
KPI B2.2	Lost days due to work injury	4.3 Safe and Healthy Workplace
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	4.3 Safe and Healthy Workplace

Aspects, General Disclosures and KPIs	Descriptions	Corresponding section of this report/Remarks
Aspect B3 Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.4 Training and Continuous Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	4.4 Training and Continuous Development
Aspect B4 Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.5 Labour Standards and Caring Employees
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	4.5 Labour Standards and Caring Employees
Aspect B5 Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	
KPI B5.1	Number of suppliers by geographical region.	5.2 Number of Suppliers by Geographical Region
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	5.1 Selection of Suppliers
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.3 Environmental and Social Risk Consideration
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.1 Selection of Suppliers

Aspects, General Disclosures and KPIs	Descriptions	Corresponding section of this report/Remarks
Aspect B6 Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	6.2 Deal with Complaints
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	6.3 Intellectual Property
KPI B6.4	Description of quality assurance process and recall procedures.	6.4 Advertising, Labelling and Data Privacy
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	6.5 Maintaining High Product Quality
Aspect B7 Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	7. Anti-Corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	7.2 Whistle-blower Policy
KPI B7.3	Description of anti-corruption training provided to directors and staff.	7.1 Ethical Conduct
Aspect B8 Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	8. Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	N/A
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	N/A

REPORT OF THE DIRECTORS

The Board are pleased to present the annual report together with the audited consolidated financial statements of the Group for the Year.

BUSINESS REVIEW

A review on the business of the Group during the Year and a discussion on the Group's future business development are set out in the Chairman's Statement and Management Discussion and Analysis on pages 4 to 5 and pages 9 to 14 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group. Major risks are summarized below.

(i) Macroeconomic environment

Macroeconomic changes may affect consumers' behavior. Watches products are considered as discretionary items for customers. Slower consumer spending momentum may reduce the demand for our products, leading to lower revenue and margins. It is therefore important that the Group is aware of any such changes in the economic environment and adjusts its production volume and business plan under different market conditions.

(ii) Foreign exchange risk

Most of our expenses and costs are denominated in Renminbi ("**RMB**") and Swiss Franc ("**CHF**"), while approximately 97.8% and 0.3% of our revenue was denominated in RMB and CHF during the year ended 31 December 2021, respectively. Any significant fluctuations in the exchange rates between CHF and Hong Kong dollars or RMB may materially and adversely affect our results of operations. Any future exchange rate volatility relating to RMB and CHF may give rise to uncertainties in the value of net assets, net profit margin and dividends. For the year ended 31 December 2021, the net foreign exchange gain amounted to approximately HK$1.5 million (2020: approximately HK$3.2 million).

KEY RELATIONSHIPS

(i) Employees

Employees are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

The Group provides on-the-job training and development opportunities to its employees. The training programs cover areas such as managerial skills, sales and production, quality control and training of other areas relevant to the industry.

In addition, the Group offers competitive remuneration packages to its employees. The Group has also adopted share option schemes to recognize and reward the contribution of the employees to the growth and development of the Group.

(ii) Suppliers

We have developed long-standing and good relationships with our vendors and taken great care to ensure that they can share our commitment to product quality. We carefully select our suppliers and require them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness.

(iii) Retailers and distributors

We sell our products to end customers through third-party retailers and distributors. We work with retailers and distributors as business partners and ensure we share the view for upholding our brand value and customer services, specifically focusing on providing quality products to our customers. We and our retailers and distributors reach an agreement on sales target and store expansion plans before they place their orders. We also monitor the financial condition and repayment history of our retailers and distributors.

PERMITTED INDEMNITIES

Pursuant to the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. In addition, the Company has arranged for appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against the Directors arising out of corporate activities.

ENVIRONMENTAL POLICIES

We are committed to being an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycling of office supplies and other materials. Details of environmental policies are set out in the section headed "**Environmental, Social and Governance Report**" of this annual report.

INCORPORATION AND PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands by registration as a non-resident company on 18 January 1991 and re-registered as an exempted company with limited liability on 14 April 2014. Its principal place of business in Hong Kong is located at Unit 1612–18, Level 16, Tower 1, Grand Century Place, 193 Prince Edward Road West, Mongkok, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

The Company acts as an investment company. The principal activities of the Company's subsidiaries are designing, manufacturing, marketing and selling of Swiss-made mechanical and quartz premium watches for men and women.

SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 December 2021 are set out in note 31 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate sales to the Group's largest and five largest customers accounted for approximately 7.2% (2020: approximately 6.3%) and approximately 21.4% (2020: approximately 22.7%), respectively, of the Group's total revenue for the Year.

The aggregate purchases from the Group's largest and five largest suppliers accounted for approximately 22.3% (2020: approximately 11.0%) and approximately 58.3% (2020: approximately 50.5%), respectively, of the Group's total purchases for the Year.

At no time during the Year, did a Director, his/her close associate(s) or a shareholder of the Company (who or which, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers and suppliers.

FINANCIAL STATEMENTS

The profit of the Group for the Year and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 60 to 119 of this annual report.

A discussion and analysis of the Group's performance during the Year and the material factors underlying its results and financial position are set out in the Management Discussion and Analysis on pages 9 to 14 of this annual report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group as at 31 December 2021 and for the past four financial years are set out on page 120 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group for the Year are set out in note 15 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company and the Group are set out on page 63 of the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2021, the Company's reserves available for distribution to the Shareholders amounted to approximately HK$88,981,000 (2020: approximately HK$100,781,000).

Under the Companies Law of the Cayman Islands, the share premium account of the Company in the amount of approximately HK$182,099,000 (2020: approximately HK$182,099,000) may be applied for payment of distributions or dividends to the Shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for FY2021 (2020: Nil).

CHARITABLE DONATIONS

The Group did not make any charitable donation during the Year (2020: Nil).

BANK BORROWINGS AND OTHER BORROWINGS

Details of bank borrowings and other borrowings of the Group as at 31 December 2021 are set out in notes 20 and 22 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 24 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law of the Cayman Islands where our Company is incorporated applicable to the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2021, the Company did not redeem any of its shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such shares.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

DIRECTORS

The following table sets forth the information concerning the Directors for the Year and up to the date of this annual report.

Name	Position
Teguh Halim	Executive Director and Chairman of the Board
Shang Jianguang (1)	Executive Director and Ex-Chairman of the Board
Xiong Wei (2)	Executive Director
Lam Lai	Executive Director
Xiong Ying	NED
Tao Li (3)	NED
To Chun Kei	INED
Hui Cheuk Kit Frederick	INED
Chan Lai Wa	INED

Pursuant to article 84 of the Articles of Association, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Accordingly, Mr. To Chun Kei and Ms. Chan Lai Wa shall retire and, being eligible, offer themselves for re-election at the AGM.

The Company has received from each of the INEDs an annual confirmation of their independence in writing pursuant to Rule 3.13 of the Listing Rules and considers that all of the INEDs are independent of the Company.

Notes:

1. Mr. Shang Jianguang has resigned as the Executive Director on 5 January 2022.
2. Mr. Xiong Wei has resigned as the Executive Director on 20 April 2021.
3. Mr. Tao Li has resigned as the NED on 5 January 2022.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 6 to 8 of this annual report.

SERVICE CONTRACTS OF DIRECTORS

Each of the Executive Directors has entered into a service contract with the Company for a term of three years, which is subject to retirement by rotation and re-election in accordance with the Articles of Association, and may be terminated by either party upon prior written notice of three months. Each of the NEDs and the INEDs has entered into an appointment letter with the Company for a term of three years, which is subject to retirement by rotation and re-election in accordance with the Articles of Association, and may be terminated by either party upon a three-month prior written notice. The service contracts and appointment letters are automatically renewed upon expiration.

No Director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the remuneration of the Directors and five individuals with the highest emoluments of the Company are set out in note 12 to the consolidated financial statements.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2021 and up to and including the date of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, to the best knowledge of the directors and based on the information publicly available to the Company, there was sufficient public float as required by the Listing Rules.

CORPORATE GOVERNANCE REPORT

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 15 to 24 of this annual report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2021, the interests or short positions of the Directors and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company or the associated corporations of the Company, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**") which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Long Positions in the Company's Shares or shares in associated corporation of the Company

Name of Directors	Company/ Name of associated corporation	Capacity/Nature of interest	Number of Shares held	Approximate Percentage of interest in the total issued Shares in the Company[(2)]/ associated corporation
Mr. Teguh Halim	Citychamp	Beneficial owner/ Personal Interest/ Interest of Spouse[(1)]	6,000,000	0.14%
Mr. Xiong Ying	Citychamp	Beneficial owner	70,000	0.00%

Notes:

1. 3,000,000 shares were held by Mr. Teguh Halim's wife.

2. Calculated based on the number of issued Shares as at 31 December 2021 (i.e. 347,437,000 shares).

Saved as disclosed above, as at 31 December 2021, none of the Directors and the Chief Executive of the Company and their respective associates had or was deemed to have any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to any Director or Chief Executive of the Company, as at 31 December 2021, the persons or corporations (not being a Director or Chief Executive of the Company) who or which had an interest or short position in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Long Position in the Company's Shares

Name	Capacity	Number of Shares	Approximate % of total number of issued Shares(5)
VGB Limited (1)	Beneficial owner	222,634,485	64.08%
Citychamp (1)	Interest in controlled corporation	222,634,485	64.08%
Sincere View (1)	Interest in controlled corporation	222,634,485	64.08%
Full Day (1)	Interest in controlled corporation	222,634,485	64.08%
Hon Kwok Lung (2,3)	Interest in controlled corporation	222,634,485	64.08%
Lam Suk Ying (2,3)	Interest in controlled corporation	222,634,485	64.08%
Prime Route (4)	Beneficial owner	37,935,000	10.92%
Xu Hong (4)	Interest in controlled corporation	37,935,000	10.92%

Notes:

1. 222,634,485 shares in the issued share capital of the Company were directly held by VGB Limited. VGB Limited is wholly-owned and controlled by Citychamp. Citychamp was the controlled corporation of each of Sincere View International Limited ("**Sincere View**") and Full Day Limited ("**Full Day**"). Accordingly, each of Citychamp, Sincere View and Full Day was deemed to be interested in the shares of the Company held by VGB Limited.

2. Mr. Hon Kwok Lung ("**Mr. Hon**") held the entire issued share capital of Full Day. Sincere View was the controlled corporation of each of Mr. Hon and Ms. Lam Suk Ying ("**Ms. Lam**"), the spouse of Mr. Hon. Accordingly, each of Mr. Hon and Ms. Lam was deemed to be interested in the shares of the Company held by VGB Limited.

