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CITYCHAMP WATCH & JEWELLERY GROUP LIMITED

冠城鐘錶珠寶集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 256)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors (the “**Board**”) of Citychamp Watch & Jewellery Group Limited (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023 together with comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest and dividend income from banking business		358,881	151,157
Interest expenses from banking business		(72,913)	(17,631)
Net interest and dividend income from banking business	5a	285,968	133,526
Service fees and commission income from banking business		198,823	197,450
Service fees and commission expenses from banking business		(26,904)	(32,087)
Net service fees and commission income from banking business	5b	171,919	165,363
Trading income from banking business	5c	33,907	38,631
Service fees and commission income from financial business	5d	12	949
Interest income from financial business	5d	33	173
Sales of goods from non-banking and financial businesses	5e	1,113,945	1,248,281
Rental income from non-banking and financial businesses	5e	23,275	20,465
Total revenue		1,629,059	1,607,388
Cost of sales from non-banking and financial businesses		(514,001)	(604,727)
Other income and other net gains or losses	6	77,255	15,916
Selling and distribution expenses		(376,358)	(448,443)
Administrative expenses		(667,762)	(626,594)
Share of profit/(loss) of joint ventures		5	(28)
Share of profit of associates		13,842	16,740
Finance costs from non-banking business	7	(78,242)	(70,532)
Profit/(loss) before income tax	8	83,798	(110,280)
Income tax expense	9	(20,539)	(9,157)
Profit/(loss) for the year		63,259	(119,437)

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
– Remeasurement of net defined benefit obligations		(4,962)	30,123
– Change in fair value of financial assets at fair value through other comprehensive income		(10,308)	(118,001)
		<u>(15,270)</u>	<u>(87,878)</u>
Items that may be subsequently reclassified to profit or loss			
– Exchange differences on translation to presentation currency		115,100	(144,540)
– Share of other comprehensive income of associates		(2,633)	(153)
		<u>112,467</u>	<u>(144,693)</u>
Other comprehensive income for the year		<u>97,197</u>	<u>(232,571)</u>
Total comprehensive income for the year		<u>160,456</u>	<u>(352,008)</u>
Profit/(loss) for the year attributable to:			
Owners of the Company		45,100	(111,051)
Non-controlling interests		18,159	(8,386)
		<u>63,259</u>	<u>(119,437)</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		131,496	(329,347)
Non-controlling interests		28,960	(22,661)
		<u>160,456</u>	<u>(352,008)</u>
Earnings/(loss) per share attributable to owners of the Company			
– Basic	12	<u>HK1.04 cents</u>	<u>HK(2.55) cents</u>
– Diluted		<u>HK1.04 cents</u>	<u>HK(2.55) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Assets			
Cash and deposits		3,761,431	4,314,638
Due from clients		2,877,929	2,678,772
Due from banks		2,222,968	1,929,640
Trading portfolio investments		27,558	28,093
Financial assets at fair value through other comprehensive income	13	285,627	296,080
Financial assets at fair value through profit or loss		32,410	–
Derivative financial assets		5,136	2,888
Trade receivables	14	442,941	336,640
Other financial assets at amortised cost		1,878,805	1,571,725
Inventories		1,805,899	1,935,923
Income tax recoverable		–	218
Interests in joint ventures		496	491
Interests in associates		108,411	122,202
Property, plant and equipment		1,297,608	1,285,314
Investment properties		166,370	170,906
Intangible assets	15	105,693	43,254
Goodwill	16	1,150,672	1,092,012
Deferred tax assets		16,019	8,585
Assets of a disposal group held for sale		–	24,988
Non-current assets held for sales		–	5,138
Other assets		345,033	309,736
Total assets		16,531,006	16,157,243

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Liabilities			
Due to banks		–	1,099
Due to clients		10,155,311	9,987,678
Financial liabilities at fair value through profit or loss	13	44,905	–
Derivative financial liabilities		49,318	12,622
Trade payables	17	207,230	198,994
Contract liabilities		11,846	41,946
Income tax payables		44,198	36,878
Borrowings	18	681,254	958,135
Provisions		4,812	387
Lease liabilities		49,026	48,886
Deferred tax liabilities		68,561	52,776
Due to a shareholder		9,025	12,000
Due to directors		66,772	81,515
Other liabilities		773,454	545,466
Total liabilities		12,165,712	11,978,382
Equity			
Equity attributable to owners of the Company			
Share capital		435,189	435,189
Reserves		3,731,511	3,577,624
		4,166,700	4,012,813
Non-controlling interests		198,594	166,048
Total equity		4,365,294	4,178,861
Total liabilities and equity		16,531,006	16,157,243

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

The Group has completed the disposal of 22.86% equity interests of Shun Heng Finance Holdings Limited and its subsidiaries (“**Shun Heng Group**”) for a cash consideration of HK\$6,487,000 in February 2023.

The Group has completed the acquisition of 100% equity interests of Gold Vantage Industries Limited and its subsidiaries (“**Gold Vantage Group**”) on 19 April 2023.

The Group has completed the disposal of the entire equity interests of Wisdom Power Property Limited (“**Wisdom Power**”) for a cash consideration of HK\$27,500,000 in October 2023. Details of the disposal are set out in note 12(a) to the consolidated financial statements.

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

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

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

(a) Adoption of new or revised HKFRSs – effective 1 January 2023

In the current year, the Group has applied for the first time the following new or revised standards, amendments and interpretations (the “**new or revised HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2023:

Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
HKFRS 17	Insurance Contracts

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

The Group has revisited its accounting policy information and has not disclosed certain immaterial accounting policies.

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

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKFRS 16	Liability in a Sale and Leaseback ¹
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

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

² Effective for annual periods beginning on or after 1 January 2025

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

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

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

Amendments to HKAS 1, Non-current Liabilities with Covenants

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

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

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

Amendments to HKFRS 16, Liability in a Sale and Leaseback

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

Amendments to HKAS 21, Lack of Exchangeability

The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

Amendments to HKAS 7 and HKFRS 7, Supplier Finance Arrangements

The amendments clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information and quantitative information as at the beginning of the annual reporting period and interim disclosures. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group’s financial statements.

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

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

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

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

3.2 Historical cost convention

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

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

3.3 Functional and presentation currency

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

4. SEGMENT INFORMATION

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

- (a) manufacturing and distribution of watches and timepieces and watch accessories;
- (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.

