



# CITYCHAMP

WATCH & JEWELLERY GROUP LIMITED

冠城鐘錶珠寶集團有限公司

Interim Report

中期報告

2023

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號: 256



A YEAR OF CHANGE

改變 拓展 新開始

# Corporate Information

## Board of Directors

### EXECUTIVE DIRECTORS

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

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## Audit Committee

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

## Remuneration Committee

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

## Nomination Committee

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

## Risk Management Committee

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

## CFO & Company Secretary

FONG Chi Wah

## Auditor

BDO Limited

## Principal Bankers

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

## Hong Kong Branch Share Registrar

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

## Registered Office

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

## Principal Office

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

## Websites

[www.irasia.com/listco/hk/citychamp](http://www.irasia.com/listco/hk/citychamp)  
[www.citychampwj.com](http://www.citychampwj.com)

# Management Discussion and Analysis

## Our Strategy

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

## Financial Highlights

	Six months ended 30 June		Variation %
	2023 HK\$'000	2022 HK\$'000	
Total revenue	<b>810,244</b>	857,771	-5.5
Operating expenses	<b>502,030</b>	554,367	-9.4
Gross profit generated from non-banking and financial businesses	<b>311,493</b>	354,308	-12.1
Gross profit generated from banking and financial businesses	<b>240,095</b>	162,660	47.6
EBITDA	<b>122,763</b>	33,850	262.7
Profit/(loss) before tax	<b>37,371</b>	(51,392)	N/A
Net profit/(loss) after tax	<b>26,237</b>	(54,650)	N/A
Earnings/(loss) per share attributable to owners of the Company for the period			
– Basic	<b>HK0.46 cent</b>	(HK1.20 cents)	N/A
– Diluted	<b>HK0.46 cent</b>	(HK1.20 cents)	N/A
	30 June 2023 HK\$'000	31 December 2022 HK\$'000	Variation %
Total assets	<b>15,817,407</b>	16,157,243	-2.1
Total liabilities	<b>11,624,759</b>	11,978,382	-2.9
Total equity	<b>4,192,648</b>	4,178,861	0.3

## Operating Results

For the six months ended 30 June 2023, the Group recorded total revenue of approximately HK\$810,244,000 (six months ended 30 June 2022: HK\$857,771,000), a decrease of HK\$47,527,000 or 5.5% over the corresponding period last year.

Operating expenses (including selling and distribution expenses and administrative expenses) for the six months ended 30 June 2023 was approximately HK\$502,030,000 (six months ended 30 June 2022: HK\$554,367,000), a decrease of HK\$52,337,000 or 9.4% over the corresponding period last year.

### Operating Results (Continued)

Gross profit generated from non-banking and financial businesses for the six months ended 30 June 2023 was approximately HK\$311,493,000 (six months ended 30 June 2022: HK\$354,308,000), a decrease of HK\$42,815,000 or 12.1% over the corresponding period last year.

Gross profit generated from banking and financial businesses for the six months ended 30 June 2023 was approximately HK\$240,095,000 (six months ended 30 June 2022: HK\$162,660,000), an increase of HK\$77,435,000 or 47.6% over the corresponding period last year.

EBITDA for the six months ended 30 June 2023 was approximately HK\$122,763,000 (six months ended 30 June 2022: HK\$33,850,000), an increase of HK\$88,913,000 or 262.7% over the corresponding period last year.

Net profit after tax for the six months ended 30 June 2023 was approximately HK\$26,237,000 (six months ended 30 June 2022: net loss of HK\$54,650,000).

### Performance

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

- I. Watches and timepieces businesses
  - I.A – local proprietary brands
  - I.B – foreign proprietary brands
  - I.C – non-proprietary brands
  - I.D – others
- II. Banking and financial businesses
  - II.A – Bendura Bank AG
- III. Various investment business
  - III.A – listed equity investment
  - III.B – property investment

## Performance (Continued)

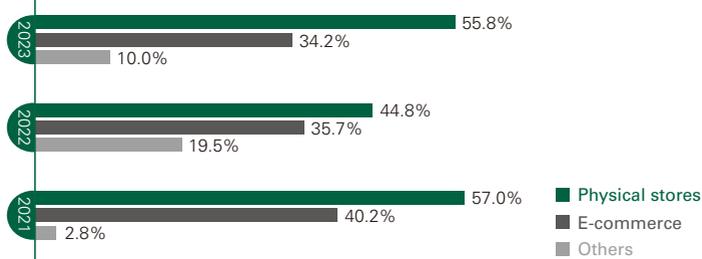
### I.A LOCAL PROPRIETARY BRANDS

Zhuhai Rossini Watch Industry Limited

For the six months ended 30 June 2023, Zhuhai Rossini Watch Industry Limited ("Rossini"), a 91%-subsidiary of the Group, recorded revenue of HK\$157,638,000, a decrease of HK\$85,397,000 or 35.1%, from HK\$243,035,000 for the same period last year. Net profit after tax attributable to owners of the Company for the period under review was HK\$18,529,000, representing an increase of HK\$1,743,000 or 10.4% from HK\$16,786,000 in the same period last year.

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

For the six months ended 30 June



In the first half of 2023, people have begun to return normal life after COVID-19. However, the fundamentals of the economy are still affected by the reduction in income and low consumer confidence. Coupled with the impact of consumption downgrades, the recovery of the non-daily necessities market such as watches is still slow.

To cope with this challenging time, Rossini worked on expanding its sales through existing sales channels, developing high-efficiency new shopping mall sales points accurately and effectively, and focusing on counties and towns in third-tier and fourth-tier cities and exploring opportunities in fifth-tier and sixth-tier cities. At the same time, Rossini formulated sales policies to motivate and promote sales at important festivals and sales nodes. Rossini's physical store sales in the first half of the year were approximately HK\$87,956,000, a slight decrease compared with the same period last year.

Rossini strictly managed the inventory of goods. On one hand, the inventory was built based on the characteristics of consumers and their estimated demand in different regions; on the other hand, by strictly controlling the number of orders and continuously improving the accuracy of orders, the inventory of Rossini dropped by 12.7% as compared with the same period last year.

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

E-commerce sales for the six months ended 30 June 2023 decreased to approximately HK\$53,886,000 from HK\$86,718,000 for the same period last year, representing a decrease of approximately 37.9%. The competition of traditional e-commerce platforms was still relatively severe. They focused on live broadcast and distribution channels. In the first half of 2023, those platforms carried out a number of main festival marketing activities, and the exposure of the activities to the general public was good. Rossini cooperated with those platforms by promoting products in gift box sets to increase sales. During the period, the exposure of short videos and the upward trend of directing live broadcast rooms were obvious, driving new growth in sales of live broadcast channels. The marketing plan focused on core single products and drove store sales through marketing creativity, improving store sales and brand exposure.

With the changes in the COVID-19 control government policies, the domestic tourism market in Mainland China was gradually recovering. Rossini's industrial tourism business has increased significantly compared with the same period last year. From January to June 2023, there were 94,603 visitors in industrial tourism, a significant increase from the total number of 859 visitors in the first half of 2022. From January to June 2023, the sales revenue of industrial tourism was approximately HK\$11,085,000, a very substantial increase compared with the same period last year. At the same time, Rossini increased the reception of research groups.

**EBOHR Group**

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

Revenue of EBOHR Group for the six months ended 30 June 2023 was HK\$113,029,000, a decrease of HK\$39,584,000 or 25.9% from HK\$152,613,000 for the same period last year. Net loss after tax for the six months ended 30 June 2023 was HK\$13,034,000, compared with a loss of HK\$8,122,000 for the same period last year.

## Performance (Continued)

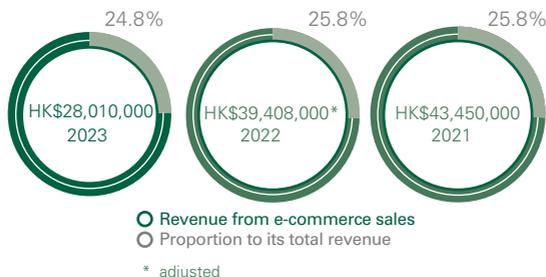
### I.A LOCAL PROPRIETARY BRANDS (Continued)

#### EBOHR Group (Continued)

EBOHR kept focused on stringent cost control and on reduction of inventory. To minimise existing inventory, it fully supported the work of the cross-department inventory material reuse team, strengthened the utilization rate of inventory materials from the design perspective, and closely monitored the purchase of new materials. Compared with June 2022 in the same period, the inventory decreased by 11.3%.

#### EBOHR's revenue earned from e-commerce sales

For the six months ended 30 June



In the first half of 2023, the revenue earned from e-commerce sales was approximately HK\$28,010,000, representing a 28.9% drop as compared to same period of 2022. It was mainly due to the decline in new retail (live broadcast) and Xinxuan, of which new retail (live broadcast) fell by 51.4%.

EBOHR developed a new image to cultivate brand awareness and to leverage spending power of the new generation of consumers, aiming to expand the customer base for a better market penetration in order to improve its sales performance. While meeting consumer needs, it shaped the brand image by developing low-cost, high-quality and popular gifts.

**Performance (Continued)**

**I.A LOCAL PROPRIETARY BRANDS (Continued)**

**EBOHR Group (Continued)**

Considering the increasing market demand for smart watches, EBOHR continued to promote the research and development in the first half of 2023. In cooperation with Huawei, EBOHR developed two smart watches that won the bid in chronological order. It is a new innovative structure and the “utility model patent” is being applied.

The total property leasing revenue was HK\$6,900,000 for the first half of 2023, an increase of HK\$1,814,000 or 35.67% from the HK\$5,086,000 in the first half of 2022, which was recorded in property investment segment result.

**I.B FOREIGN PROPRIETARY BRANDS**



**Ernest Borel Holdings Limited**

The Group held 60.47% equity interest in Ernest Borel Holdings Limited (“Ernest Borel”, together with its subsidiaries, the “Ernest Borel Group”) as at 30 June 2023. Ernest Borel Group recorded revenue and net profit after tax for the six months ended 30 June 2023 of HK\$80,979,000 (six months ended 30 June 2022: HK\$53,598,000) and HK\$797,000 (six months ended 30 June 2022: net loss of HK\$6,235,000), respectively.

Mainland China remains as the core market of the Ernest Borel Group. Revenue from Mainland China was approximately HK\$55,900,000 for the six months ended 30 June 2023, accounting for approximately 91.1% of its total revenue of watches business.

The extensive distribution network of the Ernest Borel Group covers retail markets in Mainland China, Hong Kong, Macau, South Asian countries, Europe, USA. As at 30 June 2023, Ernest Borel Group had 818 POS, comprising 673 POS in Mainland China, 43 POS in Hong Kong and Macau and 102 POS in Southeast Asia, Europe and other regions.

## Performance (Continued)

### I.B FOREIGN PROPRIETARY BRANDS (Continued)

#### Ernest Borel Holdings Limited (Continued)

On 19 April 2023, the acquisition of Gold Vantage Group has been completed. Gold Vantage Group contributed revenue of approximately HK\$21,203,000 and net profit of approximately HK\$5,257,000 to the Group from the date of acquisition to 30 June 2023.