3. Mr. Hon and Ms. Lam also directly held 3,500,000 shares and 1,374,000 shares in the issued share capital of Citychamp, respectively.

4. Prime Route Investment Limited ("**Prime Route**") is a company wholly-owned by Ms. Xu Hong ("**Ms. Xu**"). Ms. Xu is therefore deemed to be interested in the shares held by Prime Route.

5. Calculated based on the number of issued Shares as at 31 December 2021 (i.e. 347,437,000 shares).

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Company conditionally adopted a Share Option Scheme on 24 June 2014, which was effective upon 11 July 2014 and will expire on 24 June 2024. The purpose of the Share Option Scheme is to help motivate eligible persons to optimize their future performance and efficiency to the Group and/or reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

Eligible persons include (a) any Executive Director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of the Group, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; (b) a director or proposed director (including an INED) of any member of the Group; (c) a direct or an indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and (g) an associate of any of the persons referred to in (a) to (c) above.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 34,700,000 Shares, representing approximately 9.99% of the issued share capital as at the date of this annual report.

No option may be granted to any participant of the Share Option Scheme such that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.00 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheets on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the adoption date, after which no further options will be granted or offered.

From the date on which the Share Option Scheme became effective and up to the date of this annual report, no share options were granted, exercised or cancelled or lapsed under the Share Option Scheme.

CONNECTED TRANSACTIONS

During the Year, the Company had certain loans (the "**Loans**") from its related parties, namely Citychamp, Mr. Shang Jianguang, Mr. Halim Teguh and Mr. He Wen. The Loans are unsecured, interest bearing at 5% to 6% per annum and repayable within one year from the drawn down date, the details of the Loans are set out in note 20 to the consolidated financial statements.

During the Year, as (i) Citychamp is the controlling shareholder of the Company; (ii) Mr. Shang is the CEO of Citychamp; (iii) Mr. Halim is the Executive Director of Citychamp; and (iv) Mr. He is a connected person of the Company, each of the Loans constitutes a connected transaction under Chapter 14A of the Listing Rules. However, given the Loans are financial assistance received by the Company from its connected persons on normal commercial terms or better and they are not secured by any assets of the Company, the Loans are fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

As disclosed in note 30 "Related Party Transactions" of the consolidated financial statements, the Group had the following continuing connected transactions during the Year:

(i) Master Product and Service Framework Agreement

On 29 September 2020, the Company and Citychamp entered into the Master Product and Service Framework Agreement pursuant to which (1) the Citychamp Group, may, from time to time, provide products and services to the Group, including (a) Watches and Components; and (b) Watch labor services; and (2) the Group may, from time to time, provide products and services to the Citychamp Group, including (a) Watches and Components; and (b) Watch labor services during the term of the Master Product and Service Framework Agreement. These transactions constitute continuing connected transactions with a connected person which is subject to the annual review, reporting and announcement requirements pursuant to Rule 14A.76 of the Listing Rules and exempt from independent shareholders' approval.

For the year ended 31 December 2021, the aggregate transaction amounts of Products and Services under the Master Product and Service Framework Agreement is around HK$7,892,000 and HK$27,000 respectively.

The Board, including the INEDs, has reviewed and confirmed that each of the connected transactions and continuing connected transactions were entered into during the year was:

(1) in the ordinary and usual course of business of the Group;

(2) either (i) on arm's length and normal commercial terms; or (ii) where there was no available comparison on terms no less favorable to or from the Group than terms available to or from independent third parties;

(3) in accordance with the relevant agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(4) the aggregate transaction amount during the financial year ended 31 December 2021 had not exceeded the cap disclosed in the respective announcements.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group below in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

CONTINUING DISCLOSURE REQUIREMENT PURSUANT TO RULE 13.21 OF THE LISTING RULES

In accordance with the continuing obligations set out in Rule 13.21 of the Listing Rules, the following are the details of the facility letter (the "**Facility Letter**") with covenants relating to specific performance on the controlling shareholder of the Company.

On 19 February 2020, an indirect wholly-owned subsidiary of the Company as the borrower, accepted a Facility Letter issued by a bank offering for the grant of a revolving loan facility and trade finance of up to HK$20,000,000.

Pursuant to the Facility Letter, amongst other things, the indirect wholly-owned subsidiary of the Company had undertaken to the bank that:

(i) Citychamp, the controlling and largest shareholder of the Company and the shares of which are listed on the main board of the Stock Exchange (the "**Mainboard**") (stock code: 256), shall remain as the largest shareholder of the Company; and

(ii) Citychamp shall remain listed on the Mainboard and its shares shall not be suspended for trading for more than 21 consecutive calendar days.

Breach of such undertakings will constitute an event of default and all amounts (including principal and interest) due and owing by the indirect wholly-owned subsidiary of the Company to the bank under the Facility Letter shall become immediately due and payable.

As at the date of this annual report, Citychamp is still treated as the controlling and largest shareholder of the Company as well as remain listed on the Mainboard.

DIRECTORS' AND SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 30 to the consolidated financial statements, no transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or any connected entity thereof had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the paragraphs headed "Share Option Scheme" above, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

EMOLUMENT POLICY

The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the remuneration committee periodically.

The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics.

The Group has adopted one share option schemes to motivate and reward its Directors and eligible employees. Details of the scheme is set out in the paragraphs headed "Share Option Scheme" above.

Mr. Teguh Halim and Ms. Lam Lai waived emoluments of HK$50,000 (2020: nil) and HK$50,000 (2020: nil) respectively for the year ended 31 December 2021. Except these, no other directors waived or agreed to waive any remuneration for the year ended 31 December 2021 and 2020.

RETIREMENT SCHEMES

The Group participates in defined contribution retirement benefit schemes organized by the municipal and provincial government authorities in the PRC for the Group's eligible employees in the PRC, and operates a Mandatory Provident Fund scheme for the employees in Hong Kong and contributes to a mandatory post-employment defined benefit plan ("**Defined benefit scheme**") for the employees in Switzerland. Particulars of these retirement plans are set out in note 21 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save for the "Share Option Scheme" described above, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2021.

COMPLIANCE WITH LAWS AND REGULATIONS

We have complied with all the relevant laws and regulations that have a material impact on the operations of the Group during the year ended 31 December 2021.

SIGNIFICANT LEGAL PROCEEDINGS

The Group and the Company were not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Group and the Company during the Year and at 31 December 2021.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises all the three INEDs, namely Mr. To Chun Kei, Mr. Hui Cheuk Kit Frederick and Ms. Chan Lai Wa with Mr. To Chun Kei serving as the chairman. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Group's consolidated annual results and annual report for the Year.

INDEPENDENT AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2020 and 2021 were audited by BDO Limited.

BDO Limited will retire and will be eligible to offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as auditors of the Company will be proposed at the forthcoming AGM of the Company.

By order of the Board
Ernest Borel Holdings Limited
Teguh Halim
Chairman

Hong Kong, 30 March 2022

INDEPENDENT AUDITOR'S REPORT

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TO THE MEMBERS OF ERNEST BOREL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Ernest Borel Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 60 to 119, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provision for inventories

Refer to notes 5(c) and 16 to the consolidated financial statements and the accounting policies on note 4(l). As at 31 December 2021, the Group has inventories with the carrying amount of HK$372,676,000, which represented a substantial portion of the Group's total assets.

Management considers several factors in determining the appropriate level of inventory allowance, including inventory ageing, subsequent sales and usage of inventories, product pricing and current market condition.

We identified the valuation of inventories as key audit matter because of the magnitude of the inventories and significant judgement is exercised by management in determining the appropriate level of inventory allowance.

How the matter was addressed in our audit

Our procedures on the management's assessment on the inventory allowance included:

(i) Obtaining an understanding of the management's basis for inventory provision;

(ii) Assessing the reasonableness of the basis used and estimates made by the management in determining the level of inventory allowance;

(iii) Testing the inventory ageing, on a sample basis, to the inventory records; and

(iv) Evaluating the reasonableness and adequacy of the inventory allowance by comparing the actual inventory loss to the management's estimation.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors of the Company in discharging their responsibilities in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Lui Chi Kin
Practising Certificate Number P06162
Hong Kong, 30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Revenue	6	**149,252**	122,596
Cost of sales		**(58,417)**	(49,611)
Gross profit		**90,835**	72,985
Other gains and losses, net	7	**1,516**	15,092
Other income	8	**121**	3,326
Distribution expenses		**(67,067)**	(45,313)
Administrative expenses		**(44,654)**	(39,614)
Finance costs	9	**(13,524)**	(11,700)
Loss before tax	10	**(32,773)**	(5,224)
Income tax credit	11	**950**	6,551
(Loss)/profit for the year attributable to owners of the Company		**(31,823)**	1,327
Other comprehensive income			
Item that will not be subsequently reclassified to profit or loss:			
Remeasurement of net defined benefit obligations	21	**281**	(1,373)
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(7,527)**	11,462
Other comprehensive income for the year		**(7,246)**	10,089
Total comprehensive income for the year attributable to owners of the Company		**(39,069)**	11,416
(Loss)/earnings per share	14		
— Basic and diluted (Hong Kong cents)		**(9.16)**	0.38

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**39,420**	40,330
Rental deposits	*17*	**881**	955
		40,301	41,285
CURRENT ASSETS			
Inventories	*16*	**372,676**	359,609
Trade and other receivables	*17*	**46,821**	54,046
Restricted bank deposits	*18*	**–**	1,354
Bank balances and cash	*18*	**7,585**	18,402
		427,082	433,411
CURRENT LIABILITIES			
Trade and other payables	*19*	**38,470**	24,200
Tax payable		**1,453**	2,585
Lease liabilities	*25*	**5,101**	4,900
Amount due to a related party	*20*	**1,590**	5,376
Amounts due to fellow subsidiaries	*20*	**248,444**	217,883
Amounts due to directors	*20*	**17,215**	17,000
Bank borrowings	*22*	**12,217**	19,384
		324,490	291,328
NET CURRENT ASSETS		**102,592**	142,083
TOTAL ASSETS LESS CURRENT LIABILITIES		**142,893**	183,368

Consolidated Statement of Financial Position

As at 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	25	**8,436**	8,330
Bank borrowings	22	**3,490**	4,397
Deferred tax liabilities	23	**14,069**	14,266
Pension obligations	21	**4,123**	4,531
		30,118	31,524
NET ASSETS		**112,775**	151,844
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	**3,474**	3,474
Reserves		**109,301**	148,370
TOTAL EQUITY		**112,775**	151,844