2023

	Watches and timepieces and watch accessories <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Banking and financial businesses <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:					
Net interest and dividend income from banking business	–	–	285,968	–	285,968
Net service fees and commission income from banking business	–	–	171,919	–	171,919
Trading income from banking business	–	–	33,907	–	33,907
Service fees and commission income from financial business	–	–	12	–	12
Interest income from financial business	–	–	33	–	33
Sales of goods from non-banking and financial businesses	1,113,945	–	–	–	1,113,945
Rental income from non-banking and financial businesses	–	23,275	–	–	23,275
Total revenue	1,113,945	23,275	491,839	–	1,629,059
Segment results	86,447	10,671	130,129	–	227,247
Unallocated corporate income and expenses, net	–	–	–	(79,054)	(79,054)
Share of profit of joint ventures	–	–	–	5	5
Share of profit of associates	–	–	–	13,842	13,842
Finance costs	(27,227)	–	(336)	(50,679)	(78,242)
Profit/(loss) before income tax	59,220	10,671	129,793	(115,886)	83,798
Income tax expense	(3,886)	–	(16,623)	(30)	(20,539)
Profit/(loss) for the year	55,334	10,671	113,170	(115,916)	63,259

	Watches and timepieces and watch accessories	Property investments	Banking and financial businesses	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	4,271,822	191,574	11,629,158	–	16,092,554
Unallocated corporate assets:					
Interests in joint ventures	–	–	–	496	496
Interests in associates	–	–	–	108,411	108,411
Trading portfolio investments	–	–	–	27,558	27,558
Financial assets at fair value through other comprehensive income	–	–	–	285,627	285,627
Cash and deposits	–	–	–	3,387	3,387
Other unallocated corporate assets	–	–	–	12,973	12,973
Consolidated total assets	4,271,822	191,574	11,629,158	438,452	16,531,006
Segment liabilities	985,989	39,270	10,362,734	–	11,387,993
Unallocated corporate liabilities:					
Borrowings	–	–	–	395,103	395,103
Due to a shareholder	–	–	–	9,025	9,025
Lease liabilities	–	–	–	15,090	15,090
Other unallocated corporate liabilities (<i>note</i>)	–	–	–	358,501	358,501
Consolidated total liabilities	985,989	39,270	10,362,734	777,719	12,165,712

	Watches and timepieces and watch accessories	Property investments	Banking and financial businesses	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other segment information					
Interest income and other interest income	470	–	–	327	797
Expected credit losses on trade receivables	(10,810)	–	–	–	(10,810)
Expected credit loss on other assets	(1,686)	(1,045)	(1,224)	(150)	(4,105)
Provision of expected credit losses on due from banks and customers	–	–	(7,591)	–	(7,591)
Provision for litigation risks, net	–	–	(4,121)	–	(4,121)
Provision for inventories	(24,434)	–	–	–	(24,434)
Reversal of provision for inventories	38	–	–	–	38
Impairment loss on goodwill	(13,389)	–	–	–	(13,389)
Gain on fair value changes on financial assets/liabilities at fair value through profit or loss	65,192	–	–	–	65,192
Depreciation and amortisation	(55,318)	–	(32,062)	(6,458)	(93,838)
Additions to non-current assets	25,764	–	8,792	–	34,556
Net deficit on revaluation of investment properties	–	(1,218)	–	–	(1,218)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note: Other unallocated corporate liabilities mainly included amounts due to a related company and associates as at 31 December 2023.

2022

	Watches and timepieces and watch accessories <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Banking and financial businesses <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:					
Net interest and dividend income from banking business	–	–	133,526	–	133,526
Net service fees and commission income from banking business	–	–	165,363	–	165,363
Trading income from banking business	–	–	38,631	–	38,631
Service fees and commission income from financial business	–	–	949	–	949
Interest income from financial business	–	–	173	–	173
Sales of goods from non-banking and financial businesses	1,248,281	–	–	–	1,248,281
Rental income from non-banking and financial businesses	–	20,465	–	–	20,465
Total revenue	<u>1,248,281</u>	<u>20,465</u>	<u>338,642</u>	<u>–</u>	<u>1,607,388</u>
Segment results	(4,513)	7,239	32,966	–	35,692
Unallocated corporate income and expenses, net	–	–	–	(92,152)	(92,152)
Share of loss of joint ventures	–	–	–	(28)	(28)
Share of profit of associates	–	–	–	16,740	16,740
Finance costs	(28,869)	–	(352)	(41,311)	(70,532)
(Loss)/profit before income tax	<u>(33,382)</u>	<u>7,239</u>	<u>32,614</u>	<u>(116,751)</u>	<u>(110,280)</u>
Income tax expense	(2,069)	–	(4,404)	(2,684)	(9,157)
(Loss)/profit for the year	<u>(35,451)</u>	<u>7,239</u>	<u>28,210</u>	<u>(119,435)</u>	<u>(119,437)</u>

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

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

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

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

	Revenue from external customers		Non-current assets	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Hong Kong	44,432	45,156	365,922	356,029
PRC	782,066	1,009,151	1,598,783	1,500,222
Switzerland	3,332	3,137	376,296	373,416
United Kingdom	51,666	51,391	5,908	5,863
Liechtenstein	491,839	337,520	481,098	477,416
Others	255,724	161,033	1,243	1,233
	<u>1,629,059</u>	<u>1,607,388</u>	<u>2,829,250</u>	<u>2,714,179</u>

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

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

The Group has a large number of customers and there is no significant revenue that is more than 10% of the Group's revenue derived from specific external customers for the years ended 31 December 2023 and 2022.

5. REVENUE

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

For banking and financial businesses, revenue mainly comprises net interest and dividend income, net service fees and commission income and trading income (notes 5(a), 5(b), 5(c) and 5(d)). For non-banking and financial businesses, revenue mainly represents the net invoiced value of goods sold, after allowance for returns and trade discounts and rental income received and receivables. (note 7(e)).

Revenue recognised during the year is as follows:

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest and dividend income from banking business arising from:		
Interest income – due from banks	169,796	63,380
Interest income – due from clients	28,608	29,205
Interest income from mortgage loans	75,175	30,726
Interest income from money market papers	7,803	(445)
Interest income from financial assets	48,521	25,879
Dividend income from trading securities	–	168
Negative interest expense on due to clients	28,978	2,244
	<u>358,881</u>	<u>151,157</u>
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Interest expenses from banking business arising from:		
Interest expense on due to banks	(189)	(13,771)
Interest expense on due to clients	(71,883)	(3,936)
Negative interest expenses on due from banks and clients	(841)	76
	<u>(72,913)</u>	<u>(17,631)</u>
	-----	-----
Net interest and dividend income from banking business	<u>285,968</u>	<u>133,526</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Service fee and commission income from banking business arising from:		
Commission income from loans	4,647	6,394
Brokerage fees	26,912	32,276
Custody account fees	27,046	25,032
Commission on investment advice and asset management	44,542	48,822
Commission income from service fees	4,308	31,723
Commission income from fiduciary fees	29,825	347
Commission income from retrocession	11	5,298
Other commission income	61,532	47,558
	<u>198,823</u>	<u>197,450</u>
Service fees and commission expenses from banking business	<u>(26,904)</u>	<u>(32,087)</u>
	-----	-----
Net service fees and commission income from banking business	<u>171,919</u>	<u>165,363</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Equity instruments	1	–
Debt instruments	269	13
Securities	2	3
Forex and precious metals	33,597	38,597
Funds	38	18
	<hr/>	<hr/>
Trading income from banking business	33,907	38,631
	<hr/> <hr/>	<hr/> <hr/>