During the first half of 2023, consumer confidence in the offline market has declined and hence, the relevant expenditure by the customers has been accordingly reduced. Ernest Borel has managed to maintain customer sentiment and market follow-up, increased the enthusiasm for replenishment of products, and strived for more cooperation opportunities.

Under the current weak market demand, a sophisticated cost control is always the key for maintaining the competitiveness. Ernest Borel strictly controlled management expenses, reduced advertising and publicity expenses, streamlined staffing to reduce operating expenditure.

In the first half of 2023, e-commerce sales revenue was HK\$16,430,000, a decrease of approximately 6.4% compared with HK\$17,560,000 for the same period last year. Ernest Borel actively tried to expand more new sales channels, such as third-party cooperation, Pinduoduo, etc., maintained a good cooperative relationship with each platform, actively communicated with them, and strived for more resource activities.

#### Other Foreign Proprietary Brands

Collectively, Corum, Eterna and The Dreyfuss Group Limited (the "Dreyfuss Group") contributed revenue and net loss after tax for the six months ended 30 June 2023 of HK\$106,983,000 (six months ended 30 June 2022: HK\$129,928,000) and HK\$7,953,000 (six months ended 30 June 2022: HK\$10,002,000), respectively.

In the first half of 2023, on the one hand, Corum pushed to reduce accounts receivable rate, and on the other hand, it monitored inventory on a global scale while trying to improve the efficiency of inventory turnover. The project launched two years ago which has been emphasized on the reduction of the consignment level, was successful. Corum also continued to reduce marketing expenses to enhance the sales and to reinforce the image of the brand over the world.

## Performance (Continued)

### I.B FOREIGN PROPRIETARY BRANDS (Continued)

#### Other Foreign Proprietary Brands (Continued)

In order to further improve its performance, Corum conducted a comprehensive review of its existing business strategy and brand positioning. In the second half of the year, Corum will adopt a more targeted marketing strategy, focus on the production of high-end watches, and gradually rebuild its global reputation and brand awareness.

The most important markets of Eterna continue to be in Europe, mainly with our two partners, Luxury Brand International GmbH and Wisa Lux. But there is also a growing interest in Asia, namely with the partner in Vietnam – Top Ten – (managed through the subsidiary in Malaysia), and also with Eterna (Asia) Limited (located in Hong Kong) for the Greater China markets. The trend in the United States is toward online sales. Eterna has begun to look for partners and use online sales to enlarge such customer base.

The performance of the Dreyfuss Group has improved on last year as the performance of the UK and global economy slowly recovers from COVID-19, but high inflation, currently at 8%, has also weighed on consumers' disposable income and confidence. The war in Ukraine has also created uncertainty, which has contributed to weakness and uncertainty in the UK and international markets. UK is still the Dreyfuss Group's largest single market, representing approximately 82.3% of its total turnover for the six months ended 30 June 2023. UK domestic sales increased approximately 8.8% compared to the same period last year.

By joining the Spring CMJ Trade Fair in March, the Dreyfuss Group was able to showcase its core range and introduced new launches to the large jewellery retail network. This allowed new and existing customers to arrange meetings with its sales teams. As a result of this trade fair and meetings, four lapsed customer accounts have been reactivated.

By focusing on customer needs and pushing exclusive orders into the large specialist retailers, the Dreyfuss Group aimed to gain greater presence online. Through its online advertising strategy and improved website, the online sales of the Dreyfuss Group have exceptional growth of 115% with a 139% increase in gross profit for the six months ended 30 June 2023.

## Performance (Continued)

### I.C NON-PROPRIETARY BRANDS

Currently, the Group held four distribution companies. Collectively, distribution companies contributed revenue and net profit after tax for the six months ended 30 June 2023 of HK\$71,394,000 (six months ended 30 June 2022: HK\$82,943,000) and HK\$152,000 (six months ended 30 June 2022: net loss after tax HK\$3,075,000) respectively.

### I.D OTHERS

Other non-major subsidiaries of the Group also engaged in other non-major categories of watches and timepieces businesses, which collectively contributed revenue and net loss after tax for the six months ended 30 June 2023 of HK\$28,862,000 (six months ended 30 June 2022: HK\$23,870,000) and HK\$3,183,000 (six months ended 30 June 2022: HK\$2,150,000) respectively.

### II.A BENDURA BANK AG

Revenue of Bendura Bank AG (“Bendura Bank” or the “Bank”) for the six months ended 30 June 2023 was HK\$240,095,000, an increase of HK\$78,557,000 or 48.6% from HK\$161,538,000 for the same period last year. Net profit after tax attributable to owners of the Company for the six months ended 30 June 2023 was HK\$51,972,000, representing an increase of HK\$40,649,000 or 359.0% from HK\$11,323,000 for the same period last year.

Generally, the higher half-year profit contributed from increase in interest rate business with total operating income increased by a respectable 43% compared to previous-year period.

Net income from interest and dividends increased by HK\$88,023,000 or 170.7% to HK\$139,576,000 for the first half of 2023 from HK\$51,553,000 for the same period last year as a result of the recent increases in key interest rates. Increase in the interest income was able to offset the lower commission income and income from trading activities.

Net commission and fee income decreased by 3.0% to HK\$84,359,000 for the first half of 2023 from HK\$86,957,000 for the same period last year. The restrained client behaviour in the first half of 2023 contributed to the drop.

Income from trading amounted to HK\$16,160,000, approximately HK\$6,868,000 below the previous year’s figure.

Operating expenses amounted to HK\$159,434,000, 18.5% higher than HK\$134,592,000 for the same period last year.

## Performance (Continued)

### II.ABENDURA BANK AG (Continued)

At the end of June 2023, assets under management (AuM) increased by CHF36.0 million to CHF3.65 billion from 31 December 2022. This was due to a net new money inflow of CHF50.3 million in the first six months of 2023.

Total assets amounted to HK\$10,560,506,000, HK\$740,238,000 less than HK\$11,300,744,000 as at 31 December 2022. Amounts due from clients increased to HK\$2,854,221,000 in June 2023 from HK\$2,678,772,000 in December 2022, mainly due to an increase in the lombard loan business. The decline in total assets contributed to lower income from trading.

Effects of the war in Ukraine including the sanctions against Russian which massively hamper existing business and make new business in the affected regions virtually impossible, have certain but not significant impact to the revenue of the Bank due to relatively low proportion of asset under management from Russian clients. The Bank has taken a series of proactive and careful measures, not to violate the sanctions. As a result, all business relationships and transactions are in strict compliance with all the legal regulations.

In the first half of 2023, the board of management carried out a strategy formulative project, which sets out to develop a strong and future-proof strategy for the Bank. Over fifty employees have participated in an event in early May which resulted in the increase in employee engagement and alignment. Main strategic fields of action were identified and validated that the new strategy will be formulated to secure a successful growth path for the Bank.

To extend its business in Hong Kong and in Asia, the Bank is in the process of acquiring an asset management company holding licenses of Securities and Futures Commission, namely type 1 for dealing securities, type 4 for advising securities and a type 9 for asset management.

To the extent the laws in Hong Kong allows, this new company will offer client relationship management and investment advisory services in Hong Kong. It aims to build and maintain client relationships in person and to bridge the time difference between Hong Kong and Liechtenstein. It will focus on high net worth individuals and ultra high net worth individuals in Asia looking for wealth management solutions. New client segments will be developed through the existing networks of the bank and its holding company, Citychamp Watch & Jewellery Group Limited. With the support of existing and past clients, the new company can quickly get access to wealthy families in Hong Kong.

## Performance (Continued)

### III.ALISTED EQUITY INVESTMENT

#### Citychamp Dartong Company Limited

As at 30 June 2023, financial assets at fair value through other comprehensive income of the Group was HK\$328,682,000. HK\$26,200,000 was related to the listed equity investment in the equity share of Citychamp Dartong Company Limited (“Citychamp Dartong”). Citychamp Dartong is a company listed on the Shanghai Stock Exchange (Stock code: 600067) and engages in real estate, enameled wire, banking and new energy. As at 30 June 2023, the Group owned 9,154,370 shares of Citychamp Dartong at the market price of RMB2.65 per share (equivalent to HK\$2.86 per share) with the fair value of HK\$26,200,000. The shares held by the Group accounted for 0.66% of the total issued share capital of Citychamp Dartong as at 30 June 2023. Such fair value accounted for 0.17% of the Group’s total assets.

The Group incurred a net loss on fair value change through other comprehensive income in investment in Citychamp Dartong of HK\$5,924,000 for the six months ended 30 June 2023, as a result of decrease in the share price of Citychamp Dartong from RMB3.10 (equivalent to HK\$3.51) as at 31 December 2022 to RMB2.65 (equivalent to HK\$2.86) as at 30 June 2023.

#### Min Xin Holdings Limited

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

Min Xin is a company engaged in financial services, insurance, property investment and strategic investment. As at 30 June 2023, the investment in Min Xin was HK\$297,066,000, i.e. 88,150,000 shares at the market price of HK\$3.37 per share as at 30 June 2023. Such fair value of the investment accounted for 1.88% of the Group’s total assets. The shares held by the Company accounted for 14.76% of the total issued share capital of Min Xin as at 30 June 2023.

The Company incurred a net gain on fair value change in Min Xin’s investment of HK\$38,786,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: net loss of HK\$52,008,000), as a result of increase in the share price of Min Xin from HK\$2.93 as at 1 January 2023 to HK\$3.37 as at 30 June 2023. For the six months ended 30 June 2023, the Company received HK\$10,578,000 (six months ended 30 June 2022: HK\$Nil) dividend income from Min Xin.

## Performance (Continued)

### III.B PROPERTY INVESTMENT

The property in Mainland China and Hong Kong owned by the Group have been leased out, with stable rental returns to the Group. During the period, these investment properties generated rental income of HK\$11,264,000 (six months ended 30 June 2022: HK\$9,124,000). Net profit after tax from the property investment business for the six months ended 30 June 2023 was HK\$10,238,000 (six months ended 30 June 2022: HK\$8,515,000).

### HEADQUARTER AND OTHER SUBSIDIARIES

Losses from administrative expenses, finance costs and income tax of the headquarter and other non-major subsidiaries and/or non-major categories of businesses for the six months ended 30 June 2023 was HK\$63,669,000 (six months ended 30 June 2022: HK\$56,849,000).

## Financial Position

### (1) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2023, the Group had non-pledged cash and bank balances of approximately HK\$705,647,000 (31 December 2022: HK\$4,314,638,000). Based on the borrowings of HK\$882,522,000 (31 December 2022: HK\$958,135,000), due to a shareholder of HK\$12,000,000 (31 December 2022: HK\$12,000,000), due to directors of HK\$65,379,000 (31 December 2022: HK\$81,515,000), due to a related company of HK\$148,000,000 (31 December 2022: HK\$148,000,000), due to an associate of HK\$10,000,000 (31 December 2022: HK\$10,000,000) and shareholders' equity of HK\$4,013,328,000 (31 December 2022: HK\$4,012,813,000), the Group's gearing ratio (being borrowings plus due to a shareholder plus due to directors plus due to a related company and due to an associate divided by shareholders' equity) was 27.9% (31 December 2022: 30%).

As at 30 June 2023, the Group's bank borrowings amounting to HK\$382,908,000 were repayable within one year, representing 46.4% of the total bank borrowings.