The consolidated financial statements on pages 60 to 119 were approved and authorised for issue by the board of directors on 30 March 2022 and are signed on its behalf by:

Teguh Halim
DIRECTOR

Lam Lai
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital HK$'000	Share premium HK$'000 (Note (iii))	Other reserve HK$'000 (Note (i) and (iii))	Actuarial gain and loss reserve HK$'000 (Note (iii))	General reserve HK$'000 (Note (ii) and (iii))	Translation reserve HK$'000 (Note (iii))	Accumulated losses HK$'000 (Note (iii))	Total HK$'000
At 1 January 2020	3,474	182,099	15,500	(647)	1,547	6,383	(67,928)	140,428
Profit for the year	–	–	–	–	–	–	1,327	1,327
Other comprehensive income for the year	–	–	–	(1,373)	–	11,462	–	10,089
Total comprehensive income for the year	–	–	–	(1,373)	–	11,462	1,327	11,416
At 31 December 2020 and 1 January 2021	**3,474**	**182,099**	**15,500**	**(2,020)**	**1,547**	**17,845**	**(66,601)**	**151,844**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(31,823)**	**(31,823)**
Other comprehensive income for the year	**–**	**–**	**–**	**281**	**–**	**(7,527)**	**–**	**(7,246)**
Total comprehensive income for the year	**–**	**–**	**–**	**281**	**–**	**(7,527)**	**(31,823)**	**(39,069)**
Balance at 31 December 2021	**3,474**	**182,099**	**15,500**	**(1,739)**	**1,547**	**10,318**	**(98,424)**	**112,775**

Notes:

(i) Other reserve of HK$15,500,000 represents amount arising from capitalisation of loans from former shareholders of a subsidiary of the Company.

(ii) General reserve represents the legal reserve being allocated from the retained profits of certain subsidiaries of the Company, as required under the relevant legislation of Switzerland and the People's Republic of China (the "**PRC**"), respectively.

(iii) These reserve accounts comprise of the consolidated reserves of HK$109,301,000 (2020: HK$148,370,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(32,773)**	(5,224)
Adjustments for:			
Reversal of provision for inventories	*10*	**(13,780)**	(10,646)
Provision for/(reversal of) impairment loss of trade receivables, net	*7*	**176**	(4,114)
Reversal of impairment loss of property, plant and equipment		**–**	(2,815)
Depreciation of property, plant and equipment	*10*	**14,159**	7,367
Gain on lease modification	*7*	**(183)**	–
Finance costs	*9*	**13,524**	11,700
Interest income	*8*	**(43)**	(47)
Reversal of legal and professional fee provision	*7*	**–**	(4,954)
Provision for defined benefit obligations		**414**	(729)
Operating losses before working capital changes		**(18,506)**	(9,462)
Changes in working capital:			
Increase in inventories		**(645)**	(620)
Decrease/(increase) in trade and other receivables		**8,144**	(5,666)
Increase/(decrease) in trade and other payables		**14,642**	(5,764)
Contribution to defined benefit obligations		**(357)**	(343)
Cash generated from/(used in) operations		**3,278**	(21,855)
Switzerland income tax paid		**(133)**	(185)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**3,145**	(22,040)
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(7,152)**	(5,761)
Decrease in restricted bank deposits		**1,371**	–
Interest received		**43**	40
NET CASH USED IN INVESTING ACTIVITIES		**(5,738)**	(5,721)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
FINANCING ACTIVITIES	29		
Repayment of bank borrowings		**(37,235)**	(21,135)
Interest paid		**(4,549)**	(11,080)
New bank borrowings raised		**29,291**	44,673
Lease payments for lease liabilities		**(6,597)**	(7,232)
Repayment of loan from a related party		**(5,442)**	–
Loan from a related party		**1,568**	5,062
Repayment of loan from fellow subsidiaries		**(35,821)**	(1,125)
Loans from fellow subsidiaries		**51,982**	52,873
Repayment of loan from ultimate holding company		**–**	(41,098)
Loan from ultimate holding company		**–**	9,900
Repayment of loan from directors		**(2,000)**	(5,000)
Loans from directors		**2,000**	–
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(6,803)**	25,838
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(9,396)**	(1,923)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**18,402**	18,735
Effect of foreign exchange rate changes		**(1,421)**	1,590
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		**7,585**	18,402

1. GENERAL

Ernest Borel Holdings Limited (the "**Company**") is an exempted company with limited liability incorporated in the Cayman Islands. The Company's shares listed on the Main Board of the Stock Exchange of Hong Kong Limited. The Company's ultimate holding company is Citychamp Watch & Jewellery Group Limited, a limited liability company incorporated in the Cayman Islands with its shares listed on the Main Board of the Stock Exchange of Hong Kong Limited.

The Company's addresses of the registered office is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and its principal place of business is Units 1612–18, Level 16, Tower I, Grand Century Place, 193 Prince Edward Road West, Mongkok, Kowloon, Hong Kong.

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in designing, manufacturing, marketing and selling of Swiss-made mechanical and quartz premium watches.

2. APPLICATION OF NEW OR AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Adoption of new or amended IFRSs — effective 1 January 2021

In the current year, the Group has applied the following new or amended IFRSs issued by the International Accounting Standards Board ("**IASB**") which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2021:

Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of these new or amended IFRSs has no material impact on the Group's results and financial position for the current or prior period.

(b) New and amended IFRSs in issue but not yet effective

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

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendment to IAS 1	Classification of liabilities as Current or Non-Current[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to IFRS 3	References to Conceptual Framework[2]
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018–2020[2]

[1] Effective for annual periods beginning on or after 1 April 2021
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for annual periods beginning on or after 1 January 2023

2. APPLICATION OF NEW OR AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(b) New and amended IFRSs in issue but not yet effective *(Continued)*

Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies

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

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

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

Amendments to IAS 8, Definition of Accounting Estimates

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

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

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

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

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

Amendments to IAS 37, Onerous Contracts — Cost of Fulfilling a Contract

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

2. APPLICATION OF NEW OR AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(b) New and amended IFRSs in issue but not yet effective *(Continued)*

Amendments to IFRS 3, Reference to the Conceptual Framework

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

Amendments to IFRS 16 — COVID-19-Related Rent Concessions Beyond 30 June 2021

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

Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41, Annual Improvements to IFRSs 2018–2020

The annual improvements amends a number of standards, including:

- IFRS 1, First-time Adoption of International Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

- IFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- IFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- IAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

3. BASIS OF PREPARATION

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures requirement of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Listing Rules**") and the Hong Kong Companies Ordinance.

3.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

The adoption of new or amended IFRSs and the impact on the Group's consolidated financial statements, if any, are disclosed in note 2.

It should be noted that accounting estimates and assumptions are used in preparing the consolidated financial statements. Although these estimates are based on the Group's management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

3.3 Functional and presentation currency

The consolidated financial statements are presented in Hong Kong Dollars ("**HK$**"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("**HK$'000**") unless otherwise stated and may be different from the functional currency of certain group entities, that is, Renminbi ("**RMB**") and Swiss Franc ("**CHF**"). The Group's management has elected to use HK$ as they believe HK$ is the appropriate presentation currency for the users of Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(b) Revenue recognition

(i) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Revenue recognition *(Continued)*

(i) Revenue from contracts with customers *(Continued)*

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group sells goods to customer. Revenue from sales of goods to customers is recognised when control of the products has transferred, being when the products are delivered to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products. It is the Group's policy to sell its products to the customers with a right to exchange faulty products to another product within reasonable period after delivery. These rights of return do not allow the returned goods to be refund in cash. No liability and right to the returned goods are recognised as insignificant amount of returns are expected based on accumulated experience.

Maintenance service income is recognised at a point of time when the repair services is complete. The contract price is fixed with no variable consideration.

(ii) Revenue from other source

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(c) Lease

The Group as lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Lease *(Continued)*

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the asset and liabilities of the Group's operations are translated into the presentation currency of the Group (that is, Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

(e) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(f) Government subsidies

Government subsidies are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the subsidies will be received.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Retirement benefit costs

Retirement benefits to employees are provided through defined contribution plans and defined benefit pension plans.

(i) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance, for those employees in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government (the "**Scheme**"). These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The Scheme is responsible for the entire pension obligations payable to the retired employees and the Group has no further obligations for the actual pension payments or other post-retirement benefits beyond the employer contributions. Contributions under the Scheme are charged to profit or loss as they become payable in accordance with the rules of the PRC.

(ii) Defined benefit pension plans

Defined benefit pension plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the consolidated statement of financial position in respect of defined pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflow using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Retirement benefit costs *(Continued)*

(ii) Defined benefit pension plans *(Continued)*

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).

- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service costs by attributing the contributions to periods of service using the attribution method required by IAS 19 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service costs by attributing contributions to the employees' periods of service in accordance with IAS 19 paragraph 70.

(h) Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurement are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Property, plant and equipment

Property, plant and equipment including buildings and freehold land held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and amortisation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets (other than freehold land) less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Right-of-use assets	Over the shorter of lease terms or at 30%
Building held under freehold land	3.3%–10%
Leasehold improvement	Over the lease term ranging from 3 to 5 years
Furniture, fixtures and equipment	5%–50%
Machinery	6%–20%
Motor vehicles	30%

Freehold land is not depreciated.

The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(k) Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of non-financial assets *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated to reduce the carrying amount of assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

(m) Provision and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Financial instruments *(Continued)*

(ii) Impairment of financial assets

The Group recognises loss allowances for expected credit loss ("**ECL**") on trade receivables, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless the Group has reasonable and supportable information that a more lagging default criterion is more appropriate.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Financial instruments *(Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, bank borrowings, amount due to a related party, amounts due to fellow subsidiaries amounts due to directors and lease liabilities.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Financial instruments *(Continued)*

(vii) Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(o) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major lines of business.

The Group has identified the single reportable operating segment is the manufacturing and sales of watches.

The segment revenue, results, assets and liabilities are therefore the same as the respective amounts presented in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position.