(d) **Revenue from financial business**

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Service fees and commission income	12	949
Interest income	33	173
	<hr/>	<hr/>
Revenue from financial business	45	1,122
	<hr/> <hr/>	<hr/> <hr/>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Sales of goods	1,113,945	1,248,281
Rental income	23,275	20,465
	<hr/>	<hr/>
Revenue from non-banking business and financial businesses	1,137,220	1,268,746
	<hr/> <hr/>	<hr/> <hr/>

6. OTHER INCOME AND OTHER NET GAINS OR LOSSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Gain/(loss) on disposal of a subsidiary	2,529	(10,395)
Gain on disposal of interests in associates	1,349	423
Gain on fair value change in trading portfolio investments from non-banking business, net	136	61
Gain on fair value changes on financial assets/liabilities at fair value through profit or loss	65,192	–
Impairment loss on goodwill	(13,389)	–
Gain on fair value changes in derivative financial liabilities from non-banking business	–	2,182
Net deficit on revaluation of investment properties	(1,218)	(9,564)
Gain on disposal of property, plant and equipment	1,021	3,378
Loss on modification of leases	–	(149)
Bank and other interest income from non-banking business	797	415
Dividend income from trading portfolio investments from non-banking business	–	128
Dividend income from financial assets at fair value through other comprehensive income	10,578	10,578
Other operating income	15,881	9,106
Government subsidies (<i>note</i>)	2,500	4,612
Provision of litigation risks	(4,121)	(11)
Provision of expected credit losses for due from banks and clients	(7,591)	(711)
Provision of expected credit losses/(reversal of expected credit losses) for other financial assets at amortised cost	(6,024)	1,737
Exchange gain, net	7,579	3,216
Other sundry income, net	2,036	910
	<u>77,255</u>	<u>15,916</u>

Note: Government subsidies mainly comprised of unconditional subsidies received for subsidising the Group's business.

7. FINANCE COSTS FROM NON-BANKING BUSINESS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest charged on bank borrowings, bank overdrafts and other borrowings	75,748	67,827
Interest on lease liabilities	2,494	2,705
	<u>78,242</u>	<u>70,532</u>

8. PROFIT/(LOSS) BEFORE INCOME TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories recognised as expense, including:	514,001	604,727
– Reversal of provision for inventories	(38)	(22,705)
– Provision for inventories	24,434	24,917
Depreciation and amortisation	93,838	91,476
– Depreciation for owned assets (<i>note (a)</i>)	53,318	61,493
– Depreciation for right-of-use assets (<i>note (a)</i>)	32,062	29,809
– Amortisation of intangible assets (<i>note (b)</i>)	8,458	174
Short term lease expenses	27,436	23,059
Auditor's remuneration	4,700	4,900
Gross rental income	(23,275)	(20,465)
Less: direct operating expenses	2,980	2,586
Net rental income	(20,295)	(17,879)
Research and development expenses (<i>note (b)</i>)	15,434	22,809
Expected credit losses/(reversal of expected credit losses) on other assets	4,105	(1,264)
Expected credit losses on trade receivables	10,810	11,770
Advertising	54,731	82,833

Notes:

- (a) Depreciation expense of HK\$6,322,000 (2022: HK\$14,936,000) has been included in cost of sales from non-banking and financial businesses, HK\$24,076,000 (2022: HK\$23,204,000) in selling and distribution expenses and HK\$54,982,000 (2022: HK\$53,162,000) in administrative expenses.
- (b) Amortisation expenses and research and development expenses had been included in the administrative expenses.

9. INCOME TAX EXPENSE

For the year ended 31 December 2023 and 2022, Hong Kong profit tax has been provided for certain subsidiaries within the Group and is calculated at 16.5% on the estimated assessable profits (2022: 16.5%). The subsidiaries established in the PRC are subject to income taxes at tax rates ranging between 15% and 25% (2022: 15% and 25%). Overseas tax is calculated at the rates applicable in the respective jurisdictions.

The Group is also subject to PRC withholding tax at the rate of 5% (2022: 5%) in respect of dividend income derived from PRC incorporated company.

	2023	2022
	HK\$'000	HK\$'000
Current tax for the year		
Hong Kong	238	201
PRC	4,667	3,878
Liechtenstein	16,623	5,944
Switzerland	479	948
Deferred tax for the year	<u>(1,468)</u>	<u>(1,814)</u>
Total income tax expense	<u>20,539</u>	<u>9,157</u>

10. DISPOSAL OF SUBSIDIARIES

- (a) In October 2023, the Group has disposed the entire shares of Wisdom Power for a cash consideration of HK\$27,500,000 to Fair Future Industrial Limited (“**Fair Future**”), an associate of the Company. The Group recognised a gain on disposal of approximately HK\$2,529,000. Details of the Group’s gain on disposal of Wisdom Power for the year ended 31 December 2023 were set out as follows:

	HK\$'000
Net assets disposed of:	
Property, plant and equipment	57
Investment properties	24,900
Other assets	<u>14</u>
	<u>24,971</u>
Less: Proceeds from disposal	<u>(27,500)</u>
Gain on disposal	<u>(2,529)</u>
	HK\$'000
Net cash inflow arising on disposal:	
Cash consideration received	<u>27,500</u>
Net cash inflow for the year ended 31 December 2023	<u>27,500</u>

- (b) In May 2022, the Group has completed the disposal of 30 % equity interests of Shun Heng Group for a cash consideration of HK\$8,670,000 to several related parties (the other shareholders of Shun Heng Finance Holdings Limited) and a third party. Following the disposal, the Company's effective equity interest in Shun Heng Group decreased from 60% to 30% and Shun Heng Group would be an associate of the Group. The Group recognised a loss on disposal of approximately HK\$10,395,000. Details of the Group's loss on disposal of the Shun Heng Group for the year ended 31 December 2022 were set out as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
Cash and deposits	38,270
Trade receivables	4,629
Trading portfolio investments	3,442
Property, plant and equipments	1,487
Intangible assets	7,246
Goodwill	3,080
Other assets	3,862
Trade payables	(25,780)
Deferred tax liabilities	(981)
Lease liabilities	(1,426)
Other liabilities	(702)
	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)
	10,395
Net cash outflow arising on disposal:	
Cash consideration received	8,670
Less: Cash and deposits deposited of	(38,270)
	(29,600)

11. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2023 (2022: Nil).