### (2) CHARGE ON ASSETS

As at 30 June 2023, the Group's borrowings were mainly secured by:

- (a) corporate guarantee provided by certain subsidiaries within the Group;
- (b) equity interest of certain subsidiaries within the Group; and
- (c) a legal charge over the Group's land and buildings with the carrying amount of HK\$251,499,000 (31 December 2022: HK\$259,439,000).

## Financial Position (Continued)

### (3) CAPITAL COMMITMENT

As at 30 June 2023, capital commitments were approximately HK\$270,000,000 in total (31 December 2022: HK\$270,000,000) for investment in an associate – Citychamp Allied International Limited and a property project.

Except for the above, the Group had no other material capital commitments as at 30 June 2023.

## Financial Review

### (1) TOTAL ASSETS

Total assets decreased to HK\$15,817,407,000 as at 30 June 2023 from HK\$16,157,243,000 as at 31 December 2022.

#### Cash and deposits

	<b>30 June 2023 HK\$'000</b>	31 December 2022 HK\$'000	Increase/ (decrease) Amount HK\$'000	%
Cash and bank balance	<b>70,446</b>	75,452	(5,006)	(6.6)
Sight deposits with central banks	<b>635,201</b>	4,239,186	(3,603,985)	(85.0)

#### Due from banks

	<b>30 June 2023 HK\$'000</b>	31 December 2022 HK\$'000	Increase/ (decrease) Amount HK\$'000	%
Due from banks on a daily basis	<b>4,085,976</b>	1,594,134	2,491,842	156.3
Due from banks other claims	<b>220,711</b>	336,170	(115,459)	(34.3)
Valuation adjustments	<b>(1,958)</b>	(664)	1,294	194.9

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

The investment as at 30 June 2023 included (a) trading portfolio investments of HK\$27,265,000; (b) derivative financial assets of HK\$1,847,000; (c) other financial assets at amortised cost of HK\$2,172,514,000; and (d) other financial assets at fair value through other comprehensive income of HK\$328,682,000 (the "Investments").

(a) Trading portfolio investments of HK\$27,265,000

	<b>30 June 2023 HK\$'000</b>	31 December 2022 HK\$'000
<b>Equity Instruments</b>		
Listed equity instruments in Hong Kong at market value	<b>438</b>	451
Listed equity instruments outside Hong Kong at market value	<b>209</b>	586
<b>Total equity instruments</b>	<b>647</b>	1,037
<b>Debt instruments</b>		
Unlisted debt instruments of financial institutions	<b>5,583</b>	190
<b>Investment fund units</b>		
Unlisted investment fund units	<b>14,270</b>	20,186
<b>Investments in other financial products</b>	<b>6,765</b>	6,680
<b>Total trading portfolio investments</b>	<b>27,265</b>	28,093

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

**Financial Review (Continued)**

**(2) INVESTMENTS (Continued)**

(a) Trading portfolio investments of HK\$27,265,000 (Continued)

As at 30 June 2023, there were HK\$438,000 invested in a variety of listed equities in Hong Kong and HK\$209,000 invested in Mainland China and overseas markets.

The debt instruments of HK\$5,583,000 invested in the Mainland China by PRC company.

Trading assets of CHF1.01 million (equivalent to HK\$8,886,000) represents the single investment by Bendura Bank in the form of an unlisted investment fund. Bendura Bank acquired above trading assets from a professional counterparty in March 2019. The investment policy of Bendura Bank AG includes strict implementation of the investment process and is subject to constant review by the investment committee.

Investments in other financial products consist of the financial product investments of HK\$6,765,000 invested by Eternal Brands Limited, a subsidiary of the Group.

(b) Derivative financial assets of HK\$1,847,000

	<b>30 June 2023 HK\$'000</b>	31 December 2022 HK\$'000
Forward and option contracts	<b>1,847</b>	2,888

In the derivative financial assets of HK\$1,847,000, there were forward and option contracts conducted by Bendura Bank.

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

**Financial Review (Continued)**

## (2) INVESTMENTS (Continued)

(c) Other financial assets at amortised cost of HK\$2,172,514,000

	<b>30 June 2023 HK\$'000</b>	31 December 2022 HK\$'000
<b>Listed debt instruments, at amortised cost</b>		
Issued by:		
Governments and public sector	<b>209,901</b>	229,862
Financial institutions	<b>1,391,872</b>	901,527
Corporations	<b>570,741</b>	440,336
	<b>2,172,514</b>	1,571,725

As at 30 June 2023, Bendura Bank invested in listed debt instruments issued by government and public sector, financial institutions and corporations amounting to HK\$2,172,514,000. The portfolio was composed of 106 listed debt instruments with different maturity, geography, segment and currency and hence, diversification is ensured. Almost all listed debt instruments were considered upper-medium-grade and are subject to low credit risk. The average remaining term of the held-to-maturity investment is 2.1 years, while the modified duration of the portfolio is only 1.79%. Largest single investments are bonds issued by ESM Bill (CHF39 million) and DBS Bank Ltd (CHF9 million). Both issuers are triple-A rated. Risk concentration is analyzed and presented to the senior management on a monthly basis.

**Financial Review (Continued)**

**(2) INVESTMENTS (Continued)**

- (c) Other financial assets at amortised cost of HK\$2,172,514,000 (Continued)  
Relatively major listed debt instruments as at 30 June 2023 are as follows:

Issuer	Nature of interest rate	Sector	Maturity date	Value (CHF'000)
Asian Infrastructure Inv	Fixed	Financial corporations	14 February 2028	5,159
Nestle Holdings Inc	Fixed	Non-financial corporations	13 March 2026	6,278
Amazon.Com Inc	Fixed	Non-financial corporations	12 May 2026	7,140
Henkel Ag & Co Kga	Fixed	Non-financial corporations	17 November 2026	7,144
Euro Stability Mechanism	Fixed	General governments	08 September 2023	8,871
Intl Bk Recon & Develop	Fixed	Financial corporations	19 March 2024	8,947
DBS Bank Ltd	Fixed	Financial corporations	26 October 2026	8,949
Euro Stability Mechanism	Fixed	Financial corporations	31 July 2023	38,941
Others				157,421
Total				248,850
HKD Equivalent to (in '000)				2,172,514

Collectively, listed debt instruments at amortised cost accounted for 13.7% of the Group's total assets.

As at 31 December 2022, Bendura Bank invested in listed debt instruments issued by government and public sector, financial institutions and corporations amounting to HK\$1,571,725,000. The portfolio was composed of 97 listed debt instruments with different maturity, geography, segment and currency and hence, diversification is ensured. Almost all listed debt instruments were considered upper-medium grade and are subject to low credit risk. The average remaining term of the held-to-maturity investment is 2.88 years. Largest single investments are bond issued by International Bank of Reconstruction and Development (CHF9 million) and ESM Treasury Bill (CHF13 million). Both are double-A issuers. Risk concentration is analysed and presented to the senior management on a monthly basis.

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

(c) Other financial assets at amortised cost of HK\$2,172,514,000 (Continued)

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

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

(d) Other financial assets at fair value through other comprehensive income of HK\$328,682,000

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Listed equity instruments in Hong Kong	297,066	258,280
Listed equity instruments outside Hong Kong	26,200	32,124
Unlisted equity investment	5,416	5,676
	<b>328,682</b>	296,080

## Financial Review (Continued)

### (2) INVESTMENTS (Continued)

- (d) Other financial assets at fair value through other comprehensive income of HK\$328,682,000 (Continued)

Listed equity instruments of HK\$26,200,000 related to investment in Citychamp Dartong and HK\$297,066,000 related to investment in Min Xin. Details of investments in Citychamp Dartong and Min Xin are set out on division III.A of this management discussion and analysis.

### (3) TOTAL LIABILITIES

Total liabilities decreased to HK\$11,624,759,000 as at 30 June 2023 from HK\$11,978,382,000 as at 31 December 2022, mainly attributable to decrease in due to clients.

#### *Due to clients*

	<b>30 June 2023 HK\$'000</b>	31 December 2022 HK\$'000	Increase/ (decrease) Amount HK\$'000	%
Due to clients – precious metals	<b>123,530</b>	208,435	(84,905)	(40.7)
Other amounts due to clients, mainly bank deposits	<b>9,405,511</b>	9,779,243	(373,732)	(3.8)

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

Gross profit from non-banking and financial businesses was HK\$311,493,000, a decrease of HK\$42,815,000 or 12.1%.

### (5) EBITDA

EBITDA was HK\$122,763,000, an increase of HK\$88,913,000 or 262.7%.

### (6) SELLING AND DISTRIBUTION EXPENSES

Total selling and distribution expenses was HK\$180,987,000, a decrease of HK\$56,628,000 or 23.8%.

### (7) ADMINISTRATIVE EXPENSES

Total administrative expenses was HK\$321,043,000, an increase of HK\$4,291,000 or 1.4%.

### (8) SHARE OF PROFIT OF ASSOCIATES

The share of profit of Fair Future Industrial Limited (“Fair Future”), a 25% owned associate and Shun Heng Finance Holding, a 30% owned associate of the Group, was HK\$1,962,000 (six months ended 30 June 2022: HK\$4,023,000). Fair Future is one of the leading OEM quartz watch manufacturers in Mainland China.

### Financial Review (Continued)

#### (9) FINANCE COSTS FROM NON-BANKING BUSINESS

Finance costs from non-banking business was HK\$38,941,000, representing an increase of HK\$6,088,000 or 18.5%. It was composed of the interest charged on bank borrowings, bank overdrafts and lease liabilities.

#### (10) NET PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

Net profit attributable to owners of the Company was HK\$19,921,000 (six months ended 30 June 2022: net loss of HK\$52,094,000).

#### (11) INVENTORIES

Inventories was HK\$1,792,187,000, a decrease of 7.4% from HK\$1,935,923,000 as at 31 December 2022.

#### (12) EVENTS AFTER REPORTING PERIOD

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

### The Impact of the Covid-19 on the Group

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

During the last few years, to overcome the adverse impacts of the COVID-19, the watch and timepieces businesses have adopted a number of strategies, including conducting in-depth follow-up analysis continuously, taking measures to limit the losses, focusing more on e-commerce business, and digital channels. Classical wholesale was particularly hit as the crisis moved consumers to online shopping. The relevance of e-commerce and digital channels grew. With our long-standing preparation efforts on e-commerce development, it has begun to bear fruit.

As Bendura Bank focused more on online marketing, the impact of COVID-19 almost diminished to zero.

### Review of Financial Statements

The audit committee of the Company (the "Audit Committee") has reviewed the Group's unaudited financial statements for the six months ended 30 June 2023. Based on this review and discussions with the management, the Audit Committee was satisfied that the unaudited financial statements for the six months ended 30 June 2023 were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the six months ended 30 June 2023.

### **Corporate Governance**

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

### **Environmental, Social, and Governance Performance**

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

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

### **Risk Management**

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

### **Outlook**

Despite the recession risk in the US and Europe, ongoing geopolitical issues and the war in Ukraine in the first half of 2023, we remain upbeat for the remaining period of 2023. We expect a gradual, although slow, rebound in the prospects of our watch business in Hong Kong and Mainland China. We also expect that Bendura Bank continues to perform satisfactorily.