(p) Share capital and share premium

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issuance of share over the par value. Any transaction costs associated with the issuing of shares are deducted from the share premium (net of any related income tax benefit) to the extent that they are incremental costs directly attributable to the equity transaction.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued any consideration received net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

(q) Cash and cash equivalents

Cash and cash equivalents include bank balances and cash and short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in values.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period which may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

(a) Estimated impairment of non-current assets

The Group assesses whether there are any indicators of impairment for all non-current assets at the end of each reporting period. An impairment exists when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The calculation of the fair value less costs of disposal is based on an estimate of the price that would be received to sell and asset in an orderly transaction between market participants at the measurement date. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(b) Estimated allowance of trade and other receivables

The Group estimates impairment losses of trade and other receivables are based on assumptions about risk of default and expected credit loss rate according to the accounting policies stated in note 4. The Group adopts judgement in making these assumptions and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, exiting market conditions including forward looking estimates at end of reporting period.

(c) Estimated provision for inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. Estimation of the net realisable of inventories value takes into account the selling prices, movements, conditions, ageing analysis and subsequent usage of the relevant inventories.

(d) Income taxes and deferred taxation

The Group is subject to corporate income taxes in Mainland China, Switzerland and Hong Kong. Significant judgements are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(e) Right-of-use assets

The Group uses its incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received or receivable for the sale of watches, less returns and trade discounts, during the year. The revenue of the Group are recognised at point in time.

Information reported to the chief operating decision makers, being the executive directors of the Company, for resources allocation and performance assessment, is based on the Group's overall performance, which is considered as a single operating segment. Segment revenue, results, assets and liabilities are therefore the same as the respective amounts presented in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position. Entity-wide disclosures of segment information are set out below.

Geographical information

The following table set out information about the geographical location of (i) the Group's revenue from external customers based on the location of customers, and (ii) the Group's non-current assets (which exclude the non-current financial assets) based on the location of the assets.

	Revenue from external customers	
	2021	2020
	HK$'000	HK$'000
The PRC	**146,021**	118,799
Hong Kong and Macau	**1,890**	1,005
Others (mainly in Southeast Asia and Europe)	**1,341**	2,792
	149,252	122,596

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

	Non-current assets	
	2021	2020
	HK$'000	HK$'000
The PRC	**15,582**	11,906
Hong Kong	**6,591**	9,291
Switzerland	**17,247**	19,133
	39,420	40,330

Information about major customers

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

7. OTHER GAINS AND LOSSES, NET

	2021	2020
	HK$'000	HK$'000
Exchange gain, net	**1,509**	3,209
Gain on lease modification	**183**	–
(Provision for)/reversal of impairment loss of trade receivables, net	**(176)**	4,114
Reversal of legal and professional fee provision	**–**	4,954
Reversal of impairment loss of property, plant and equipment	**–**	2,815
	1,516	15,092

8. OTHER INCOME

	2021	2020
	HK$'000	HK$'000
Bank interest income	**43**	47
Government subsidies	**–**	3,210
Sundry income	**78**	69
	121	3,326

For the year ended 31 December 2020, the government subsidies represent a one-off subsidies under Employment Support Scheme launched by the Hong Kong Special Administrative Region Government and subsidies received under the Swiss unemployment support from Swiss government.

9. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest charged on:		
Bank borrowings	488	577
Loan from a related party	134	13
Loans from fellow subsidiaries	11,378	8,599
Loan from ultimate holding company	–	1,116
Loan from directors	840	946
Lease liabilities	684	449
	13,524	11,700

10. LOSS BEFORE TAX

	2021 HK$'000	2020 HK$'000
Loss before tax has been arrived at after charging/(crediting):		
Auditors' remuneration	780	730
Cost of inventories recognised as expenses, including:	58,417	49,611
— Reversal of allowance	(13,780)	(10,646)
Depreciation of property, plant and equipment	14,159	7,367
Short-term lease rental	757	43
Staff costs (including directors' emoluments):		
— Salaries and other benefits	50,523	48,194
— Retirement benefits scheme contributions	4,564	2,003
Total staff costs	55,087	50,197

Note: Cost of inventories sold includes HK$9,660,000 (2020: HK$9,900,000) relating to staff costs and depreciation expenses.

11. INCOME TAX CREDIT

	2021 HK$'000	2020 HK$'000
Current tax:		
Switzerland Income Tax	**183**	261
Over-provision in respect of prior years:		
Hong Kong Profits Tax	**(1,140)**	–
	(957)	261
Deferred tax charge/(credit) *(note 23)*	**7**	(6,812)
Income tax credit for the year	**(950)**	(6,551)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years. No provision for Hong Kong profits tax has been made for both years as the Group has no assessable profits arising in Hong Kong.

Switzerland Income Tax is calculated at certain tax rates on the assessable income for both years. Under the relevant Tax Laws in Switzerland, the Group's subsidiaries incorporated in Switzerland were subjected to Direct Federal Tax ("**DFT**") of 8.5% (2020: 8.5%) and Cantonal Communal Tax ("**CCT**") calculated at 11.50% (2020: 11.74%). Swiss Federal withholding tax is levied at a rate of 35% on the distribution of the profit (if any) of the subsidiaries incorporated in Switzerland for both years.

Under the laws of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of EIT Law, the tax rate of PRC subsidiary is 25% (2020: 25%). No provision for Enterprise Income Tax has been made for both years as the Group has no assessable profits arising in the PRC.

The income tax credit for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 HK$'000	2020 HK$'000
Loss before tax	**(32,773)**	(5,224)
Tax at the rates applicable to tax jurisdictions concerned	**(6,544)**	(415)
Tax effect of income not taxable for tax purposes	**(51)**	(985)
Tax effect of expenses not deductible for tax purposes	**1,939**	520
Tax effect of tax losses not recognised	**5,462**	3,059
Effect on change in Switzerland tax rate	**–**	(7,960)
Tax effect of temporary differences not recognised	**(616)**	(770)
Over-provision in respect of prior years	**(1,140)**	–
Income tax credit for the year	**(950)**	(6,551)

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

a. Directors

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
For the year ended 31 December 2021				
Executive directors				
Mr. Shang Jianguang *(note i)*	–	1,300	18	1,318
Mr. Teguh Halim	–	1,250	18	1,268
Ms. Lam Lai	–	1,250	18	1,268
Mr. Xiong Wei *(note ii)*	–	367	6	373
Non-executive directors				
Mr. Xiong Ying	50	–	–	50
Mr. Tao Li *(note iii)*	1,300	–	–	1,300
Independent non-executive directors				
Ms. Chan Lai Wa	120	–	–	120
Mr. To Chun Kei	120	–	–	120
Mr. Hui Cheuk Kit Frederick	120	–	–	120
	1,710	4,167	60	5,937

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

a. Directors *(Continued)*

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
For the year ended 31 December 2020				
Executive directors				
Mr. Shang Jianguang	–	1,230	18	1,248
Mr. Teguh Halim	–	1,230	18	1,248
Ms. Lam Lai	–	1,230	18	1,248
Mr. Xiong Wei	–	1,230	18	1,248
Non-executive directors				
Mr. Xiong Ying	50	–	–	50
Mr. Tao Li	1,224	–	–	1,224
Independent non-executive directors				
Ms. Chan Lai Wa	120	–	–	120
Mr. To Chun Kei	120	–	–	120
Mr. Hui Cheuk Kit Frederick	120	–	–	120
	1,634	4,920	72	6,626

Notes:

i. Mr. Shang Jianguang resigned as an executive director of the Company with effect from 5 January 2022.

ii. Mr. Xiong Wei resigned as an executive director of the Company with effect from 20 April 2021.

iii. Mr. Tao Li resigned as a non-executive director of the Company with effect from 5 January 2022.

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

b. Five highest paid individuals

The five highest paid individuals of the Group during the year included three (2020: four) directors of the Company, details of whose emoluments are set out in the disclosures above. Details of the remuneration for the year of the remaining two (2020: one) highest paid individuals, who are not a director of the Company, are as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries and other benefits	**2,718**	1,337
Retirement benefits scheme contributions	**36**	18
	2,754	1,355

The number of the highest paid employees who are not the directors of the Company whose emoluments fell within the following bands is as follows:

	2021 **No. of individuals**	2020 No. of individuals
HK$1,000,001–HK$1,500,000	**2**	1

Mr. Teguh Halim and Ms. Lam Lai waived emoluments of HK$50,000 (2020: nil) and HK$50,000 (2020: nil) respectively for the year ended 31 December 2021. Except these, no other directors waived or agreed to waive any remuneration for the year ended 31 December 2021 and 2020.

No emolument was paid by the Group to the directors or the two (2020: one) highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office (2020: nil).

13. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

14. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share for the year ended 31 December 2021 is based on the loss attributable to owners of the Company of HK$31,823,000 (2020: profit of HK$1,327,000) and on the weighted average number of 347,437,000 (2020: 347,437,000) ordinary shares in issue during the year.

There are no potential dilutive ordinary shares outstanding for the year ended 31 December 2021 and 2020 and thus the diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK$'000	Freehold Land and building outside Hong Kong HK$'000	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
At 1 January 2020	16,256	38,307	7,588	139,850	5,658	1,167	208,826
Additions	336	–	–	5,761	–	–	6,097
Written off	(568)	–	–	(370)	–	–	(938)
Effect of modification to lease terms	10,090	–	–	–	–	–	10,090
Exchange realignment	228	3,590	–	2,176	443	42	6,479
At 31 December 2020 and 1 January 2021	**26,342**	**41,897**	**7,588**	**147,417**	**6,101**	**1,209**	**230,554**
Additions	**6,343**	**–**	**1,353**	**5,787**	**12**	**–**	**13,495**
Written off	**(7,449)**	**–**	**–**	**(768)**	**(155)**	**–**	**(8,372)**
Effect of modification to lease terms	**(32)**	**–**	**–**	**–**	**–**	**–**	**(32)**
Exchange realignment	**51**	**(1,241)**	**245**	**264**	**(151)**	**19**	**(813)**
At 31 December 2021	**25,255**	**40,656**	**9,186**	**152,700**	**5,807**	**1,228**	**234,832**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS							
At 1 January 2020	15,175	23,021	7,588	130,689	4,878	1,027	182,378
Provided for the year	1,357	598	–	5,072	231	109	7,367
Reversal of impairment loss for the year	(879)	(1,875)	(61)	–	–	–	(2,815)
Eliminated on written off	(568)	–	–	(370)	–	–	(938)
Exchange realignment	85	2,192	–	1,528	387	40	4,232
At 31 December 2020 and 1 January 2021	**15,170**	**23,936**	**7,527**	**136,919**	**5,496**	**1,176**	**190,224**
Provided for the year	**5,852**	**1,046**	**55**	**7,048**	**158**	**–**	**14,159**
Eliminated on written off	**(7,449)**	**–**	**–**	**(768)**	**(155)**	**–**	**(8,372)**
Exchange realignment	**(31)**	**(705)**	**226**	**30**	**(137)**	**18**	**(599)**
At 31 December 2021	**13,542**	**24,277**	**7,808**	**143,229**	**5,362**	**1,194**	**195,412**
NET BOOK VALUE							
At 31 December 2021	**11,713**	**16,379**	**1,378**	**9,471**	**445**	**34**	**39,420**
At 31 December 2020	11,172	17,961	61	10,498	605	33	40,330