12. EARNINGS/(LOSS) PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit/(loss)		
Profit/(loss) attributable to owners of the Company for the purpose of calculating basic and diluted earnings/(loss) per share	45,100	(111,051)
	2023 Number of shares <i>'000</i>	2022 Number of shares <i>'000</i>
Number of shares		
Weighted average number of shares for the purpose of calculating basic and diluted earnings/(loss) per share	4,351,889	4,351,889

The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share, as the Group has no dilutive potential ordinary shares for the years ended 31 December 2023 and 2022.

13. FINANCIAL ASSET AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 <i>HK\$'000</i>
Financial asset at fair value through profit or loss	
– 2023 Profit Compensation (as defined in note 19) (<i>note a</i>)	32,410
Financial liabilities at fair value through profit or loss	
– 2024 Profit Compensation (<i>note b</i>)	26,592
– 2025 Profit Compensation (<i>note c</i>)	18,313
	44,905

These derivative instruments are principally related to the remaining outstanding consideration subject to the adjustment of profit compensation in respect of an acquisition, in which the details are as set out in note 19 to the consolidated financial statement. The fair value of derivative financial assets/liabilities is Level 3 recurring fair value measurement.

As at 31 December 2023, the amount of the Group's financial liabilities at fair value through profit or loss expected to be due after more than one year is HK\$44,905,000.

Notes:

- (a) The directors of the Company estimated that the audited profit after tax of Gold Vantage Group for the year ended 31 December 2023 would be less than HK\$30,000,000. The balance represented the fair value of the Profit Compensation. The fair value gain of HK\$44,000,000 has been recognised in the other gains and losses.

- (b) For the year ending 31 December 2024, the directors of the Company estimated that Gold Vantage Group can achieve the partial profit target of HK\$30,000,000. The balance represented the fair value of the remaining outstanding consideration. The fair value gain of HK\$8,871,000 has been recognised in the other gains and losses.
- (c) For the year ending 31 December 2025, the directors of the Company estimated that Gold Vantage Group can achieve the partial profit target of HK\$30,000,000. The balance represented the fair value of the remaining outstanding consideration. The fair value gain of HK\$12,321,000 has been recognised in the other gains and losses.

Subsequent to the reporting date, regarding the settlement of 2023 Profit Compensation, the Group has agreed with Fair Future that the balance shall be set off by the followings:

- (a) HK\$5,270,000 advance from Fair Future during the year ended 31 December 2023 and included as other liabilities as at 31 December 2023;
- (b) HK\$10,000,000 advance from Fair Future in January 2024;
- (c) the outstanding cash consideration of the first installment of HK\$13,333,333.3 in relation to the acquisition as set out in note 14; and
- (d) the current account with the Group.

14. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables arising from watches and timepieces and watch accessories business: <i>(note (a))</i>		
Trade receivables	511,936	424,991
Less: Provision for impairment loss	<u>(82,202)</u>	<u>(88,351)</u>
	<u>429,734</u>	<u>336,640</u>
Trade receivables arising from financial business: <i>(note (b))</i>		
– Cash clients	<u>13,207</u>	–
	<u>13,207</u>	–
Trade receivables, net	<u><u>442,941</u></u>	<u><u>336,640</u></u>

Notes:

- (a) The Group's trading terms with its customers of watches and timepieces and watch accessories businesses are mainly on credit, except for certain customers, where payment in advance is required. The credit period is generally for a period of 30 days to 360 days (2022: 30 days to 180 days) for major customers. The credit term for customers is determined by the management according to industry practice together with consideration of their creditability. In view of the aforementioned and the fact that the Group's trade receivables relate to a wide range of customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

Impairment losses in respect of trade receivables arising from watches and timepieces and watch accessories businesses business are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Movements in the expected credit losses of trade receivables arising from watches and timepieces and watch accessories are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At 1 January	88,351	80,641
Written off	(10,421)	–
Expected credit losses for the year	10,810	11,770
Exchange realignment	(6,538)	(4,060)
	<u>82,202</u>	<u>88,351</u>
At 31 December	<u>82,202</u>	<u>88,351</u>

The Group does not hold any collateral over these balances.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
1 to 3 months	198,365	192,527
4 to 6 months	22,421	28,459
Over 6 months	208,948	115,654
	<u>429,734</u>	<u>336,640</u>

The directors of the Company consider that as trade receivables arising from watches and timepieces and watch accessories businesses are expected to be recovered within one year, their fair values are not materially different from their carrying amounts because these balances have short maturity periods on their inception at the reporting date.

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

Trade receivable from cash clients related to a wide range of customers for whom there was no recent history of default. Based on the past experience, current assessment and the available forward-looking information, the management believes that no additional impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

The Group has policy for impairment allowance which requires management’s judgement and estimation. The directors are in opinion that no impairment allowance is necessary in respect of trade receivables arising from the financial business of securities dealing as at 31 December 2023.

15. INTANGIBLE ASSETS

	Supplier and distribution networks HK\$'000	Brand names HK\$'000	Patents HK\$'000	Trading rights HK\$'000	Computer Software HK\$'000	Customer relationship HK\$'000	Technical knowhow HK\$'000	Total HK\$'000
At 1 January 2022								
Cost	22,242	290,173	34,551	7,246	-	-	-	354,212
Accumulated amortisation and impairment losses	(22,059)	(245,191)	(34,551)	-	-	-	-	(301,801)
Net carrying amount	<u>183</u>	<u>44,982</u>	<u>-</u>	<u>7,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,411</u>
Year ended 31 December 2022								
Opening carrying amount	183	44,982	-	7,246	-	-	-	52,411
Amortisation	(174)	-	-	-	-	-	-	(174)
Disposal of subsidiaries	-	-	-	(7,246)	-	-	-	(7,246)
Exchange realignment	(9)	(1,728)	-	-	-	-	-	(1,737)
Closing carrying amount	<u>-</u>	<u>43,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,254</u>
At 31 December 2022 and 1 January 2023								
Cost	21,062	276,343	34,092	-	-	-	-	331,497
Accumulated amortisation and impairment losses	(21,062)	(233,089)	(34,092)	-	-	-	-	(288,243)
Net carrying amount	<u>-</u>	<u>43,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,254</u>
Year ended 31 December 2023								
Opening carrying amount	-	43,254	-	-	-	-	-	43,254
Amortisation	-	-	-	-	(66)	(3,171)	(5,221)	(8,458)
Addition	-	-	-	-	138	-	-	138
Acquisition of subsidiaries (note 19)	-	-	-	-	828	46,050	22,333	69,211
Exchange realignment	-	3,048	-	-	(20)	(1,074)	(406)	1,548
Closing carrying amount	<u>-</u>	<u>46,302</u>	<u>-</u>	<u>-</u>	<u>880</u>	<u>41,805</u>	<u>16,706</u>	<u>105,693</u>
At 31 December 2023								
Cost	22,403	298,080	37,457	-	966	44,958	21,803	425,667
Accumulated amortisation and impairment losses	(22,403)	(251,778)	(37,457)	-	(86)	(3,153)	(5,097)	(319,974)
Net carrying amount	<u>-</u>	<u>46,302</u>	<u>-</u>	<u>-</u>	<u>880</u>	<u>41,805</u>	<u>16,706</u>	<u>105,693</u>