The Chinese Government have decided to manage and mitigate the systematic risks such as weak domestic demand, fragile business confidence, a highly uncertain external environment and a slow-growth global economy. The key objective is to maintain a calibrated strategy with cautious adjustment aimed at regaining and maintaining the growth momentum. It appears that the new policy directives are getting economic recovery back on track gradually.

### **Outlook (Continued)**

A strong recovery of consumption in Mainland China right after the adverse impact of the COVID-19, hindered by worries about job prospects and income growth, didn't quickly realize in the first half of 2023. However, given the stimulus policies focusing on grow momentum by the Chinese Government, the consumer confidence is being restored and hence, it is expected to gradually reflect in the growth in the retail sale in the third quarter of 2023. As such, our both domestic and foreign watch brands are expected to perform better in the second half of 2023.

Bendura Bank has managed to attract the best talent and provide an environment that allows talented individuals to grow and prosper together within Bendura Bank. It has created a critical mass of human resources to provide a personalized service to affluent clients who are looking for more from Bendura Bank to create change and drive sustainable growth.

Bendura Bank's development in Hong Kong and Mainland China is further reinforced by the government policies expected to support the development of the family office industry in Hong Kong.

In view of the anticipated interest rate environment, being the tailwind of rising interest rates globally, in the second half of 2023, the increase in interest income will compensate for the any decrease in commission and/or fee income. Besides, stable personnel expenses will play their part and contribute to the bottom line of the Group in the second half of 2023.

### **Employees and Remuneration Policy**

Our sustained success would not be possible without the high levels of expertise, professionalism and commitment shown by our employees. As at 30 June 2023, the Group had approximately 2,500 full-time staff in Hong Kong and Mainland China and approximately 210 in Europe. The remuneration packages offered to the employees are determined and reviewed on an arm's length basis with reference to the market conditions and individual performance. The Group also provides other benefits to its employees, including year-end double pay, medical insurance and retirement benefits, and incentive bonuses are offered with reference to the Group's operating results and employee's individual performance. All employees of the Group in Hong Kong have joined the mandatory provident fund schemes. Employees of Group's subsidiaries in Mainland China also participate in social insurance scheme administrated and operated by local authorities and contributions are made according to the local laws and regulations.

### **Interim Dividend**

The Board has resolved not to distribute an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

As at 30 June 2023, the interests or short positions of the Directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

### (1) LONG POSITIONS IN SHARES OF THE COMPANY

As at 30 June 2023, certain Directors and the chief executive of the Company held long positions in the shares of the Company as follows:

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

Notes:

The percentage of shareholding is calculated on the basis of the Company's issued share capital of 4,351,888,206 shares as at 30 June 2023.

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

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

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

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

Notes:

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

Save as disclosed above, as at 30 June 2023, no other person had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2023, the following persons hold interests of 5% or more of the issued share capital of the Company, as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

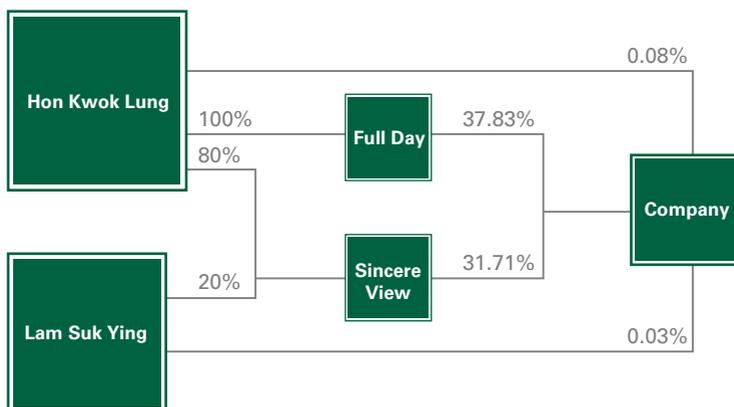
Name of substantial shareholder	Nature of interest	No. of shares held	Percentage of shareholding
Sincere View International Limited	Beneficial owner	1,379,979,515	31.71%
Full Day Limited	Beneficial owner	1,646,126,000	37.83%
Hon Kwok Lung <sup>(1)</sup>	Corporate interest, beneficial owner and family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

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

Note:

The percentage of shareholding is calculated on the basis of the Company's issued share capital of 4,351,888,206 shares as at 30 June 2023.

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



Save as disclosed above, as at 30 June 2023, no other person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or short position in the shares and underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### Corporate Governance Code

During the six months period ended 30 June 2023, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules, except with the details disclosed below:

- **CG CODE C.1.6**  
CG Code C.1.6 stipulates that independent non-executive directors of the Company (the “Independent Non-executive Director”) should generally attend general meetings. One Independent Non-executive Director did not attend the annual general meeting of the Company held on 23 May 2023 due to other business engagement.
- **CG CODE F.2.2**  
CG Code F.2.2 stipulates that the chairman of the board should attend the annual general meeting. The chairman of the board did not attend the annual general meeting of the Company held on 23 May 2023 due to other business engagement.

### Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as the Company’s code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry of the Directors, the Directors have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2023.

### Board Committees

#### AUDIT COMMITTEE

The Audit Committee currently comprises following members:

#### *Independent Non-executive Directors*

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

During the period under review, the Audit Committee met with the Company’s external auditor, the Board and senior management. The Audit Committee reviewed the financial reporting and other information to Shareholders (including a review of the unaudited financial statements for the six months ended 30 June 2023), the works done by internal audit for the reporting period and performed other duties set out in the terms of reference. The Audit Committee also reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the Board and senior management.

## **Board Committees (Continued)**

### **REMUNERATION COMMITTEE**

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

#### *Independent Non-executive Directors*

Kam, Eddie Shing Cheuk  
(Committee Chairman)

Kwong Chun Wai, Michael  
Zhang Bin  
Li Ziqing

#### *Executive Directors*

Hon Kwok Lung  
Siu Chun Wa

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

### **NOMINATION COMMITTEE**

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

#### *Executive Directors*

Hon Kwok Lung (Committee Chairman)  
Siu Chun Wa

#### *Independent Non-executive Directors*

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

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

### **Board Committees (Continued)**

#### **RISK MANAGEMENT COMMITTEE**

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

##### *Executive Directors*

Sit Lai Hei (*Committee Chairman*)

Hao Xiaohui

Shi Tao

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

### **Purchase, Sale or Redemption of Listed Securities of the Company**

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any Company’s listed securities (whether on the Stock Exchange or otherwise).

### **Appreciation**

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

### **Hon Kwok Lung**

*Chairman*

Hong Kong, 30 August 2023

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest income from banking business		157,420	62,225
Interest expenses from banking business		(17,844)	(10,672)
<b>Net interest income from banking business</b>	6a	<b>139,576</b>	51,553
Service fees and commission income from banking business		99,410	104,044
Service fees and commission expenses from banking business		(15,051)	(17,087)
<b>Net service fees and commission income from banking business</b>	6b	<b>84,359</b>	86,957
<b>Trading income from banking business</b>	6c	<b>16,160</b>	23,028
<b>Service fees and commission income from financial business</b>	6d	–	949
<b>Interest income from financial business</b>	6d	–	173
<b>Sales of goods from non-banking and financial businesses</b>	6e	<b>558,885</b>	685,987
<b>Rental income from non-banking and financial businesses</b>	6e	<b>11,264</b>	9,124
<b>Total revenue</b>		<b>810,244</b>	857,771
Cost of sales from non-banking and financial businesses		(258,656)	(340,803)
Other ordinary income and other net gains or losses	7	24,788	14,920
Selling and distribution expenses		(180,987)	(237,615)
Administrative expenses		(321,043)	(316,752)
Share of profit/(loss) of joint ventures		4	(83)
Share of profit of associates		1,962	4,023
Finance costs	8	(38,941)	(32,853)
<b>Profit/(loss) before income tax</b>	9	<b>37,371</b>	(51,392)
Income tax expense	10	(11,134)	(3,258)
<b>Profit/(loss) for the period</b>		<b>26,237</b>	(54,650)

Condensed Consolidated Statement of  
Comprehensive Income (Continued)

For the six months ended 30 June 2023

		<b>Six months ended 30 June</b>	
		<b>2023</b>	2022
Notes		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
<b>Other comprehensive income</b>			
Items that will not be subsequently reclassified to profit or loss			
	– Change in fair value of financial assets at fair value through other comprehensive income	16	32,862
	– Remeasurement of net defined benefit obligation		(70,973)
		<b>2,290</b>	264
		<b>35,152</b>	(70,709)
Item that may be subsequently reclassified to profit or loss			
	– Exchange differences on translation to presentation currency		(51,922)
		<b>(51,922)</b>	(100,550)
<b>Other comprehensive income for the period</b>			
		<b>(16,770)</b>	(171,259)
<b>Total comprehensive income for the period</b>			
		<b>9,467</b>	(225,909)
<b>Profit/(loss) for the period attributable to:</b>			
	Owners of the Company	<b>19,921</b>	(52,094)
	Non-controlling interests	<b>6,316</b>	(2,556)
		<b>26,237</b>	(54,650)
<b>Total comprehensive income for the period attributable to:</b>			
	Owners of the Company	<b>(4,699)</b>	(218,854)
	Non-controlling interests	<b>14,166</b>	(7,055)
		<b>9,467</b>	(225,909)
<b>Earnings/(loss) per share attributable to owners of the Company for the period</b>			
	– Basic	13	HK0.46 cent
	– Diluted		(HK1.20 cents)
			HK0.46 cent
			(HK1.20 cents)

# Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
<b>Assets</b>			
Cash and deposits		<b>705,647</b>	4,314,638
Due from clients	14	<b>2,854,221</b>	2,678,772
Due from banks	14	<b>4,304,729</b>	1,929,640
Trading portfolio investments	15	<b>27,265</b>	28,093
Financial assets at fair value through other comprehensive income	16	<b>328,682</b>	296,080
Derivative financial assets	17	<b>1,847</b>	2,888
Trade receivables	18	<b>402,094</b>	336,640
Other financial assets at amortised cost	19	<b>2,172,514</b>	1,571,725
Inventories	20	<b>1,792,187</b>	1,935,923
Income tax recoverable		<b>14</b>	218
Interests in joint ventures		<b>495</b>	491
Interests in associates		<b>114,164</b>	122,202
Property, plant and equipment	21	<b>1,274,152</b>	1,285,314
Investment properties	22	<b>170,906</b>	170,906
Intangible assets	23	<b>111,579</b>	43,254
Goodwill	24	<b>1,121,678</b>	1,092,012
Deferred tax assets		<b>15,657</b>	8,585
Assets of a disposal group held for sale		<b>24,988</b>	24,988
Non-current assets held for sale		<b>–</b>	5,138
Other assets		<b>394,588</b>	309,736
<b>Total assets</b>		<b>15,817,407</b>	16,157,243

Condensed Consolidated Statement of  
Financial Position (Continued)