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Right-of-use assets	Land and buildings leased for own use HK$'000	Motor vehicles leased for own use HK$'000	Total HK$'000
Carrying amounts as at 1 January 2020	–	1,081	1,081
Additions	336	–	336
Depreciation	(1,095)	(262)	(1,357)
Reversal of impairment loss for the year	879	–	879
Effect of modification to lease terms	10,090	–	10,090
Exchange realignment	109	34	143
Carrying amounts as at 31 December 2020 and 1 January 2021	**10,319**	**853**	**11,172**
Additions	**6,343**	**–**	**6,343**
Depreciation	**(5,588)**	**(264)**	**(5,852)**
Effect of modification to lease terms	**(32)**	**–**	**(32)**
Exchange realignment	**94**	**(12)**	**82**
Carrying amounts as at 31 December 2021	**11,136**	**577**	**11,713**

During the year ended 31 December 2021, the Group entered into various lease agreements for retail shops. The leases for retail shops have remaining non-cancellable lease terms of between 1 to 3 years. All leases held by the Group comprise fixed payments over the lease term or contingent rent based on monthly turnover of the respective retail shops.

The Directors have performed an impairment assessment on property, plant and equipment at 31 December 2021 and 2020 based on valuations performed by an independent professional valuer.

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Property, plant and equipment with net carrying amount of HK$39,420,000 (2020: HK$40,330,000) are attributable to the cash generating unit of the Group as a whole ("**Group's CGU**"). The recoverable amount of property, plant and equipment is determined based on value-in-use calculations. That calculations use cash flow projections based on financial budgets approved by the management of the Group covering a five-year period, followed by an extrapolation of expected cash flow at zero growth rate which do not exceed the long-term growth rate for the business in which the Group's CGU operates and a discount rate of 19.06% (2020: 16.04%) per annum. The discount rate used is pre-tax and reflect specific risks related to the Group's CGU. The Group's key assumption for the value — in-use calculations are the budgeted revenue and operating expenses which are determined based on recent performance of the Group's CGU. Management also believes that any reasonably possible change in the key assumptions on which the CGU's recoverable amount is based would not cause Group's CGU's carrying amount to exceed its recoverable amount.

Based on the result of the assessment as at 31 December 2021, the recoverable amount of Group's CGU is higher than the carrying amount of property, plant and equipment. No impairment loss would be recognised for the year ended 31 December 2021.

Based on the result of the assessment as at 31 December 2020, the management of the Group determined that certain recoverable amounts of the property, plant and equipment were higher than the carrying amounts. A reversal of impairment loss of HK$2,815,000 were recognised for the year. The reason for such reversal of impairment being recognised in profit or loss for the year ended 31 December 2020 was mainly due to the change in predicted average annual growth rate of the revenue of the Group, gross profit margin of the Group and the cost control policy implemented by the Group which have had significant impact on the value-in-use assessment performed by the Directors and with an increase in cash flows expected to be received.

16. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	155,784	152,258
Work-in-progress	16,770	19,904
Finished goods	200,122	187,447
	372,676	359,609

A reversal of provision of HK$13,780,000 (2020: HK$10,646,000), was recognised in cost of sales and consolidated statement of profit or loss and other comprehensive income, which made in prior years against the carrying value of raw materials and finished goods have been reversed due to an increase in the estimated net realisable value of certain products as a result of the increase in the demand of products as well as the production needs.

17. TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Non-current:		
Rental deposits	881	955
Current:		
Trade receivables, gross	55,353	62,645
Less: impairment loss allowance	(19,550)	(18,608)
Trade receivables, net	35,803	44,037
Other receivables	2,072	1,646
Other tax recoverable	2,145	2,691
Prepayments	5,031	3,651
Deposits	1,770	2,021
	11,018	10,009
Total current trade and other receivables	46,821	54,046
Total trade and other receivables	47,702	55,001

Included in the trade receivables, amounts of HK$2,496,000 (2020: HK$5,274,000) are due from the fellow subsidiaries of the Company.

17. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group allows a credit period ranging from 30 to 120 days to its trade customers. The following is an ageing analysis of trade receivables, net of impairment loss allowance, presented based on the invoice date which approximates the respective revenue recognition date:

	2021	2020
	HK$'000	HK$'000
0–90 days	**24,222**	29,728
91–180 days	**6,174**	11,932
181–270 days	**4,754**	1,450
Over 270 days	**653**	927
	35,803	44,037

Before accepting any new customer, the Group assesses the potential customer's credit worthiness and defines credit limits for each customer. Limits attributed to customers are reviewed annually.

Movement in the impairment loss allowance for trade receivables

	2021	2020
	HK$'000	HK$'000
Balance at beginning of the year	**18,608**	21,534
Provision for impairment losses allowance recognised	**1,377**	1,373
Reversal of impairment losses allowance recognised	**(1,201)**	(5,487)
Exchange realignment	**766**	1,188
Balance at the end of the year	**19,550**	18,608

Included in the impairment loss allowance as at 31 December 2021 are individually impaired trade receivables with an aggregate credit impaired balance of HK$19,505,000 (2020: HK$18,557,000) which has been fully impaired and expected credit loss allowance assessed on collective basis of HK$45,000 (2020: HK$51,000). The Group does not hold any collateral over these balances.

18. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

Bank balances carried market interest rate in the range of 0.01% to 0.3% (2020: 0.01% to 0.3%) per annum for the year ended 31 December 2020.

The Group's bank balances that are denominated in United States Dollar ("**USD**"), RMB and CHF, currency other than functional currency of the relevant group entities are set out below:

	2021	2020
	HK$'000	HK$'000
Denominated in USD	**10**	10
Denominated in RMB	**240**	1
Denominated in CHF	**67**	11

Included in restricted bank deposits and bank balances and cash of the Group are the amount of approximately HK$1,468,000 (2020: HK$18,771,000) denominated in RMB which are placed with the banks in the PRC. RMB is not freely convertible into other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB into foreign currencies through the banks authorised to conduct foreign exchange business.

19. TRADE AND OTHER PAYABLES

	2021	2020
	HK$'000	HK$'000
Trade payables	**26,804**	13,785
Other payables	**1,556**	2,689
Accruals	**9,163**	6,176
Contract liabilities arising from sales of goods	**947**	1,550
	38,470	24,200

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2021	2020
	HK$'000	HK$'000
1–30 days	**9,355**	8,576
31–60 days	**7,514**	1,689
Over 60 days	**9,935**	3,520
	26,804	13,785

The credit period for trade purchases ranges from 30 to 90 days.

19. TRADE AND OTHER PAYABLES *(Continued)*

The Group's trade payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2021 **HK$'000**	2020 HK$'000
Denominated in CHF	**–**	1

Movement of contract liabilities

	2021 **HK$'000**	2020 HK$'000
Balance as at 1 January	**1,550**	916
Decrease in contract liabilities as a result of recognising revenue during the year	**(1,550)**	(916)
Increase in contract liabilities as receipt in advance	**947**	1,550
Balance as at 31 December	**947**	1,550

20. AMOUNTS DUE TO A RELATED PARTY, FELLOW SUBSIDIARIES AND DIRECTORS

As at 31 December 2021, an amount due to a related party of amount of RMB1,300,000 (equivalent to HK$1,590,000) (2020: RMB4,512,000 (equivalent to HK$5,376,000)) was unsecured, interest bearing at 6% per annum and repayable within one year. The related party is a key management personnel of the Group.

As at 31 December 2021, amounts due to fellow subsidiaries of aggregate amount of RMB203,126,000 (equivalent to HK$248,444,000) (2020: RMB182,864,000 (equivalent to HK$217,883,000)) were unsecured, interest bearing at range from 5% to 6% (2020: 5% to 6%) per annum and repayable within one year.

As at 31 December 2021, amounts due to directors of aggregate amount of HK$17,215,000 (2020: HK$17,000,000) were unsecured, interest bearing at 5% (2020: 5%) per annum and repayable within one year.

21. RETIREMENT BENEFIT SCHEME

Hong Kong

Defined contribution scheme

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Authority. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Contributions are made based on a percentage of the participating employees' relevant income from the Group and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

The Group participates in defined contribution schemes which are registered under the Mandatory Provident Fund Scheme ("**MPF Scheme**") established under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) ("**MPFSO**") for the benefits of its employees in Hong Kong. The assets of the schemes are held, separately from those of the Group, in funds under the control of independent trustees. In accordance with the statutory limits prescribed by the MPFSO, for each employee under the MPF Scheme, the Group contributes 5% (2020: 5%) of the relevant income to the MPF Scheme, subject to a cap of monthly contribution at HK$1,500 per employee (2020: HK$1,500), which contribution is matched by the employee. Contributions to the MPF Scheme for the Group's employees are fully and immediately vested in the employees once the contributions are made.

There were no contributions forfeited by the Group on behalf of its employees who leave the MPF Scheme (as the case may be) for the year ended 31 December 2021 (2020: Nil).

The PRC

Defined contribution scheme

According to the relevant laws and regulation in the PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of its employees to the state-managed retirement benefit scheme. The only obligations of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

Pursuant to the relevant laws and regulations in the PRC, the Group has joined defined contribution retirement schemes for the employees in the PRC arranged by local government labour and security authorities ("**PRC Retirement Schemes**"). The Group makes contributions to the PRC Retirement Schemes at the applicable rates based on the amounts stipulated by the local government authorities. Upon retirement, the local government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees.

There were no contributions forfeited by the Group on behalf of its employees who leave the PRC Retirement Schemes (as the case may be) for the year ended 31 December 2021 (2020: Nil).

21. RETIREMENT BENEFIT SCHEME *(Continued)*

Switzerland

Defined benefit scheme

The subsidiary in Switzerland contributes to a mandatory post-employment defined benefit plan, funded by contributions from both employees and employer (the "**Defined Benefit Scheme**"). The plan is operated by an insurance company in the form of a multi-employer scheme (Swiss Life Collective BVG Foundation).