16. GOODWILL

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At 1 January		
Gross carrying amount	1,231,933	1,302,404
Accumulated impairment losses	<u>(139,921)</u>	<u>(150,616)</u>
Net carrying amount	<u>1,092,012</u>	<u>1,151,788</u>
Year ended 31 December		
Opening carrying amount	1,092,012	1,151,788
Acquisition of subsidiaries (<i>note 19</i>)	42,178	–
Impairment loss during the year (<i>note 6</i>)	(13,389)	–
Disposal of subsidiaries	–	(3,080)
Exchange realignment	<u>29,871</u>	<u>(56,696)</u>
Closing carrying amount	<u>1,150,672</u>	<u>1,092,012</u>
At 31 December		
Gross carrying amount	1,313,737	1,231,933
Accumulated impairment losses	<u>(163,065)</u>	<u>(139,921)</u>
Net carrying amount	<u>1,150,672</u>	<u>1,092,012</u>

Gold Vantage Group

The recoverable amount of this CGU is determined based on a value-in-use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, followed by an extrapolation of expected cash flow at zero growth rate which do not exceed the long-term growth rate for the business in which the CGU operates, and a pre-discount rate of 20.15% per annum. The discount rate used is pre-tax and reflect specific risks relating to the CGU. As the recoverable of Gold Vantage Group CGU is lower than its carrying amount, impairment loss of HK\$13,389,000 has been recognised for the year ended 31 December 2023.

17. TRADE PAYABLES

As at 31 December 2023, the Group's trade payable is amounted to HK\$207,230,000 (2022: HK\$198,994,000), in which HK\$201,095,000 (2022: HK\$198,994,000) is arising from watches and timepieces and watch accessories businesses and HK\$6,135,000 (2022: Nil) is arising from financial business.

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
1 to 3 months	116,744	128,811
4 to 6 months	8,774	6,530
Over 6 months	<u>75,577</u>	<u>63,653</u>
	<u>201,095</u>	<u>198,994</u>

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

18. BORROWINGS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank overdrafts (<i>note 18.1</i>)	41,576	51,910
Bank borrowings (<i>note 18.1</i>)	575,645	864,725
Other loans (<i>note 18.2</i>)	<u>64,033</u>	<u>41,500</u>
	<u>681,254</u>	<u>958,135</u>

18.1 Bank overdrafts and bank borrowings

As at 31 December 2023, the amount of the Group's bank overdrafts and bank borrowings repayable within one year or on demand is HK\$612,816,000 (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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Borrowings payable:		
Within one year	<u>443,445</u>	<u>339,289</u>
In the second year	117,792	376,557
In the third to fifth year	4,405	149,358
After fifth year	<u>51,579</u>	<u>51,431</u>
	<u>173,776</u>	<u>577,346</u>
	<u>617,221</u>	<u>916,635</u>

The abovementioned borrowings are charged at floating rates ranging from 0% to 8.15% (2022: 0% to 6.58%) per annum.

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

- (i) corporate guarantees provided by certain subsidiaries within the Group as at 31 December 2023 and 2022;
- (ii) entire equity interest of certain subsidiaries within the Group as at 31 December 2023 and 2022;
- (iii) subordination deeds signed by the Directors of the Group as at 31 December 2023 and 2022;
- (iv) guarantee provided by the government of certain country as at 31 December 2023 and 2022;
- (v) personal guarantee provided by an non-controlling interests of a subsidiary of the Group and certain independent third parties as at 31 December 2023 and 2022;
- (vi) certain assets of the non-controlling interests of a subsidiary of the Group and certain independent third parties as at 31 December 2023 and 2022;
- (vii) a legal charge over the Group's property, plant and equipment with the carrying amount of HK\$252,528,000 (2022: HK\$259,439,000) as at 31 December 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 Min Xin Shares as at 31 December 2023 and 2022;
- (ix) a standby letter of credit with the correspondent borrowings' balances as at 31 December 2023 and 2022; and
- (x) personal guarantee provided by a director of the Company.

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

The directors of the Company are not aware of any breach of covenant during the year ended 31 December 2023 and up to the date of this announcement.

18.2 Other loans

As at 31 December 2023 and 2022, other loans is unsecured, charged at 5% per annum and repayable within one year.

19. 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 Group at the consideration of HK\$108,456,000 from Fair Future. 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. In the event that Gold Vantage Group recorded loss in its consolidated financial statements, Fair Future shall compensate the Group 1.5 times of the difference between the net loss after tax and HK\$30,000,000.

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 has been issued to Fair Future at the completion date on 19 April 2023. 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 shall be issued to Fair Future (i) on 1 April 2025 if the annual financial statements of Gold Vantage Group for the year ending 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 ending 31 December 2024 if the annual financial statements for the year ending 31 December 2024 is issued after 31 March 2025. Payment for the second instalment of cash consideration of HK\$13,333,000 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\$13,333,000 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\$13,333,000 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 ending 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 ending 31 December 2024 if the annual financial statements for the year ending 31 December 2024 is issued after 31 March 2025.
- (iii) If the 2024 H1 Profit is less than HK\$10,000,000, an amount up to HK\$13,333,000 shall be paid to Fair Future (i) on 1 April 2025 if the annual financial statements of Gold Vantage Group for the year ending 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 ending 31 December 2024 if the annual financial statements for the year ending 31 December 2024 is issued after 31 March 2025.

The third instalment of 12,820,513 consideration shares of shall be issued to Fair Future and the third instalment cash consideration of HK\$13,333,000 shall be paid to Fair Future (i) on 1 April 2026 if the Annual Financial Statements of Gold Vantage Group for the year ending 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 ending 31 December 2025 if the annual financial statements for the year ending 31 December 2025 is issued after 31 March 2026.