As at 30 June 2023

	Notes	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
<b>Liabilities</b>			
Due to banks		5,579	1,099
Due to clients		9,529,041	9,987,678
Derivative financial liabilities	17	1,724	12,622
Trade payables	25	207,189	198,994
Contract liabilities		41,651	41,946
Income tax payables		41,461	36,878
Borrowings	26	882,522	958,135
Provisions		385	387
Lease liabilities		54,080	48,886
Deferred tax liabilities		69,872	52,776
Due to a shareholder		12,000	12,000
Due to directors		65,379	81,515
Contingent consideration payable		77,687	–
Other liabilities		636,189	545,466
<b>Total liabilities</b>		<b>11,624,759</b>	11,978,382
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		435,189	435,189
Reserves		3,578,139	3,577,624
		4,013,328	4,012,813
Non-controlling interests		179,320	166,048
<b>Total equity</b>		<b>4,192,648</b>	4,178,861
<b>Total liabilities and equity</b>		<b>15,817,407</b>	16,157,243

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

Equity attributable to owners of the Company

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

Condensed Consolidated Statement of  
Changes in Equity (Continued)

For the six months ended 30 June 2023

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

## Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2023

### Equity attributable to owners of the Company

	Share capital HK\$'000 (Unaudited)	Share premium account* HK\$'000 (Unaudited)	Other reserve* HK\$'000 (Unaudited)	Goodwill arising on consolidation* HK\$'000 (Unaudited)
<b>At 1 January 2023</b>	435,189	682,028	(62,834)	(15,300)
<b>Transactions with owners</b>				
Deemed acquisition of interests in subsidiaries (note 30(b))	-	-	(12,407)	-
Deemed disposal of (interests in subsidiaries (notes 29 and 30(a)))	-	-	17,621	-
Dividend paid to non-controlling interests	-	-	-	-
<b>Total transactions with owners</b>	-	-	5,214	-
<b>Comprehensive income</b>				
Loss for the period	-	-	-	-
<b>Other comprehensive income</b>				
Exchange differences on translation to presentation currency	-	-	-	-
Changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-
Remeasurement of net defined benefit obligation	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-
<b>At 30 June 2023</b>	435,189	682,028	(57,620)	(15,300)

\* These reserve accounts comprise the consolidated reserves of HK\$3,578,139,000 (31 December 2022: HK\$3,577,624,000) in the condensed consolidated statement of financial position.

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

Condensed Consolidated Statement of  
Changes in Equity (Continued)

For the six months ended 30 June 2023

Equity attributable to owners of the Company							
Statutory reserve* HK\$'000 (Unaudited)	Exchange fluctuation reserve* HK\$'000 (Unaudited)	Fair value through other comprehensive income reserve** HK\$'000 (Unaudited)	Revaluation reserve for property, plant and equipment* HK\$'000 (Unaudited)	Retained profits* HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non- controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
106,209	(126,794)	(120,860)	34,916	3,080,259	4,012,813	166,048	4,178,861
-	-	-	-	-	(12,407)	(18,470)	(30,877)
-	-	-	-	-	17,621	18,184	35,805
-	-	-	-	-	-	(608)	(608)
-	-	-	-	-	5,214	(894)	4,320
-	-	-	-	19,921	19,921	6,316	26,237
-	(59,772)	-	-	-	(59,772)	7,850	(51,922)
-	-	32,862	-	-	32,862	-	32,862
-	-	-	-	2,290	2,290	-	2,290
-	(59,772)	32,862	-	22,211	(4,699)	14,166	9,467
106,209	(186,566)	(87,998)	34,916	3,102,470	4,013,328	179,320	4,192,648

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net cash used in operating activities	<b>(2,946,989)</b>	(2,871,185)
Cash flows from investing activities		
Payment for the purchase of property, plant and equipment	<b>(10,480)</b>	(38,045)
(Increase)/decrease in other financial assets at amortised costs	<b>(541,837)</b>	298,155
Other cash flows arising from investing activities	<b>127</b>	248
Net cash outflow from disposal of subsidiaries	<b>–</b>	(29,600)
Net cash inflow from acquisition of subsidiaries	<b>12,186</b>	–
Cash paid to non-controlling interests for capital reduction of a subsidiary	<b>–</b>	(8,800)
Net cash (used in)/generated from investing activities	<b>(540,004)</b>	221,958
Cash flows from financing activities		
Acquisition of non-controlling interests	<b>(30,876)</b>	(37,595)
Proceeds from the partial disposal of non-controlling interests	<b>–</b>	5,727
Repayments of borrowings	<b>(123,275)</b>	(168,255)
Proceeds from borrowings	<b>40,163</b>	104,414
Advance from a related company	<b>–</b>	35,000
Advanced from directors	<b>9,093</b>	8,107
Repayment to directors	<b>(9,250)</b>	(4,233)
Interest paid	<b>(38,941)</b>	(26,164)
Dividend paid to non-controlling interests	<b>(608)</b>	(2,255)
Net cash used in financing activities	<b>(153,694)</b>	(85,254)
Net (decrease)/increase in cash and cash equivalents	<b>(3,640,687)</b>	(2,734,481)
Cash and cash equivalents at the beginning of the period (note)	<b>4,262,745</b>	6,351,324
Effect of foreign exchange rates changes	<b>36,490</b>	(135,408)
Cash and cash equivalents at the end of the period (note)	<b>658,548</b>	3,481,435

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

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 1. General Information

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

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

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

In April 2023, the Group has completed the acquisition of the entire equity interests of Gold Vantage Industrial Limited and its subsidiaries (together the “Gold Vantage Group”) at the consideration of HK\$108,456,000. Since then, Gold Vantage Group become the subsidiaries of the Group. Details of the acquisition are set out in the note 29 to the unaudited condensed consolidated interim financial information.

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

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

## 2. Basis of Preparation

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

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

The Unaudited Interim Financial Information for the six months ended 30 June 2023 was approved for issue by the board of directors of the Company on 30 August 2023.

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

For the six months ended 30 June 2023

### 3. Summary of Significant Accounting Policies

The Unaudited Interim Financial Information has been prepared in accordance with the accounting policies and method of computation used in the 2022 Annual Financial Statements, except for the adoption of the new or amended Hong Kong Financial Reporting Standards (“HKFRSs”), which include individual HKFRSs, HKAS and Interpretations. The Group has not early adopted any new HKFRSs that have been issued but are not yet effective. The Unaudited Interim Financial Information should be read in conjunction with the 2022 Annual Financial Statements.

### 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

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

#### Estimated impairment of goodwill

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

For the six months ended 30 June 2023

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

##### Provision for inventories

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

##### Depreciation and amortisation

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

##### Estimated impairment of trade and other receivables

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

For the six months ended 30 June 2023

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

##### Impairment assessment of non-financial assets

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

##### Income taxes

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

##### Warranty provision

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

For the six months ended 30 June 2023

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

##### Estimation of defined benefit obligations

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

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

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

##### Valuation adjustments on credit positions

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

##### Provisions

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

For the six months ended 30 June 2023

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

##### Provisions (Continued)

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

##### Research and development costs

In accordance with the accounting policy set out in note 4.12 of 2022 Annual Financial Statements, costs associated with research activities are expensed in profit or loss as they are incurred, while costs that are directly attributable to development activities are recognised as intangible assets provided they meet all the requirements as set out in note 4.12 of 2022 Annual Financial Statements. This requires the management to make judgements to distinguish the research phase and development phase of the projects being undertaken. Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the application of research, findings or other knowledge to a plan or design for the production of new or substantially improved materials devices, products, processes, systems or services before the start of commercial production or use. Determining the amounts to be expensed in profit or loss or to be capitalised required management to make judgement, and assumptions regarding the expected progress and outcome of the research and development activities the future expected cash generation of the assets, discount rates to be applied, and also the expected period of, probable future economic benefits. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the projects. Hence research costs are generally recognised as expenses in the period in which they are incurred.

For the six months ended 30 June 2023

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

##### Lease – estimating the incremental borrowing rate

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

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

##### Going concern consideration

The assessment of the going concern assumption involves making a judgement by the directors, at a particular point of the time, about the future outcome of events or conditions which are inherently uncertain.

##### Fair value measurement

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

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

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

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

For the six months ended 30 June 2023

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

**Fair value measurement (Continued)**

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

The Group measures the following items at fair value:

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

**5. Segment Information**

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

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

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

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

For the six months ended 30 June 2023

**5. Segment Information** (Continued)

	Six months ended 30 June 2023				
	Watches and timepieces HK\$'000 (Unaudited)	Property investments HK\$'000 (Unaudited)	Banking and financial businesses HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Segment revenue:</b>					
Net interest income from banking business	-	-	139,576	-	139,576
Net service fees and commission income from banking business	-	-	84,359	-	84,359
Trading income from banking business	-	-	16,160	-	16,160
Sales of goods from non-banking and financial businesses	558,885	-	-	-	558,885
Rental income from non-banking and financial businesses	-	11,264	-	-	11,264
<b>Total revenue</b>	<b>558,885</b>	<b>11,264</b>	<b>240,095</b>	<b>-</b>	<b>810,244</b>
<b>Segment results</b>	<b>25,413</b>	<b>10,238</b>	<b>65,736</b>	<b>(494)</b>	<b>100,893</b>
Unallocated corporate income and expenses, net	-	-	-	(26,547)	(26,547)
Share of profit of joint ventures	-	-	-	4	4
Share of profit of associates	-	-	-	1,962	1,962
Finance costs	(14,901)	-	(165)	(23,875)	(38,941)
Profit/(loss) before income tax	10,512	10,238	65,571	(48,950)	37,371
Income tax expense	(2,427)	-	(8,684)	(23)	(11,134)
Profit/(loss) for the period	8,085	10,238	56,887	(48,973)	26,237

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

For the six months ended 30 June 2023

**5. Segment Information** (Continued)

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

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

For the six months ended 30 June 2023

## 6. Revenue

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

For banking and financial businesses, revenue mainly comprises net interest income, net service fees and commission income and net trading income. For non-banking and financial businesses, revenue mainly represents the net invoiced value of goods sold, after allowance for returns and trade discounts and rental income received and receivables.