The Defined Benefit Scheme exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit obligations is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Due to the long-term nature of the plan liabilities, the board of the pension fund may consider it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the Plan's debt investments.
Longevity risk	The present value of the defined benefit obligations is calculated by reference to the best estimate of the mortality of Scheme participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit obligations is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The valuations of the plan assets and the present value of the defined benefit obligations were estimated by the directors with reference to the actuarial valuation carried out at 31 December 2021 and 2020 by Swiss Life Pension Services AG, an independent qualified professional actuary and a member of the Swiss Associate of Actuaries in Switzerland. The present value of the defined benefit obligations and the related current service cost were measured using the projected unit credit method.

21. RETIREMENT BENEFIT SCHEME *(Continued)*

Switzerland *(Continued)*

Defined benefit scheme *(Continued)*

The principal actuarial assumptions used at the end of the reporting period are as follows:

	2021	2020
Price inflation	**0.50%**	0.50%
Discount rate	**0.20%**	0.20%
Long term rate of return on plan assets	**0.90%**	0.90%
Expected rate of salary increase	**0.50%**	0.50%
Average longevity at retirement age for current pensioners and employees	**49.0**	49.7

The actuarial valuation showed that the market value of plan assets was HK$6,185,000 (2020: HK$5,775,000) at 31 December 2021 and that the actuarial value of these assets represented 60% (2020: 56%) of the benefits that had accrued to members. The shortfall of HK$4,123,000 (2020: HK$4,531,000) is to be cleared over the estimated remaining service period of 10.7 years (2020: 11.7 years).

The overall expected rate of return is a weighted average of the expected returns of the various categories of Defined Benefit Scheme assets held.

Amounts recognised in consolidated statement of profit or loss and other comprehensive income in respect of the Defined Benefit Scheme are as follows:

	2021 **HK$'000**	2020 HK$'000
Service costs:		
Current service cost	**495**	652
Past service cost	**(90)**	(1,385)
Net interest expense	**9**	4
Components of defined benefit cost recognised in profit or loss	**414**	(729)
Remeasurement on the net defined benefit obligations:		
Return on plan assets (excluding amounts included in net interest expense)	**(117)**	3,409
Actuarial gains arising from experience adjustments	**(213)**	(1,792)
Deferred tax arising on remeasurement of the net defined benefit liability *(note 23)*	**49**	(244)
Components of defined benefit income recognised in other comprehensive income	**(281)**	1,373
Total	**133**	644

The expense is included as employee benefits expense and included in cost of sales.

The remeasurement of net defined benefit obligations is included in other comprehensive income.

21. RETIREMENT BENEFIT SCHEME *(Continued)*

Switzerland *(Continued)*

Defined benefit scheme *(Continued)*

The amount included in the consolidated statement of financial position arising from the Group's obligations in respect of the Scheme is as follows:

	2021 HK$'000	2020 HK$'000
Present value of defined benefit obligations	10,308	10,306
Fair value of plan assets	(6,185)	(5,775)
Net liability arising from defined benefit obligations	4,123	4,531

Movements of the present value of defined benefit obligations were as follows:

	2021 HK$'000	2020 HK$'000
Opening present value of defined benefit obligations	10,306	15,950
Current service cost	495	652
Past service cost	(90)	(1,385)
Interest cost	20	23
Remeasurement gains:		
Actuarial gains arising from experience adjustments	(213)	(1,792)
Benefits paid	(264)	(4,786)
Contribution paid by plan participants	357	545
Exchange differences on foreign plans	(303)	1,099
Closing present value of defined benefit obligations	10,308	10,306

Movements of the fair value of planned assets were as follows:

	2021 HK$'000	2020 HK$'000
Opening fair value of plan assets	5,775	12,333
Interest income	11	19
Remeasurement gains/(losses):		
Return on plan assets (excluding amounts included in net interest expense)	117	(3,409)
Contributions from employers	357	343
Benefits paid	(264)	(4,786)
Contributions paid by plan participants	–	202
Contributions paid by employees	357	343
Exchange differences on foreign plans	(168)	730
Closing fair value of plan assets	6,185	5,775

21. RETIREMENT BENEFIT SCHEME *(Continued)*

Switzerland *(Continued)*

Defined benefit scheme *(Continued)*

The fair value of the plan assets at the end of the reporting period for each category are as follows:

	2021 HK$'000	2020 HK$'000
Time deposits, fixed interest and cash and cash equivalents	4,111	3,839
Real estate	1,012	945
Mortgages and other claims	477	445
Others	585	546
	6,185	5,775

The fair values of real estate, mortgages and other claims, and others are not based on quoted market price in active markets.

Significant actuarial assumptions for the determination of the defined obligations are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 0.5% higher/(lower), the defined benefit obligations would decrease by approximately HK$1,087,000 (2020: HK$1,171,000) (increase by approximately HK$1,301,000 (2020: HK$1,412,000)).
- If the expected salary growth increases/(decreases) by 0.5%, the defined benefit obligations would increase by approximately HK$105,000 (2020: HK$115,000) (decrease by approximately HK$124,000 (2020: HK$133,000)).
- If the life expectancy increases/(decreases) by 1 year, the defined benefit obligations would increase by approximately HK$175,000 (2020: HK$195,000) (decrease by approximately HK$181,000 (2020: HK$201,000)).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations liability recognised in the consolidated statement of financial position.

21. RETIREMENT BENEFIT SCHEME *(Continued)*

Switzerland *(Continued)*

Defined benefit scheme *(Continued)*

The Group's subsidiary in Switzerland funded the cost of the entitlements of employees on a yearly basis. Employees pay approximately 8% of pensionable salary. The residual contribution (including back service payments) is paid by the subsidiary of the Group. The funding requirements are based on the local actuarial measurement framework. In this framework, the discount rate is set on a risk free rate. Furthermore, premiums are determined based on current salary level. Additional liabilities stemming from past service due to salary increases (back-service liabilities) are paid immediately to the Defined Benefit Scheme. Apart from paying the costs of the entitlements, the Group's subsidiary is not liable to pay additional contributions in case the Defined Benefit Scheme does not hold sufficient assets. In that case, the Defined Benefit Scheme would take other measures to restore its solvency, such as a reduction of the entitlements of the plan members.

The average duration of the defined benefit obligation at 31 December 2021 is 22.6 years (2020: 25.6 years).

The Group expects to make a contribution of HK$359,000 (2020: HK$457,000) to the defined benefit plan during the next financial year ending 31 December 2021.

The following are the expected benefits paid by the defined benefit plan in future years:

	2021	2020
	HK$'000	HK$'000
Within the next 12 months (next annual reporting period)	**359**	457
Between 2 to 5 years	**1,480**	1,662
Between 5 to 10 years	**1,797**	1,803
	3,636	3,922

22. BANK BORROWINGS

	2021	2020
	HK$'000	HK$'000
Bank loans, secured *(note)*	**14,267**	14,397
Import trade loans, secured *(note)*	**1,440**	9,384
	15,707	23,781
Less: Current portion	**(12,217)**	(19,384)
Non-current portion	**3,490**	4,397

22. BANK BORROWINGS *(Continued)*

	2021 **HK$'000**	2020 HK$'000
The borrowing repayable based on scheduled repayment date set out in the loan agreements, are as follows:		
Within one year or on demand	**12,217**	19,384
More than two years, but not exceeding five years	**3,490**	4,397
	15,707	23,781

	2021 **HK$'000**	2020 HK$'000
The carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year or on demand	**12,217**	19,384

The exposure of the Group's borrowings are as follows:

	2021 **HK$'000**	2020 HK$'000
Variable-rate borrowings	**11,440**	19,384

The Group's variable-rate borrowings carry interest at Hong Kong Interbank Offered Rate ("**HIBOR**") plus certain basis points.

The ranges of effective interest rate on the Group's borrowings are as follow:

	2021	2020
Effective interest rate:		
Variable-rate borrowings	**3.04% to 5.24%**	3.19% to 5.24%

Note:

(i) At the reporting date, the bank borrowings of HK$11,440,000 (2020: HK$19,384,000) were secured by was corporate guarantee provided by Citychamp Watch & Jewellery Group Limited ("**Citychamp**"), the ultimate holding company of the Group. Further, certain subordination deeds have been signed by Shang Jianguang and Teguh Halim, directors of the Group and Citychamp to secured the bank loan and import trade loan; and

(ii) At the reporting date, the bank borrowings of HK$4,267,000 (2020: HK$4,397,000) were secured by guarantee provided by the government of certain country.

23. DEFERRED TAXATION

The following are the major deferred tax (liabilities)/assets recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Defined benefit pension scheme HK$'000	Others HK$'000	Total HK$'000
At 1 January 2020	(390)	536	(20,506)	(20,360)
Charged to profit or loss *(note 11)*	(987)	(161)	–	(1,148)
Effect of change in Switzerland tax rate credited to profit or loss *(note 11)*	–	–	7,960	7,960
Credit to actuarial gain and loss reserve *(note 21)*	–	244	–	244
Exchange realignment	(94)	53	(921)	(962)
At 31 December 2020 and 1 January 2021	**(1,471)**	**672**	**(13,467)**	**(14,266)**
Charged to profit or loss *(note 11)*	**(21)**	**9**	**5**	**(7)**
Credit to actuarial gain and loss reserve *(note 21)*	**–**	**(49)**	**–**	**(49)**
Exchange realignment	**44**	**(21)**	**230**	**253**
At 31 December 2021	**(1,448)**	**611**	**(13,232)**	**(14,069)**

Note: Others represent the temporary difference arising from the special deduction made on the inventories and accruals held by subsidiaries.

The following is the analysis of the deferred tax balances in the consolidated statement of financial position for financial reporting purposes:

	2021 HK$'000	2020 HK$'000
Deferred tax assets	**–**	–
Deferred tax liabilities	**(14,069)**	(14,266)
	(14,069)	(14,266)

At the end of the reporting period, no deferred tax asset has been recognised in respect of such deductible temporary differences of HK$32,561,000 (2020: HK$32,377,000) which were associated with unrealised profit generated on intra-group transactions due to unpredictability of future profit streams.

At the end of the reporting period, the Group has estimated unutilised tax losses of HK$475,284,000 (2020: HK$461,192,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these estimated unutilised tax losses due to unpredictability of future profit streams. Included in estimated unrecognised tax losses are losses of HK$40,733,000 (2020: HK$58,228,000) that will expire during the period from 2022 to 2026 (2020: 2021 to 2025). Other estimated unutilised tax losses may be carried forward indefinitely.