The consideration is determined as follows:

	<i>HK\$'000</i>
Issuance of first instalment consideration shares at the Completion	30,769
Derivative financial liabilities in relation to the 2023 Profit Compensation	11,590
Derivative financial liabilities in relation to the 2024 Profit Compensation	35,463
Derivative financial liabilities in relation to the 2025 Profit Compensation	30,634
	108,456
Total consideration	108,456

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

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

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 <i>HK\$'000</i>
Property, plant and equipment	24,806
Intangible assets (<i>note 15</i>)	69,211
Deferred tax assets	7,690
Inventories	7,679
Trade receivables	11,067
Other assets	2,755
Cash and cash equivalents	12,186
Deferred tax liabilities	(17,096)
Trade payables	(10,506)
Bank borrowings	(5,336)
Lease liabilities	(373)
Other liabilities	<u>(35,805)</u>
Fair value of net assets acquired	<u><u>66,278</u></u>

HK\$'000

Net cash inflow from acquisition of subsidiaries:	
Cash and cash equivalents in subsidiaries acquired	<u><u>12,186</u></u>

Gold Vantage Group contributed revenue of approximately HK\$53,011,000 and net profit of approximately HK\$8,014,000 to the Group from the date of acquisition to 31 December 2023.

Had the business combination taken place on 1 January 2023, revenue of the Group for the year ended 31 December 2023 would have been increase by approximately HK\$18,435,000 and net profit would have decreased by HK\$8,454,000. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULT

For the year ended 31 December 2023, the Group recorded total revenue of approximately HK\$1,629,059,000 (31 December 2022: HK\$1,607,388,000), an increase of HK\$21,671,000 or 1.3% over 2022.

Operating expenses (including selling and distribution expenses and administrative expenses) for the year ended 31 December 2023 was approximately HK\$1,044,120,000 (31 December 2022: HK\$1,075,037,000), a decrease of HK\$30,917,000 or 2.9% over 2022.

Gross profit generated from non-banking and financial businesses for the year ended 31 December 2023 was approximately HK\$623,219,000 (31 December 2022: HK\$664,019,000), a decrease of HK\$40,800,000 or 6.1% over 2022.

Gross profit generated from banking and financial businesses for the year ended 31 December 2023 was approximately HK\$491,839,000 (31 December 2022: HK\$338,642,000), an increase of HK\$153,197,000 or 45.2% over 2022.

The EBITDA for the year ended 31 December 2023 was approximately HK\$255,878,000 (31 December 2022: HK\$51,728,000), an increase of HK\$204,150,000 or 394.7% over 2022.

Net profit after tax for the year ended 31 December 2023 was approximately HK\$63,259,000 (31 December 2022: net loss after tax of HK\$119,437,000).

PERFORMANCE

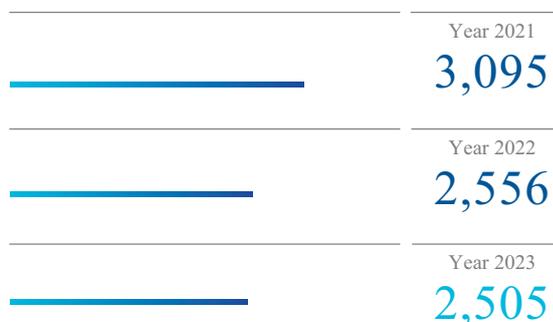
Our Group comprises three key divisions – watches and timepieces and watch accessories businesses, banking and financial businesses, and various investment businesses.

Watches and timepieces and watch accessories businesses

I.A. Local Proprietary Brands

Zhuhai Rossini Watch Industry Limited

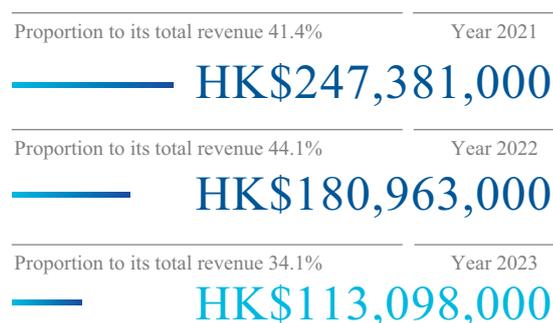
Rossini's Number of Distribution Outlets



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

	31 December 2023	31 December 2022	31 December 2021
Physical stores	62.5%	52.7%	55.8%
E-commerce	34.1%	44.1%	41.4%
Other	3.4%	3.2%	2.8%

Rossini's Revenue Earned from E-Commerce Sales



For the year ended 31 December 2023, Zhuhai Rossini Watch Industry Limited (“**Rossini**”), a 91% subsidiary of the Group, recorded revenue of HK\$331,389,000, a decrease of HK\$78,764,000 or 19.2% from HK\$410,153,000 in 2022. Net profit after tax attributable to owners of the Company for the year ended 31 December 2023 was HK\$34,974,000, representing an increase of HK\$7,395,000 or 26.8%, from HK\$27,579,000 in 2022.

In 2023, affected by macro factors such as the slowdown of overall economic growth in China and the impact of Sino-US trade friction, the recovery momentum of consumption in the Chinese market was lower than expected. By constantly adapting to market changes, the traditional watch industry still has grabbed hold of the opportunity to grow. Rossini seized the market opportunity using different policies and models. Rossini improved market information collection processes, kept abreast of market changes and other competing product market policies. It flexibly adjusted market strategies, including product positioning, marketing strategies, etc., and took timely response measures. At the same time, Rossini created differentiated products to adapt to multi-level market changes and improved competitiveness.

For physical stores, on one hand, Rossini opened shops in new shopping malls to ensure the market share. It placed more emphasis on counties and towns in third-tier and fourth-tier cities and urban development and expansion in fifth-tier and sixth-tier cities. On the other hand, Rossini assessed the operating conditions and qualifications of distribution customers in low-sales markets, and gradually transformed into consignment cooperation to actively promote the products’ circulation and sales activities. For this reason, the number of distribution outlets has gradually decreased since 2021.

To reduce the losses, Rossini strengthened the division’s legal and risk awareness, and controlled and improved the division’s accountability system at the source. A total of approximately HK\$5.53 million receivables has been recovered throughout the year, and the remaining receivables from partners in arrears are also being gradually paid off. In addition, for problem receivables that have not been repaid for a long time, Rossini continues to act with the assistance of the lawyers to collect them.

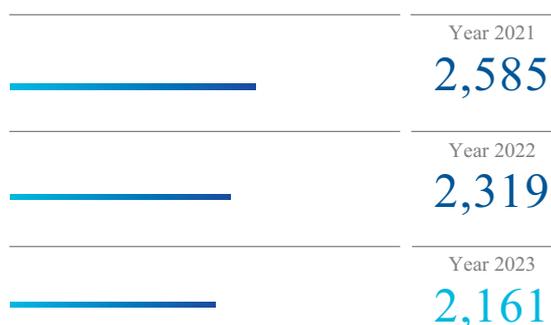
The inventory of Rossini dropped by 7.8% in 2023 compared to last year by placing accurate orders, upgrading the dials of unsalable watches and speeding up the sales of unsalable watch models.