Revenue recognised during the period is as follows:

(a) Net interest income from banking business

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Interest income from banking business arising from:</b>		
Interest income – due from banks	<b>84,973</b>	18,566
Interest income – due from clients	<b>13,085</b>	18,866
Interest income from trading securities	<b>298</b>	112
Interest income from mortgage loans	<b>32,617</b>	13,760
Interest income from financial assets	<b>23,926</b>	11,421
Interest income/(expense) from money market papers	<b>2,521</b>	(341)
Negative interest income on due to clients	<b>–</b>	(159)
	<b>157,420</b>	62,225
<b>Interest expenses from banking business arising from:</b>		
Interest expense on due to banks	<b>(38)</b>	(10,775)
Interest expense on due to clients	<b>(17,807)</b>	(18)
Negative interest income on due from banks and clients	<b>1</b>	121
	<b>(17,844)</b>	(10,672)
<b>Net interest income from banking business</b>	<b>139,576</b>	51,553

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

For the six months ended 30 June 2023

**6. Revenue (Continued)**

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Service fees and commission income from banking business arising from:</b>		
Commission income from loans	<b>2,864</b>	2,112
Brokerage fees	<b>14,567</b>	19,825
Custody account fees	<b>13,130</b>	12,975
Commission on investment advice and asset management	<b>21,322</b>	25,841
Commission income from service fees	<b>14,671</b>	16,641
Commission income from fiduciary fees	<b>194</b>	184
Commission income from retrocession	<b>2,196</b>	3,068
Other commission income	<b>30,466</b>	23,398
	<b>99,410</b>	104,044
Service fees and commission expenses from banking business	<b>(15,051)</b>	(17,087)
<b>Net service fees and commission income from banking business</b>	<b>84,359</b>	86,957

(c) Trading income from banking business

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Debt instruments	<b>6</b>	(15)
Equity instruments	<b>–</b>	1
Forex and precious metals	<b>16,155</b>	23,028
Funds	<b>(1)</b>	14
<b>Trading income from banking business</b>	<b>16,160</b>	23,028

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

For the six months ended 30 June 2023

**6. Revenue (Continued)**

(d) Revenue from financial business

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Service fees and commission income	–	949
Interest income	–	173
<b>Revenue from financial business</b>	<b>–</b>	<b>1,122</b>

(e) Revenue from non-banking and financial businesses

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Sale of goods	<b>558,885</b>	685,987
Rental income	<b>11,264</b>	9,124
<b>Revenue from non-banking and financial businesses</b>	<b>570,149</b>	<b>695,111</b>

**7. Other Ordinary Income and Other Net Gains or Losses**

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Exchange gain, net	<b>945</b>	9,952
Gain on fair value changes in trading portfolio investments, net (note 15)	<b>41</b>	1,725
Bank and other interest income from non-banking and financial business	<b>127</b>	248
Dividend income from financial asset at fair value through other comprehensive income ("FVOCI") (note 16)	<b>10,578</b>	–
Gain on disposal of property, plant and equipment	<b>328</b>	228
Government subsidies	<b>1,576</b>	1,929
Other sundry income	<b>11,193</b>	838
	<b>24,788</b>	14,920

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

For the six months ended 30 June 2023

## 8. Finance Costs

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Interests on lease liabilities	<b>1,215</b>	1,729
Interests charged on bank borrowings and bank overdrafts	<b>37,726</b>	31,124
	<b>38,941</b>	32,853

## 9. Profit/(loss) Before Income Tax

The Group's profit/(loss) before income tax was arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Depreciation of property, plant and equipment	<b>44,935</b>	52,208
Amortisation of intangible assets	<b>1,516</b>	181

## 10. Income Tax Expense

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Current tax for the period</b>		
The People's Republic of China (the "PRC")	<b>2,710</b>	757
Liechtenstein	<b>9,179</b>	2,987
Switzerland	<b>135</b>	338
<b>Deferred tax for the period</b>	<b>(890)</b>	(824)
Total income tax expense	<b>11,134</b>	3,258

For both the six months ended 30 June 2023 and 2022, no provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong. The subsidiaries established in the PRC are subject to income taxes at tax rates ranging between 15% and 25% (six months ended 30 June 2022: between 15% and 25%). Overseas tax is calculated at the rates applicable in the respective jurisdictions.

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

For the six months ended 30 June 2023

### 10. Income Tax Expense (Continued)

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

### 11. Dividends

The directors do not recommend the payment of an interim dividend for the period ended 30 June 2023 (six months ended 30 June 2022: Nil).

### 12. Disposal of Subsidiaries

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

	HK\$'000 (Unaudited)
Net assets disposal of:	
Cash and deposits	38,270
Trade receivables	4,629
Trading portfolio investments	3,442
Property, plant and equipment	1,487
Intangible assets	7,246
Goodwill	3,080
Other assets	3,862
Trade payables	(25,780)
Deferred tax liabilities	(981)
Lease liabilities	(1,426)
Other liabilities	(702)
	33,127
Non-controlling interests	(5,392)
	27,735
Less: proceeds from disposal	(8,670)
Less: Fair value of 30% equity interests in Shun Heng Group	(8,670)
Loss on disposal	10,395

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

For the six months ended 30 June 2023

**12. Disposal of Subsidiaries** (Continued)

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

**13. Earnings/(loss) Per Share**

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Profit/(loss) attributable to owners of the Company for the purpose of calculating basic and diluted earnings/(loss) per share	<b>19,921</b>	(52,094)

	<b>Number of shares</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>'000</b>	'000
	<b>(Unaudited)</b>	(Unaudited)
Weighted average number of shares for the purpose of calculating basic and diluted earnings/(loss) per share	<b>4,351,889</b>	4,351,889

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

For the six months ended 30 June 2023

#### 14. Due from Banks and Clients

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Due from clients – mortgage loans	2,284,189	2,026,215
Due from clients – other	579,782	661,724
Valuation adjustments for default risk	(9,750)	(9,167)
<b>Total due from clients</b>	<b>2,854,221</b>	2,678,772
Due from banks on a daily basis	4,085,976	1,594,134
Due from banks other claims	96,926	127,947
Due from banks – precious metals	123,785	208,223
Valuation adjustments for default risk	(1,958)	(664)
<b>Total due from banks</b>	<b>4,304,729</b>	1,929,640

#### 15. Trading Portfolio Investments

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
<b>Equity instruments</b>		
Listed equity instruments in Hong Kong at market value	438	451
Listed equity instruments outside Hong Kong at market value	209	586
<b>Total equity instruments</b>	<b>647</b>	1,037
<b>Debt instruments</b>		
Unlisted debt instruments of financial institutions	5,583	190
<b>Investment fund units</b>		
Unlisted investments fund units	14,270	20,186
<b>Investments in other financial products</b>	<b>6,765</b>	6,680
<b>Total trading portfolio investments</b>	<b>27,265</b>	28,093

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

There is no transfer under the fair value hierarchy classification for the six months ended 30 June 2023 and 2022.

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

For the six months ended 30 June 2023

**15. Trading Portfolio Investments (Continued)**

The fair value gain during the period was amounted to HK\$41,000 (six months ended 30 June 2022: HK\$1,725,000), which has been recognised in the condensed consolidated statement of comprehensive income as “other ordinary income and other net gains or losses” (note 7) for six months ended 30 June 2023.

**16. Financial Assets at Fair Value Through Other Comprehensive Income**

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Listed equity instruments in Hong Kong (note (a))	<b>297,066</b>	258,280
Listed equity instruments outside Hong Kong (note (b))	<b>26,200</b>	32,124
Unlisted equity investments	<b>5,416</b>	5,676
<b>Total</b>	<b>328,682</b>	296,080

Notes:

- (a) As at 30 June 2023 and 31 December 2022, the listed equity investments in Hong Kong represented 14.76% equity interest in Min Xin Holdings Limited (“Min Xin Shares”). As at 30 June 2023 and 31 December 2022, the Group held 88,150,000 Min Xin Shares. Dividend income of HK\$10,578,000 (six months ended 30 June 2022: HK\$Nil) was recognised by the Group in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2023.
- (b) As at 30 June 2023 and 31 December 2022, the listed equity investments outside Hong Kong represented 0.66% equity interest in Citychamp Dartong Company Limited (“Citychamp Dartong Shares”) listed on the Shanghai Stock Exchange in the PRC. As at 30 June 2023 and 31 December 2022, the Group held 9,154,370 Citychamp Dartong Shares. No dividend income was recognised by the Group in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2023 and 2022.

During the six months ended 30 June 2023, the increase in fair value of financial assets at fair value through other comprehensive income of HK\$32,862,000 (six months ended 30 June 2022: decrease in fair value of HK\$70,973,000) has been dealt with in other comprehensive income and FVOCI reserve.

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

For the six months ended 30 June 2023

## 17. Derivative Financial Instruments

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
<b>Derivative financial assets</b>		
Forward and option contracts	<b>1,847</b>	2,888
<b>Derivative financial liabilities</b>		
Forward and option contracts	<b>1,724</b>	12,622

Forward and option contracts arising in banking business

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

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

	<b>30 June 2023</b>		
	<b>Nominal amount HK\$'000 (Unaudited)</b>	<b>Assets HK\$'000 (Unaudited)</b>	<b>Liabilities HK\$'000 (Unaudited)</b>
Non-hedging instruments			
– Currency derivatives	<b>366,744</b>	<b>1,847</b>	<b>(1,724)</b>

	31 December 2022		
	Nominal amount HK\$'000 (Audited)	Assets HK\$'000 (Audited)	Liabilities HK\$'000 (Audited)
Non-hedging instruments			
– Currency derivatives	2,465,564	2,888	(12,622)
– Option	195	–*	–*
	<u>2,465,759</u>	<u>2,888</u>	<u>(12,622)</u>

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

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

For the six months ended 30 June 2023

### 17. Derivative Financial Instruments (Continued)

Forward and option contracts arising in banking business (Continued)

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

### 18. Trade Receivables

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Trade receivables	<b>402,094</b>	336,640

The Group's trading terms with its customers of watches and timepieces businesses are mainly on credit, except for certain customers, where payment in advance is required. The credit period is generally for a period of one to six months (31 December 2022: one to six months) for major customers. Each customer has a maximum credit limit. The credit term for customers is determined by the management according to industry practice together with consideration of their creditability. Trade receivables are non-interest bearing.

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

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
1 to 3 months	<b>267,241</b>	192,527
4 to 6 months	<b>42,301</b>	28,459
Over 6 months	<b>92,552</b>	115,654
	<b>402,094</b>	336,640

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

For the six months ended 30 June 2023

## 19. Other Financial Assets at Amortised Cost

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
<b>Listed debt instruments, at amortised cost</b>	<b>2,172,514</b>	1,571,725
Issued by:		
Governments and public sector	<b>209,901</b>	229,862
Financial institutions	<b>1,391,872</b>	901,527
Corporations	<b>570,741</b>	440,336
	<b>2,172,514</b>	1,571,725

## 20. Inventories

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Raw materials	<b>280,272</b>	398,884
Work-in-progress	<b>290,726</b>	419,654
Finished goods and merchandise	<b>1,221,189</b>	1,117,385
	<b>1,792,187</b>	1,935,923

## 21. Property, Plant and Equipment

During the six months ended 30 June 2023, the Group acquired property, plant and equipment of HK\$10,480,000 (six months ended 30 June 2022: HK\$38,045,000). During the period, the Group has entered into several leases for offices and shops with right-of-use assets amounted to approximately HK\$868,000 (six months ended 30 June 2022: HK\$1,076,000) recognized. Property, plant and equipment of HK\$432,000 were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$18,724,000).

As at 30 June 2023, land and buildings in Switzerland with an aggregate carrying amount of HK\$71,267,000 (31 December 2022: HK\$74,403,000) have been pledged to secure banking facilities granted to the Group (note 26).

As at 30 June 2023, right-of-use assets in PRC with an aggregate carrying amount of HK\$180,232,000 (31 December 2022: HK\$185,036,000) have been pledged to secure banking facilities granted to the Group (note 26).

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

For the six months ended 30 June 2023

## 22. Investment Properties

As at 30 June 2023, the Group has not obtained the relevant title certificates for investment properties with an aggregate carrying amount of HK\$43,147,000 (31 December 2022: HK\$43,147,000). The Group's legal advisors have confirmed that the Group is the rightful and equitable owner of these investment properties. The directors are now in process of obtaining the title certificates from the relevant government authorities.