23. DEFERRED TAXATION *(Continued)*

The aggregate amount of temporary differences associated with the undistributed earnings of subsidiaries, as at year ended 31 December 2021 was HK$175,421,000 (2020: HK$177,040,000). No deferred tax liability has been recognised in respect of these temporary differences because the Group is in a position to control the timing of the reversal of these temporary differences and it is probable that such differences will not reverse in the foreseeable future.

24. CAPITAL AND RESERVES

(i) Share capital

	Number of ordinary shares	Par value	Share capital
	'000	HK$	HK$'000
Authorised:			
Balance at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	10,000,000	0.01	100,000
Issued and fully paid:			
Balance at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	347,437	0.01	3,474

All the share issued rank pari passu.

(ii) Reserves

The Group

Details of the movements of the Group's reserves are set out in the consolidated statement of changes in equity.

The Company

	Share premium	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2020	182,099	(70,335)	111,764
Total comprehensive income for the year	–	(10,983)	(10,983)
At 31 December 2020 and 1 January 2021	**182,099**	**(81,318)**	**100,781**
Total comprehensive income for the year	**–**	**(11,800)**	**(11,800)**
At 31 December 2021	**182,099**	**(93,118)**	**88,981**

25. LEASE LIABILITIES

The amount included in the consolidated statement of financial position in respect of the carrying amounts of lease liabilities and the movements during the year is as follows:

	Land and buildings leased for own use HK$'000	Motor vehicles leased for own use HK$'000	Total HK$'000
As at 1 January 2020	8,388	1,020	9,408
Additions	336	–	336
Interest expense	408	41	449
Effect of modification to lease terms	10,090	–	10,090
Lease payments	(6,967)	(265)	(7,232)
Exchange realignment	147	32	179
As at 31 December 2020 and 1 January 2021	**12,402**	**828**	**13,230**
Additions	**6,343**	**–**	**6,343**
Interest expense	**653**	**31**	**684**
Effect of modification to lease terms	**(215)**	**–**	**(215)**
Lease payments	**(6,330)**	**(267)**	**(6,597)**
Exchange realignment	**103**	**(11)**	**92**
As at 31 December 2021	**12,956**	**581**	**13,537**

Future lease payments are due as follows:

	2021 HK$'000	2020 HK$'000
Minimum lease payment due		
— Within one year	**5,634**	5,409
— In the second to fifth years, inclusive	**8,740**	8,862
	14,374	14,271
Less: future interest expenses	**(837)**	(1,041)
Present value of lease liabilities	**13,537**	13,230

25. LEASE LIABILITIES *(Continued)*

The present value of future lease payments are analysed as:

	2021	2020
	HK$'000	HK$'000
Current liabilities	**5,101**	4,900
Non-current liabilities	**8,436**	8,330
	13,537	13,230

	2021	2020
	HK$'000	HK$'000
Short-term leases expenses	**757**	43
Aggregate undiscounted commitments for short term leases	**111**	30

26. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Investment in subsidiaries	*31*	**32,641**	32,641
Amount due from subsidiaries		**37,501**	50,757
		70,142	83,398
CURRENT ASSETS			
Other receivables		**245**	285
Amounts due from subsidiaries		**41,557**	37,501
Bank balances and cash		**120**	111
		41,922	37,897
CURRENT LIABILITIES			
Other payable and accruals		**2,393**	39
Amount due to a subsidiary		**1**	1
Amounts due to directors		**17,215**	17,000
		19,609	17,040
NET CURRENT ASSETS		**22,313**	20,857
TOTAL ASSETS LESS CURRENT LIABILITIES		**92,455**	104,255
NET ASSETS		**92,455**	104,255
EQUITY			
Share capital	*24*	**3,474**	3,474
Reserves	*24*	**88,981**	100,781
TOTAL EQUITY		**92,455**	104,255

Approved and authorised for issued by the board of directors on 30 March 2022 and signed on its behalf by:

Teguh Halim
Director

Lam Lai
Director

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged from the prior year.

The capital structure of the Group consists of debt, which includes amounts due to a related party, fellow subsidiaries, directors and bank borrowings as disclosed in notes 20 and 22 respectively, net of cash and cash equivalents, and equity comprising issued share capital and reserves.

The directors of the Group review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with capital, and will balance its overall capital structure through payments of dividends, new share issues as well as issue of new debts or redemption of the existing debts.

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021	2020
	HK$'000	HK$'000
Financial assets		
Amortised cost	**45,460**	65,439
Financial liabilities		
Amortised cost	**334,016**	293,744

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, restricted bank deposits, bank balances and cash, trade and other payables, bank borrowings, amounts due to a related party, fellow subsidiaries, and directors. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk, liquidity risk and fair value. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy, but the management will consider hedging significant foreign currency exposure as necessary. The Group manages the foreign currency risk by closely monitoring the movement of the foreign currency exchange rates.

28. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Foreign currency risk (Continued)

As at 31 December 2021 and 2020, except for the followings, the Group does not have significant financial assets or financial liabilities denominated in foreign currencies other than the functional currencies of the respective group companies. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	Liabilities		Assets	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Third parties				
RMB	**–**	–	**240**	1
USD	**–**	–	**10**	10
Intra-group balances				
RMB	**6,202**	–	**–**	2,043
CHF	**47,671**	65,654	**–**	25,099

Sensitivity analysis

As at 31 December 2021 and 2020, financial assets and liabilities denominated in USD belongs to group companies of which their functional currency is HK$. As HK$ is pegged to USD, the Group consider the risk arising from transactions denominated in USD is insignificant. The Group is mainly exposed to the foreign currency risk of RMB against the functional currency of each group entity.

The following table indicates the approximate change in the Group's loss (2020: profit) for the year in response to 5% (2020: 5%) increase or decrease in the functional currency of each group entity against the balances with third parties denominated in RMB to which the Group has significant exposure at the end of reporting period. A sensitivity rate of 5% (2020: 5%) on RMB represents management's assessment of the reasonably possible change in RMB exchange rate.

	RMB impact	
	2021 Increase/ (decrease) in loss HK$'000	2020 Increase/ (decrease) in profit HK$'000
Increase in foreign exchange rate	**310**	–
Decrease in foreign exchange rate	**(310)**	–

The Group is also exposed to currency risk concerning intra-group current accounts of trade nature, which are denominated in currencies other than the functional currency of each group entity.

28. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Foreign currency risk (Continued)

Sensitivity analysis *(Continued)*

The following table indicates the approximate change in the Group's loss (2020: profit) for the year in response to 5% (2020: 5%) increase or decrease in the functional currency of each group entity against the intra-group balances denominated in RMB or CHF respectively to which the Group has significant exposure at the end of the reporting period. A sensitivity rate of 5% (2020: 5%) on RMB and 10% (2020: 10%) on CHF represents management's assessment of the reasonably possible change in foreign currency exchange rates.

	RMB impact		CHF impact	
	2021 Increase/ (decrease) in loss HK$'000	2020 Increase/ (decrease) in profit HK$'000	**2021 (Decrease)/ increase in loss HK$'000**	2020 (Decrease)/ increase in profit HK$'000
Increase in foreign exchange rate	**310**	102	**(4,767)**	(4,056)
Decrease in foreign exchange rate	**(310)**	(102)	**4,767**	4,056

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan from fellow subsidiaries, directors and a related party for both the year ended 31 December 2020 and 2021 (see note 20 for details).

The Group is also exposed to cash flow interest rate risk due to fluctuations in the prevailing market interest rate on restricted bank deposits, bank balances and variable-rate bank borrowings in 2020 and 2021. For the year ended 31 December 2021, the Group's cash flow interest rate risk mainly concentrates on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings. For the years ended 31 December 2020 and 2021, the management considers the exposure to interest rate risk in relation to restricted bank deposits and bank balances is insignificant due to the present low interest rate situation. The Group currently does not use any derivative contract to hedge its exposure to interest rate risk. However, the management of the Group, will consider hedging significant interest rate exposure should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings and prevailing market interest rate on bank balances for the years ended 31 December 2020 and 2021. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period existed for the whole year. A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

For the year ended 31 December 2021, if interest rates had been 100 basis point higher/lower and all other variables were held constant, the Group's loss would increase/(decrease) by HK$63,000.

For the year ended 31 December 2020, if interest rates had been 100 basis point higher/lower and all other variables were held constant, the Group's profit would (decrease)/increase by HK$165,000.

28. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade and other receivables, restricted bank deposits and bank balances.

Management has a credit policy in place and exposure to credit risk are monitored on an ongoing basis.

For the trade receivables, the Group carries out regular review on these balances and follow-up action on any overdue amounts to minimise exposures to credit risk. The Group measures the lifetime expected credit losses based on the outstanding balances and historical credit loss experience adjusted to reflect the Group's view of current and forecast economic conditions that may affect the ability of the debtors to settle receivables.

For other receivables, the Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition.

In deterring expected credit loss, management considers available reasonable and supportive forward looking information. Especially the following indicators are incorporated:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the counterparty
- significant expected changes in the performance and behaviour of the counterparty, including changes in the payment status of counterparties in the group and changes in the operating results of the counterparty

A default on a financial asset is when the counterparty fails to make contractual payments when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery.

Included in the impairment loss allowance for trade receivables are individually impaired trade receivables with an aggregate credit-impaired balance of HK$19,505,000 (2020: HK$18,557,000) which has been fully impaired and expected credit loss allowance of HK$45,000 as at 31 December 2021 (2020: HK$51,000). The group does not hold any collateral over these balances.

28. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The loss allowance as at the reporting date was determined for trade receivables (after excluding credit-impaired balance) as follows:

31 December 2021

	Expected credit loss rate — weighted average (%)	Gross carrying amount (after excluding credit-impaired balance) HK$'000	Loss allowance HK$'000	Net amount HK$'000
Not yet past due	**N/A**	**25,374**	**–**	**25,374**
Overdue within 90 days	**0.10%**	**5,407**	**5**	**5,402**
Overdue 91 to 180 days	**0.50%**	**3,574**	**18**	**3,556**
Overdue over 180 days	**1.50%**	**1,493**	**22**	**1,471**
		35,848	**45**	**35,803**

31 December 2020

	Expected credit loss rate — weighted average (%)	Gross carrying amount (after excluding credit-impaired balance) HK$'000	Loss allowance HK$'000	Net amount HK$'000
Not yet past due	N/A	27,037	–	27,037
Overdue within 90 days	0.10%	11,916	12	11,904
Overdue 91 to 180 days	0.50%	3,724	18	3,706
Overdue over 180 days	1.50%	1,411	21	1,390
		44,088	51	44,037

For the other receivables, balances mainly comprise of rental deposits. Management considers rental deposits do not have significant increase in credit risk since initial recognition, and the deposits are refundable from landlords upon end of lease term or recoverable by the Group through using the leased property. The management performed assessment over the expected credit loss for the other receivables and considered the expected credit loss for the other receivables is immaterial.