Currently, there are 13 e-commerce independently operated stores, and Rossini has deployed a multi-channel distribution system. Mainstream e-commerce platforms such as Tmall, JD.com and Vipshop continued to maintain their ranking in domestic watch industry. Rossini deeply explored live streaming and distribution channels. Pinduoduo operates meticulously, with year-on-year growth 54%, with increased emphasis on live broadcast channels, and sales increased by 27% year-on-year. Rossini established a strict budget management system to control costs and expenditures. The overall cost of e-commerce, as a result, dropped by 25.7% compared with last year. By continuously optimizing the promotion strategy and launching core products in stores, the overall input-output ratio increased by 18.5% year-on-year. For the year ended 31 December 2023, revenue earned from e-commerce sales decreased to HK\$113,098,000 from HK\$180,963,000 comparing to last year, representing a decrease of HK\$67,865,000 or 37.5%.

The coming year 2024 is 40th anniversary of Rossini brand. New products' design in the second-half of 2023 was mainly focus on this theme. Rossini will use a marketing matrix composed of four powers, namely “brand power, channel power, product power, and execution power”, to increase sales volume. Rossini will stabilize the direct-operated stores, focus on adding new consignment stores, select rental stores, and expand customized group purchase orders. For online market, Rossini will strengthen the layout of store self-broadcasting and short videos, and make a good layout of Pinduoduo products to further increase sales and assist distribution in multi-channel distribution systems such as Pinduoduo, Douyin, and Xiaohongshu in order to expand market share.

EBOHR GROUP

EBOHR'S Number of Distribution Outlets



EBOHR'S Revenue Earned from E-Commerce Sales



EBOHR Group is composed of EB Brand Limited, EBOHR Luxuries International Limited (“**EBOHR**”), Shenzhen EBOHR Luxuries Online E-commerce Co., Ltd., PAMA Precision Manufacturing Limited and Shenzhen EBOHR PAMA Sales Co., Ltd. Shenzhen EBOHR PAMA Sales Co., Ltd. has been disposed in September 2023.

Revenue from watches and timepieces and watch accessories businesses of EBOHR Group for the year ended 31 December 2023 was HK\$208,131,000, a decrease of HK\$47,267,000 or 18.5%, from HK\$255,398,000 in 2022. Net loss after tax from watches and timepieces and watch accessories businesses for the year ended 31 December 2023 was HK\$14,705,000, a decrease of HK\$9,998,000 or 40.5%, from HK\$24,703,000 in 2022.

Apart from watches and timepieces and watch accessories businesses, EBOHR Group’s investment properties also contributed rental income and net profit of HK\$14,558,000 during the year ended 31 December 2023 (31 December 2022: HK\$12,061,000) which was recorded in property investments segment result.

The drop in revenue was mainly attributable for two reasons. Firstly, the adverse consequences arose from post-COVID-19 period were more intensive than expected. The economic growth was weak as a result of slow recovery. Consumers were more conservative with spending on non-necessities. Secondly, low unit price, low flow of customers into the points of sale and low sales volume were common problems in many regions, making it difficult to increase revenue.

Regarding e-commerce, the retail sales in 2023 fell compared to the previous year, leading to decrease in overall sales. For the year ended 31 December 2023, the e-commerce sales decreased to HK\$61,477,000 from HK\$78,288,000 last year, representing a decrease of HK\$16,811,000 or 21.5%. The retail sales retail amount of several major platforms showed that New Retail (live broadcasting), Xinxuan and JD.com's self-operated platforms have suffered a serious decline, especially New Retail (live broadcasting) and Xinxuan. Excluding New Retail (live broadcasting) and Xinxuan, the cumulative sales from January to December 2023 has increase slightly.

To closely monitor the inventory level of finished products, the logistics team of the marketing department worked together with the marketing planning department and branches through precise calculations, scientific and accurate forecasts of market demand, reasonable reordering, assisted by horizontal transfers between branches, and full consideration of new model substitutions and other measures. These strategies also ensured the supply of products on the market and there was no shortage of best-selling products in 2023.

Moreover, the design department made much use of inventory materials from design source and through the inter-department inventory material disposal team, including the design department, purchasing department, marketing department, customer service, warehouse, etc., conducted in-depth cleaning and active repairs, to minimize the level of inventory effectively.

EBOHR noted the importance of increasing brand awareness. In 2023, on one hand, EBOHR actively promoted brand building activities and did well in reception work for the media, government, and associations. It has received free publicity from the central media, radio, television and other media. The overall e-commerce advertising fee dropped 13% compared with last year. On the other hand, the designers joined competitions to increase the popularity of EBOHR's creative design and the reputation of EBOHR brand.

In the coming year, EBOHR will actively cooperate and support the strategy of Citychamp Group's developing sales channels, try to rent stores, develop shopping malls, and actively participate in the sales channels organized by the Citychamp Group to seize the opportunity for offline retail development. EBOHR will also enter markets in Hong Kong and Macau, the duty-free market in Hainan, and e-commerce platform such as Amazon.com to explore external markets.

I.B. Foreign Proprietary Brands

Ernest Borel Holdings Limited

The Group held 57.14% equity interest in Ernest Borel Holdings Limited (“**Ernest Borel**”, a company listed on main board of the Stock Exchange (stock code: 1856)), as at 31 December 2023.

For the year ended 31 December 2023, Ernest Borel recorded revenue of approximately HK\$164,833,000, representing an increase of HK\$34,794,000 or 26.8% over HK\$130,039,000 in 2022. Net profit after tax attributable to the owners of the Company was HK\$8,982,000, compared with net loss after tax of HK\$7,536,000 in 2022.

Ernest Borel turned a profit from loss in 2023 was mainly for two reasons. Firstly, the profit compensation to be payable by Fair Future Industrial Limited (“**Fair Future**”, an associate of the Group) as there was a shortfall of the profit target of Gold Vantage Industrial Limited (“**Gold Vantage**”) for the year ended 31 December 2023. Secondly, Ernest Borel actively reduced production cost, operating cost, travelling expenses and unnecessary administrative costs in a large extent.

In the global trend of digitalization, the demand for smart watches is rising. In April 2023, Ernest Borel completed the acquisition of Gold Vantage, a smart watch processing factory. Gold Vantage is determined to change and innovate, seeking to get a share of the smart watch sector and blaze a new path. The factory is mainly engaged in the business of designing, developing and manufacturing stainless steel alloy watch cases and smart watch cases on ODM or OEM basis. The business prospects of Gold Vantage, whose products are radically different from other products of Ernest Borel, have synergistic effects with its business. It can provide necessary watch cases and other components for its watch manufacturing. Gold Vantage has extensive experience in the manufacturing and sales of smart watches, which will provide good opportunities for the diversified development of the watch industry. Ernest Borel expects that the smart watch processing business will become an important source of income in the future, and the profitability will continue to increase.