## 23. Intangible Assets

	Supplier and distribution networks HK\$'000	Brand names HK\$'000	Trading rights HK\$'000	Customer relationship HK\$'000	Technical knowhow HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2023 (Unaudited)</b>						
Opening carrying amount	-	43,254	-	-	-	43,254
Acquisition of subsidiaries (note 29)	-	-	-	22,333	46,050	68,383
Amortisation	-	-	-	(746)	(770)	(1,516)
Exchange realignment	-	1,458	-	-	-	1,458
<b>Closing carrying amount</b>	-	<b>44,712</b>	-	<b>21,587</b>	<b>45,280</b>	<b>111,579</b>
<b>Year ended 31 December 2022 (Audited)</b>						
Opening carrying amount	183	44,982	7,246	-	-	52,411
Amortisation	(174)	-	-	-	-	(174)
Disposal of subsidiaries (note 12)	-	-	(7,246)	-	-	(7,246)
Exchange realignment	(9)	(1,728)	-	-	-	(1,737)
<b>Closing carrying amount</b>	-	<b>43,254</b>	-	-	-	<b>43,254</b>

As at 30 June 2023 and 31 December 2022, all intangible assets are attributable to watches and timepieces businesses.

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

For the six months ended 30 June 2023

## 24. Goodwill

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Balance at the beginning of period/year	<b>1,092,012</b>	1,151,788
Acquisition of subsidiaries (note 29)	<b>42,178</b>	–
Disposal of subsidiaries (note 12)	–	(3,080)
Exchange realignment	<b>(12,512)</b>	(56,696)
Balance at the end of period/year	<b>1,121,678</b>	1,092,012

As at 30 June 2023, goodwill of HK\$853,813,000 (31 December 2022: HK\$832,881,000) are attributable to watches and timepieces businesses while goodwill of HK\$267,865,000 (31 December 2022: HK\$259,131,000) are attributable to banking and financial businesses.

## 25. Trade Payables

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Trade payables	<b>207,189</b>	198,994

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

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
1 to 3 months	<b>138,410</b>	128,811
4 to 6 months	<b>47,865</b>	6,530
Over 6 months	<b>20,914</b>	63,653
	<b>207,189</b>	198,994

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

For the six months ended 30 June 2023

## 26. Borrowings

	<b>30 June 2023</b>	31 December 2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Bank overdrafts (note 26.1)	<b>47,118</b>	51,910
Bank borrowings (note 26.1)	<b>777,925</b>	864,725
Other loans (note 26.2)	<b>57,479</b>	41,500
	<b>882,522</b>	958,135

### 26.1 Bank overdrafts and bank borrowings

As at 30 June 2023, the amount of the Group's bank overdrafts and bank borrowings repayable within one year or on demand is HK\$705,241,000 (31 December 2022: HK\$639,674,000).

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

	<b>30 June 2023</b>	31 December 2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Borrowings payable:		
Within one year	<b>382,908</b>	339,289
In the second year	<b>386,641</b>	376,557
In the third to fifth year	<b>4,621</b>	149,358
After fifth year	<b>50,873</b>	51,431
	<b>442,135</b>	577,346
	<b>825,043</b>	916,635

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

- (i) corporate guarantees provided by certain subsidiaries within the Group as at 30 June 2023 and 31 December 2022;
- (ii) entire equity interest of certain subsidiaries within the Group as at 30 June 2023 and 31 December 2022;
- (iii) subordination deeds signed by the Directors of the Group as at 30 June 2023 and 31 December 2022;
- (iv) guarantee provided by the government of certain country as at 30 June 2023 and 31 December 2022;

For the six months ended 30 June 2023

## 26. Borrowings (Continued)

### 26.1 Bank overdrafts and bank borrowings (Continued)

- (v) personal guarantee provided by non-controlling interests of a subsidiary of the Group and certain independent third parties as at 30 June 2023 and 31 December 2022;
- (vi) certain assets of the non-controlling interests of a subsidiary of the Group and certain independent third parties as at 30 June 2023 and 31 December 2022;
- (vii) a legal charge over certain of the Group's land and buildings with the carrying amounts of HK\$251,499,000 (31 December 2022: HK\$259,439,000) as at 30 June 2023;
- (viii) a legal charge over the Group's certain financial assets at fair value through other comprehensive income of not less than 52,890,000 shares of Min Xin Holdings Limited as at 30 June 2023 and 31 December 2022;
- (ix) a standby letter of credit with the correspondent borrowings' balances as at 30 June 2023 and 31 December 2022; and
- (x) personal guarantee provided by a director of the Company.

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

The directors of the Company are not aware of any breach of covenant for the six months ended 30 June 2023 and up to the date of this result.

### 26.2 Other loans

As at 30 June 2023, other loans are unsecured, charge at 5% (31 December 2022: 5%) per annum and repayable within one year.

## 27. Capital Commitments

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

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Contracted, but not provided for:		
– Investment in an associate – Citychamp Allied International Limited (note)	<b>270,000</b>	270,000

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

For the six months ended 30 June 2023

## 27. Capital Commitments (Continued)

Note:

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

## 28. Related Party Transactions

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

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Purchases of goods	6,811	7,701

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

Name of related party	Nature of transaction	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Directors of the company and their close family members	Services fees and commission income	–	1
	Interest income	–	125
Related company	Services fees and commission income	–	14

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

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

For the six months ended 30 June 2023

**28. Related Party Transactions (Continued)**

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

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

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Dividend receivable from an associate#	<b>15,000</b>	–
Due from an associate (note (a))#	<b>28,324</b>	38,356
Trade receivables from associates	<b>2,339</b>	3,921
Due from related companies (note (b))#	<b>1,065</b>	1,065
Due to a shareholder (note (c))	<b>12,000</b>	12,000
Trade payables to associates	<b>25,811</b>	47,462
Due to directors (note (d))	<b>65,379</b>	81,515
Due to a related company (note (e))*	<b>148,000</b>	148,000
Due to an associate (note (f))*	<b>10,000</b>	10,000

# Included in other assets

\* Included in other liabilities

Notes:

- (a) The balance was unsecured, interest-free and repayable on demand. The maximum outstanding balance of amounts due from associates during the period was HK\$38,356,000 (31 December 2022: HK\$38,356,000).
- (b) The amounts were due from companies of which Ms. Sit Lai Hei and Mr. Hon Hau Wong, directors of the Company are also the directors of the related companies. The balance was unsecured, interest-free and repayable on demand. The maximum amount outstanding during the period was HK\$1,065,000 (31 December 2022: HK\$1,065,000).
- (c) As at 30 June 2023, amounts due to a shareholder of aggregate principal amount of HK\$12,000,000 (31 December 2022: HK\$12,000,000) was unsecured, interest bearing at 5% per annum and repayable within one year.
- (d) As at 30 June 2023, amounts due to Mr. Shang Jianguang, ex-director of the Company and Mr Teguh Halim, a director of the Company, were unsecured, interest bearing 5% per annum and repayable within one year. During the six months ended 30 June 2023, interest expense of HK\$1,321,000 (30 June 2022: HK\$1,545,000) was payable to ex-director and the director.
- (e) As at 30 June 2023, amounts due to a related company of aggregate principal amount of HK\$148,000,000 (31 December 2022: HK\$148,000,000) was unsecured, interest bearing at 5% per annum and repayable within one year. The related company is controlled by Mr. Hon Kwok Lung, a director of the Company.
- (f) As at 30 June 2023, amounts due to associates of aggregate principal amount of HK\$10,000,000 (31 December 2022: HK\$10,000,000) was unsecured, interest bearing at 5% per annum and repayable within one year.

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

For the six months ended 30 June 2023

## 28. Related Party Transactions (Continued)

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

(iv) Financial guarantee provided to Fair Future

As 30 June 2023, the Group has provided a corporate guarantee in respect of a banking facility of up to HK\$55,000,000 (31 December 2022: HK\$55,000,000) granted to Fair Future. The corporate guarantee is ending on the expiry of the term of the revolving loan facility.

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

28.2 Compensation of key management personnel of the Group:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Short-term employee benefits	<b>5,210</b>	5,533
Post-employment benefits	<b>126</b>	68
	<b>5,336</b>	5,601

## 29. Acquisition of Subsidiaries

Acquisition of Gold Vantage Group

On 19 April 2023, the Group completed the acquisition of the entire equity interest of Gold Vantage Industrial Limited ("Gold Vantage"), which together with its subsidiaries (collectively, the "Gold Vantage Group") at the consideration of HK\$108,456,000 from Fair Future Industrial Limited ("Fair Future"), an associate of the Company. Gold Vantage Group are principally engaged in the business of design, development and manufacturing of stainless-steel alloy watches cases, smart watch cases on ODM or OEM basis.

Pursuant to the sales and purchase agreement, the consideration shall be settled by way of issuing 38,461,538 consideration shares of Ernest Borel Holdings Limited ("Ernest Borel", a subsidiary of the Company and listed on the Main Board of the Stock Exchange of Hong Kong) and HK\$40,000,000 by cash in different timeslots. The number of consideration shares and the amount of cash consideration for the settlement shall be subject to the adjustment pursuant to the profit guarantee, in which Fair Future guarantees to the Group that the net profit after tax of Gold Vantage Group for each of financial years ending 31 December 2023, 31 December 2024 and 31 December 2025 shall not be less than HK\$30,000,000 (the "Profit Target"). If there is any shortfall of the Profit Target in any such year, an amount equal to 1.5 times the amount by which the actual net profit after tax is less than the Profit Target (the "Profit Compensation") shall be payable by Fair Future to the Group.

*For the six months ended 30 June 2023*

## **29. Acquisition of Subsidiaries (Continued)**

### **Acquisition of Gold Vantage Group (Continued)**

The consideration shall be reduced by the amount of the Profit Compensation firstly by the reduction of the outstanding consideration shares for the instalment and then the balance of the Profit Compensation shall be reduced by the outstanding cash consideration for the instalment. If the unpaid instalment is not sufficient to set off the Profit Compensation, the difference between the Profit Compensation and the unpaid instalment shall be paid in cash by Fair Future to the Group within 30 business days after the issuance of the annual financial statements of Gold Vantage Group for the respective financial year.

The first instalment of 12,820,512 consideration shares of Ernest Borel has been issued to Fair Future at the completion date. The first instalment of cash consideration of HK\$13,333,333.3 shall be paid to Fair Future (i) on 1 April 2024 if the annual financial statements of Gold Vantage Group for the year ended 31 December 2023 has been issued on or before 31 March 2024 or (ii) within 30 business days after the issuance of annual financial statements of Gold Vantage Group for the year ended 31 December 2023 if the annual financial statements for the year ended 31 December 2023 is issued after 31 March 2024.

The second instalment of 12,820,513 consideration shares of Ernest Borel shall be issued to Fair Future (i) on 1 April 2025 if the annual financial statements of Gold Vantage Group for the year ended 31 December 2024 has been issued on or before 31 March 2025 or (ii) within 30 business days after the issuance of annual financial statements of Gold Vantage Group for the year ended 31 December 2024 if the annual financial statements for the year ended 31 December 2024 is issued after 31 March 2025. Payment for the second instalment of cash consideration of HK\$13,333,333.3 is subject to the net profit after tax for the six months ending 30 June 2024 attained by Gold Vantage Group ("2024 H1 Profit"):

- (i) If the 2024 H1 Profit is not less than HK\$14,000,000, an amount up to HK\$13,333,333.3 shall be paid to Fair Future on 1 September 2024.
- (ii) If the 2024 H1 Profit is HK\$12,000,000 or more but less than HK\$14,000,000, an amount of HK\$12,000,000.00 shall be paid to Fair Future on 1 September 2024. If the 2024 H1 Profit is HK\$10,000,000 or more but less than HK\$12,000,000, an amount of HK\$10,000,000.00 shall be paid to Fair Future on 1 September 2024. The respective shortfall between HK\$13,333,333.3 of the second instalment cash consideration and the amount of cash paid under the aforesaid scenarios shall be paid to Fair Future (i) on 1 April 2025 if the annual financial statements of Gold Vantage Group for the year ended 31 December 2024 has been issued on or before 31 March 2025; or (ii) within 30 business days after the issuance of the annual financial statements of Gold Vantage Group for the year ended 31 December 2024 if the annual financial statements for the year ended 31 December 2024 is issued after 31 March 2025.