The credit risk on restricted bank deposits and bank balances is limited because the majority of the counterparties are banks with good reputation. No impairment had been provided under 12-month expected credit loss assessment.

For the year ended 31 December 2021, the Group has concentration of credit risk as 44.9% and 22.2% (2020: 38.8% and 16.6%) of the total trade receivables are due from the Group's five largest and largest trade customers.

Other than those described above, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

28. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

The management of the Group has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The management manages liquidity risk by closely monitoring the Group's cash flow position.

The liquidity of the Group is primarily dependent on the undertakings from ultimate holding company (i) to provide adequate continuing financial support to the Group and (ii) fellow subsidiaries not to demand repayment of debts due to them until such time when repayment will not affect the Group's ability to repay other creditors in the normal course of business.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2021							
Non-derivative financial liabilities							
Trade and other payables	–	37,523	–	–	–	37,523	37,523
Variable interest rate bank borrowings *(note)*	3.36	2,736	8,855	–	–	11,591	11,440
Bank borrowing guaranteed by Swiss Government	–	–	–	777	3,490	4,267	4,267
Amounts due to directors	5.00	15,189	2,081	–	–	17,270	17,215
Amounts due to fellow subsidiaries	5.16	96,461	157,468	–	–	253,929	248,444
Amounts due to a related party	5.00	1,095	512	–	–	1,607	1,590
Lease liabilities	5.00	1,485	4,148	5,833	2,907	14,373	13,537
		154,489	173,064	6,610	6,397	340,560	334,016
At 31 December 2020							
Non-derivative financial liabilities							
Trade and other payables	–	16,237	237	–	–	16,474	16,474
Variable interest rate bank borrowings (note)	3.43	10,664	8,910	–	–	19,574	19,384
Bank borrowing guaranteed by Swiss Government	–	–	–	–	4,397	4,397	4,397
Amounts due to directors	5.00	–	17,656	–	–	17,656	17,000
Amounts due to fellow subsidiaries	5.16	322	225,004	–	–	225,326	217,883
Amounts due to a related party	5.00	–	5,497	–	–	5,497	5,376
Lease liabilities	5.00	1,587	3,822	3,797	5,065	14,271	13,230
		28,810	261,126	3,797	9,462	303,195	293,744

Note: Bank loans with a repayment on demand clause are included in the repayable on demand or less than 3 months' time band category in the above maturity analysis. At 31 December 2021, the aggregate undiscounted principal amounts of these bank loans amounted to HK$11,591,000 (2020: HK$19,574,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid by monthly instalments which will be wholly repayable in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$11,440,000 (2020: HK$19,384,000).

29. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

	Lease liabilities HK$'000 (note 25)	Bank borrowings HK$'000 (note 22)	Amounts due to directors HK$'000 (note 20)	Amount due to a related party HK$'000 (note 20)	Amounts due to fellow subsidiaries HK$'000 (note 20)	Amount due to ultimate holding company HK$'000 (note 20)	Total HK$'000
Balance at 1 January 2020	9,408	–	22,241	–	144,132	39,488	215,269
Cash flows:							
— Repayment	–	(21,135)	(5,000)	–	(1,125)	(41,098)	(68,358)
— Advances/drawdown	–	44,673	–	5,062	52,873	9,900	112,508
— Interest paid	–	(487)	(1,187)	–	–	(9,406)	(11,080)
— Lease payments	(7,232)	–	–	–	–	–	(7,232)
Non-cash movements:							
— Interest expenses	449	577	946	13	8,599	1,116	11,700
— Transfer to other payable	–	(90)	–	–	–	–	(90)
— Increase in lease liabilities from entering into new leases during the year, net	336	–	–	–	–	–	336
— Effect of modification of lease term	10,257	–	–	–	–	–	10,257
— Exchange realignment	12	243	–	301	13,404	–	13,960
Balance at 31 December 2020 and 1 January 2021	**13,230**	**23,781**	**17,000**	**5,376**	**217,883**	**–**	**277,270**
Cash flows:							
— Repayment	**–**	**(37,235)**	**(2,000)**	**(5,442)**	**(35,821)**	**–**	**(80,498)**
— Advances/drawdown	**–**	**29,291**	**2,000**	**1,568**	**51,982**	**–**	**84,841**
— Interest paid	**–**	**(488)**	**(625)**	**(134)**	**(3,302)**	**–**	**(4,549)**
— Lease payments	**(6,597)**	**–**	**–**	**–**	**–**	**–**	**(6,597)**
Non-cash movements:							
— Interest expenses	**684**	**488**	**840**	**134**	**11,378**	**–**	**13,524**
— Transfer to other payable	**–**	**–**	**–**	**–**	**201**	**–**	**201**
— Increase in lease liabilities from entering into new leases during the year, net	**6,343**	**–**	**–**	**–**	**–**	**–**	**6,343**
— Effect of modification of lease term	**(215)**	**–**	**–**	**–**	**–**	**–**	**(215)**
— Exchange realignment	**92**	**(130)**	**–**	**88**	**6,123**	**–**	**6,173**
Balance at 31 December 2021	**13,537**	**15,707**	**17,215**	**1,590**	**248,444**	**–**	**296,493**

30. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

Name of related party	Relationship	Nature of transaction	2021 HK$'000	2020 HK$'000
Guangdong Juxin Watch Co., Limited (廣東鉅信鐘錶連鎖有限公司)	Fellow subsidiary	Sales of goods	**5**	3
		Assembly service income	**6**	–
Liaoning Hengjia Horologe Co., Limited (遼寧恒嘉鐘錶有限公司)	Fellow subsidiary	Sales of goods	**774**	341
		Assembly service income	**1**	–
Shenzhen Permanence Commerce Co., Limited (深圳市恒譽嘉時貿易有限公司)	Fellow subsidiary	Sales of goods	**4,501**	4,643
		Assembly service income	**4**	6
Corum Watches Malaysia SDN BHD	Fellow subsidiary	Sales of goods	**169**	–
Guangzhou Five Goat Watch Company Ltd. (廣州五羊錶業有限公司)	Fellow subsidiary	Sales of goods	**48**	54
		Repair service changes	**16**	–
Jilin Dayou Watch Limited (吉林大有鐘錶有限公司)	Fellow subsidiary	Sales of goods	**38**	–
EBOHR Luxuries International Co., Limited (依波精品(深圳)有限公司)	Fellow subsidiary	Sales of goods	**45**	–
		Loan interest expenses	**174**	–
Eterna AG Uhrenfabrik	Fellow subsidiary	Sales of goods	**–**	489
Eterna Movement AG	Fellow subsidiary	Watch labor services charges	**–**	386
Montres Corum Sàrl	Fellow subsidiary	Sales of goods	**–**	1,064
Corum (Hong Kong) Limited	Fellow subsidiary	Purchases of goods	**1,831**	–
Zhuhai Rossini Watch Industry Limited (珠海羅西尼錶業有限公司)	Fellow subsidiary	Loan interest expenses	**5,312**	3,309
		Sales of goods	**50**	15
		Purchases of goods	**431**	–
Actor Investments Limited (安達投資有限公司)	Fellow subsidiary	Loan interest expenses	**1,465**	1,584
PAMA Precision Manufacturing Ltd. (深圳市帕瑪精品製造有限公司)	Fellow subsidiary	Loan interest expenses	**4,427**	3,706
Citychamp Watch & Jewellery Group Limited	Ultimate holding company	Loan interest expenses	**–**	1,116
Mr. Shang Jianguang	Director of the Company	Loan interest expenses	**750**	752
Mr. Teguh Halim	Director of the Company	Loan interest expenses	**90**	194
Mr. He Wen	Chief Executive Officer of the Company	Loan interest expenses	**134**	13

(i) The details for balances with related parties are disclosed in notes 17 and 20 to the consolidated financial statements.

(ii) The compensation to key management personnel comprises only the directors' emoluments, details of which are disclosed in note 12.

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid share capital	Ownership interest held by the Company		Principal activities
			Directly	Indirectly	
Boillat Les Bois S.A.	Switzerland	CHF100,000	–	100%	Development, manufacturing and marketing of watches
Ernest Borel S.A.	Switzerland	CHF100,000	–	100%	Manufacturing and sales of watches
Ernest Borel (Far East) Company Limited	Hong Kong	HK$20,000	–	100%	Assembling and sales of watches
Ernest Borel (Guangzhou) Trading Co., Ltd. (依波路(廣州)貿易有限公司) *(note)*	PRC	RMB20,000,000	–	100%	Distribution and sales of watches
廣州市依波路電子商務有限公司*(note)*	PRC	RMB5,000,000	–	100%	Distribution and sales of watches
Ernest Borel (Hong Kong) Limited	Hong Kong	HK$1,000	–	100%	Investment holding
Ernest Borel Watch Company Limited	British Virgin Islands ("**BVI**")	USD100	100%	–	Investment holding
Swissmount Holdings Limited	BVI	USD100	100%	–	Investment holding

Note: It is a wholly-owned foreign enterprise established in the PRC with limited liability.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and total equity of the Group as at 31 December 2021 and for the last four financial years, as extracted from the Group's audited financial statements, is set out below. This summary does not form part of the Group's audited consolidated financial statements.

Results	For the year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**149,252**	122,596	141,518	171,806	227,205
Loss before tax	**(32,773)**	(5,224)	(78,739)	(96,346)	(183,184)
Income tax credit/(expense)	**950**	6,551	(308)	(1,320)	(14,099)
(Loss)/profit for the year	**(31,823)**	1,327	(79,047)	(97,666)	(197,283)
(Loss)/earnings per share					
Basic (HK cents)	**(9.16)**	0.38	(22.75)	(28.11)	(56.78)

Financial position	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**467,383**	474,696	415,314	513,629	627,617
Total liabilities	**(354,608)**	(322,852)	(274,886)	(289,003)	(310,031)
Total equity	**112,775**	151,844	140,428	224,626	317,586