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

For the six months ended 30 June 2023

**29. Acquisition of Subsidiaries (Continued)**

Acquisition of Gold Vantage Group (Continued)

(iii) If the 2024 H1 Profit is less than HK\$10,000,000, an amount up to HK\$13,333,333.3 shall be paid to Fair Future (i) on 1 April 2025 if the annual financial statements of Gold Vantage Group for the year ended 31 December 2024 has been issued on or before 31 March 2025; or (ii) within 30 business days after the issuance of the annual financial statements of Gold Vantage Group for the year ended 31 December 2024 if the annual financial statements for the year ended 31 December 2024 is issued after 31 March 2025.

The third instalment of 12,820,513 consideration shares of Ernest Borel shall be issued to Fair Future and the third instalment cash consideration of HK\$13,333,333.4 shall be paid to Fair Future (i) on 1 April 2026 if the annual financial statements of Gold Vantage Group for the year ended 31 December 2025 has been issued on or before 31 March 2026 or (ii) within 30 business days after the issuance of annual financial statements of Gold Vantage Group for the year ended 31 December 2025 if the annual financial statements for the year ended 31 December 2025 is issued after 31 March 2026.

The first instalment of consideration shares of Ernest Borel has been issued to Fair Future at the completion date. The remaining instalments of the consideration are subject to the adjustment of Profit Compensation and are recognised as contingent consideration payable.

The total consideration is determined as follows:

	HK\$'000 (Unaudited)
Issuance of first instalment consideration shares of Ernest Borel at the completion	30,769
Fair value of other consideration	77,687
Total consideration	108,456

Details of the net assets acquired as at the acquisition date are as follows:

	HK\$'000 (Unaudited)
Total consideration	108,456
Less: Fair value of net assets acquired	(66,278)
Goodwill	42,178

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

For the six months ended 30 June 2023

**29. Acquisition of Subsidiaries (Continued)**

Acquisition of Gold Vantage Group (Continued)

The goodwill of HK\$42,178,000 arising from the acquisition is attributable to the synergies expected to arise from the business combination and the growth and profit potential in the expansion of smart watches business. None of the goodwill recognized is expected to be deductible for income tax purposes.

The fair values of the identifiable assets and liabilities arising from the acquisition of Gold Vantage Group as at the date of acquisition:

	Fair value HK\$'000 (Unaudited)
Cash and deposits	12,186
Property, plant and equipment	25,634
Intangible assets	68,383
Deferred tax assets	7,690
Inventories	7,679
Trade receivables	11,067
Other assets	2,755
Deferred tax liabilities	(17,096)
Trade payables	(10,506)
Bank borrowings	(5,336)
Lease liabilities	(373)
Other liabilities	(35,805)
Fair value of net assets acquired	66,278
	HK\$'000 (Unaudited)
Net cash inflow from acquisition of subsidiaries:	
Cash and deposits in subsidiaries acquired	12,186
	12,186

Gold Vantage Group contributed revenue of approximately HK\$21,203,000 and net profit of approximately HK\$5,257,000 to the Group from the date of acquisition to 30 June 2023.

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

For the six months ended 30 June 2023

## 29. Acquisition of Subsidiaries (Continued)

### Acquisition of Gold Vantage Group (Continued)

Had the business combination taken place on 1 January 2023, revenue of the Group for the six months ended 30 June 2023 would have been increased by approximately HK\$14,549,000 and net profit would have decreased by HK\$6,893,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition of Gold Vantage Group been completed on 1 January 2023 nor are they intended to be a projection of future results.

## 30. Transactions with Non-Controlling Interests

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

- (i) In April 2023, Bendura Group issued 630 equity share of Bendura Bank at cost CHF549,000 (equivalent to HK\$5,036,000). Following the issue, the Company's effective equity interest in Bendura Group decreased by 0.33%. The Group recognised an increase in non-controlling interest of HK\$3,047,000 and a decrease in equity attributable to owners of the Company of HK\$1,989,000.

### (b) Deemed acquisition of additional interest in Bendura Bank AG and its subsidiaries (the "Bendura Group")

- (i) In January 2023, Bendura Group repurchased 22 equity share of Bendura Bank at cost CHF19,000 (equivalent to HK\$163,000). Following the repurchase, the Company's effective equity interest in Bendura Group increased by 0.01%. The Group recognised a decrease in non-controlling interest of HK\$102,000 and a decrease in equity attributable to owners of the Company of HK\$61,000.
- (ii) In February 2023, Bendura Group repurchased 11 equity share of Bendura Bank at cost CHF9,000 (equivalent to HK\$80,000). Following the repurchase, the Company's effective equity interest in Bendura Group increased by 0.01%. The Group recognised a decrease in non-controlling interest of HK\$51,000 and a decrease in equity attributable to owners of the Company of HK\$29,000.
- (iii) In March 2023, Bendura Group repurchased 8 equity share of Bendura Bank at cost CHF7,000 (equivalent to HK\$60,000). Following the repurchase, the Company's effective equity interest in Bendura Group increased by 0.00%. The Group recognised a decrease in non-controlling interest of HK\$38,000 and a decrease in equity attributable to owners of the Company of HK\$22,000.

For the six months ended 30 June 2023

### 30. Transactions with Non-Controlling Interests (Continued)

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

(iv) In April 2023, Bendura Group repurchased 3,700 equity share of Bendura Bank at cost CHF3,370,000 (equivalent to HK\$29,579,000). Following the repurchase, the Company’s effective equity interest in Bendura Group increased by 1.97%. The Group recognised a decrease in non-controlling interest of HK\$17,651,000 and a decrease in equity attributable to owners of the Company of HK\$11,928,000.

(v) In May 2023, Bendura Group repurchased 100 equity share of Bendura Bank at cost CHF91,000 (equivalent to HK\$784,000). Following the repurchase, the Company’s effective equity interest in Bendura Group increased by 0.05%. The Group recognised a decrease in non-controlling interest of HK\$492,000 and a decrease in equity attributable to owners of the Company of HK\$292,000.

(vi) In June 2023, Bendura Group repurchased 17 equity share of Bendura Bank at cost CHF15,000 (equivalent to HK\$135,000). Following the repurchase, the Company’s effective equity interest in Bendura Group increased by 0.01%. The Group recognised a decrease in non-controlling interest of HK\$85,000 and a decrease in equity attributable to owners of the Company of HK\$50,000.

(vii) In June 2023, Bendura Group repurchased 10 equity share of Bendura Bank at cost CHF9,000 (equivalent to HK\$76,000). Following the repurchase, the Company’s effective equity interest in Bendura Group increased by 0.05%. The Group recognised a decrease in non-controlling interest of HK\$51,000 and a decrease in equity attributable to owners of the Company of HK\$25,000.

### 31. Fair Value Measurements of Financial Instruments

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

- the fair values of listed equity investments, precious metal and debt instruments classified under due from banks, trading portfolio investments, financial asset at fair value through other comprehensive income and due to clients – precious metal are determined by reference to their quoted market prices at the reporting date in active markets and have been translated using the spot foreign currency rates at the end of the reporting periods where appropriate.
- the fair value of investment fund units under trading portfolio investments is determined by reference to their quoted market prices at the reporting date in active markets and have been translated using the spot foreign currency rates at the end of the reporting periods where appropriate.

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

For the six months ended 30 June 2023

**31. Fair Value Measurements of Financial Instruments (Continued)**

- the fair value of certain equity investments under financial assets at fair value through other comprehensive income is determined based on the fair value of their underlying net assets.
- the fair values of unlisted debt instruments classified under trading portfolio investments have been determined using significant inputs, which are market observable, directly or indirectly.
- the fair values of derivative financial assets and liabilities classified at level 2 financial assets are marked to market using the foreign exchange forward rates ruling at the end of each reporting periods.
- the fair value of unlisted investment in insurance policy is determined based on amount value as stated in cash surrender value statement issued by insurer.
- the fair value of unlisted financial product investments is determined based on the latest transaction price.
- the fair value of contingent consideration payable is determined based on (i) the assumption that the Profit Guarantee shall be achieved; (ii) the discount rate applied in the portion of cash consideration; and (iii) historical volatility applied in the portion of consideration shares.

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

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

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

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

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

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

For the six months ended 30 June 2023

**31. Fair Value Measurements of Financial Instruments** (Continued)

	30 June 2023			
	Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Assets</b>				
Due from banks – precious metals	–	123,785	–	123,785
Trading portfolio investments	647	17,732	8,886	27,265
Derivative financial assets	–	1,847	–	1,847
Financial assets at fair value through other comprehensive income	323,266	5,416	–	328,682
	<b>323,913</b>	<b>148,780</b>	<b>8,886</b>	<b>481,579</b>
<b>Liabilities</b>				
Due to clients – precious metals	–	123,530	–	123,530
Derivative financial liabilities	–	1,724	–	1,724
Contingent consideration payable	–	–	77,687	77,687
	–	<b>125,254</b>	<b>77,687</b>	<b>202,941</b>
<b>31 December 2022</b>				
	Level 1 HK\$'000 (Audited)	Level 2 HK\$'000 (Audited)	Level 3 HK\$'000 (Audited)	Total HK\$'000 (Audited)
<b>Assets</b>				
Due from banks – precious metals	–	208,223	–	208,233
Trading portfolio investments	1,037	18,175	8,881	28,093
Derivative financial assets	–	2,888	–	2,888
Financial assets at fair value through other comprehensive income	290,404	5,676	–	296,080
	<b>291,441</b>	<b>234,962</b>	<b>8,881</b>	<b>535,284</b>
<b>Liabilities</b>				
Due to clients – precious metals	–	208,435	–	208,435
Derivative financial liabilities	–	12,622	–	12,622
	–	<b>221,057</b>	–	<b>221,057</b>

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

For the six months ended 30 June 2023

**31. Fair Value Measurements of Financial Instruments** (Continued)

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

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

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

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

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Opening balance at the beginning of period/year (Level 3 recurring fair value)	<b>8,881</b>	9,558
Fair value change during the period/year	<b>(295)</b>	(552)
Exchange realignment	<b>300</b>	(125)
Closing balance at the end of period/year (Level 3 recurring fair value)	<b>8,886</b>	8,881

The fair value of contingent consideration payable is Level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balances are provided as below.

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Opening balance at the beginning of period/year (Level 3 recurring fair value)	–	–
Acquisition of subsidiaries (note 29)	<b>77,687</b>	–
Closing balance at the end of period/year (Level 3 recurring fair value)	<b>77,687</b>	–



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