Mainland China remains as the core market of the Ernest Borel. Revenue from Mainland China was approximately HK\$132 million for the year ended 31 December 2023, accounting for approximately 80% of its total revenue.

The extensive distribution network of the Ernest Borel covers retail markets in Mainland China, Hong Kong, Macau and Southeast Asian countries. As at 31 December 2023, Ernest Borel had more than 786 POS (31 December 2022: 817 POS), comprising around 633 POS in Mainland China, around 37 POS in Hong Kong and Macau and 116 POS in other countries mainly in Southeast Asia and Europe.

The inventory of Ernest Borel in 2023 when compared with last year showed a clear downward trend, with 8.5% reduction. Procurement department and marketing department worked closely to fully utilize supply and demand of finished products to minimize inventory, and gradually improve efficiency in the entire supply chain operation. On one hand, the group focused on reducing inventory of movements and spare parts while ensuring sales supply. On the other hand, the departments analysed sales and inventory in real-time, separate production in stages, deliver products on demand and control cash outflow to reduce the inventory of finished products.

The business direction for the coming year is to strive to expand sales scale, seize market share, increase sales profits, and increase cash flow. Ernest Borel will focus on developing the Southeast Asian and North American markets. For the Asian market, it will focus on strengthening sales in duty-free stores in Singapore. Duty-free shops in Thailand are planned to open in second week of second quarter. Moreover, Ernest Borel will strengthen marketing integration within the group of Citychamp, in particular, the resource sharing and marketing interaction with the Corum brand with the aim to enhance the influence of the Ernest Borel brand in the global market.

Other Foreign Proprietary Brands

Collectively, Corum, Eterna and The Dreyfuss Group Limited (the “**Dreyfuss Group**”) contributed revenue and net loss after tax for the year ended 31 December 2023 of HK\$218,379,000 (31 December 2022: HK\$255,566,000) and HK\$19,315,000 (31 December 2022: HK\$30,572,000), respectively.

Generally, Swiss high-end watches markets continued to grow in 2023 and recovered to pre-COVID-19 level. Watch exports achieved record value, increased 7.6% as compared to 2022, while the corresponding number of watches also increased.

However, Swiss franc continued to appreciate against major currencies, which directly results in Swiss watches becoming more expensive for international buyers. The geopolitical situation in Europe, with the war in Ukraine is also a factor Swiss brands had to cope with shortage of raw materials, prices increase, and as a consequence, the lead time drastically increased, putting pressure on the final delivery of our watches.

Corum took some strategical decisions to cope with this environment. To overcome the increased lead time, Corum, on one hand, raised its level of account receivables. On the other hand, it monitored globally its inventory of watches to increase the rotation of stocks as well as to generate cash. The net inventory reduced by 8% as compared to 2022.

Corum focused its strengths in producing high-end pieces. After a strategical discussion with the top management, a SWOT analysis has led to focus on the development of high-end collections above CHF150,000 retail value and above, such as on the Golden Bridges and Heritage timepieces. By adapting the marketing costs to the current business needs, Corum reduced its consolidated operating expenses by 15.3% compared with previous year.

During the year 2023, Eterna opened the Indian market, which became the most important market for Eterna. It achieved a better margin there. Eterna also penetrated into the African markets. These new partners drove the margin up, with new distribution agreement. Switzerland remained an important market, while there was a growing interest in Asia, namely with the partner in Vietnam and with Eterna (Asia) Limited (located in Hong Kong) for the Greater China markets. Within the USA, the trend was going towards online sales, with a number of potential online partners expressing interest in collaborations.

The worldwide economic situation remained challenging for the market of non-essential goods. The unresolved conflict between Russia and Ukraine has kept energy prices elevated, contributing to increased living and business costs. These factors have inevitably impacted consumer confidence and their ability to spend. The turnover of the Dreyfuss Group as a result was lower than the previous year. Although the gross profit experienced a reduction, the gross profit margin increased 3% to 60.9% as compared to previous year.

The Dreyfuss Group streamlined operations and managed costs effectively to reduce the operating overheads by approximately 6.4% compared to 2022. The cost-reduction strategy was crucial, especially given the end of the UK government furlough scheme, which previously subsidized wages. It also undertook a strategic re-evaluation of advertising fee to ensure judicious use of resources amidst a tough economic environment.

With the ongoing strategy of Just In Time (JIT) and Buy to Order methods, the Dreyfuss Group could quickly fulfill customer orders without the burden of excessive stock levels. The inventory was closely aligned with the market needs and consumer preferences, keeping stock turnover rate at a healthy level. Both the number of finished products held by the end of 2023 and the value of inventory dropped from the previous year.

United Kingdom (“UK”) is the Dreyfuss Group’s largest single market, representing 86% of its revenue for the year ended 31 December 2023. The economy went on recession and along with increased costs of fuel and energy for the families, the UK market situation was worse than previous year, leading to the closure of UK stores. The Dreyfuss Group moved to international markets accordingly. It has approached new potential distributors in India and Taiwan markets, Kuwait and Saudi Arabia markets. It was also running a new test with a chain store in USA and Rotary has the possibility to become a permanent listed brand in the retail network. It is believed that new contracts in place for permanent distributions partnership could bring additional revenues from the area.

With the launch of a new Shopify website system, the Dreyfuss Group expanded its markets beyond UK and introduced more flexible buying options. Online sales increased by 42% from 2022, with profit margins improving to 73.3% in 2023 from 71.8% in 2022. These indicated the online sales strategies through strategic collaborations and expansion into new platforms and markets were successful.

Looking ahead in 2024, the Dreyfuss Group will focus its resources on profitable sales growth opportunities in key markets such as the USA, Canada and Germany. To enhance online sales and global brand presence, the Dreyfuss Group is exploring marketplace options in the USA and Germany online platforms for sales in these regions. The aims of online campaign are to expand Rotary’s market share through strengthening brand awareness, share of search and social platforms, and increase its social media presence whilst improving engagement and building a community.

I.C. Non-Proprietary Brands

Currently, the Group holds four distribution companies. Collectively, distribution companies contributed revenue and net loss after tax for the year ended 31 December 2023 of HK\$142,890,000 (31 December 2022: HK\$156,769,000) and HK\$2,736,000 (31 December 2022: net loss after tax of HK\$8,561,000), respectively.

I.D. Watches and timepieces and watch accessories businesses– Others

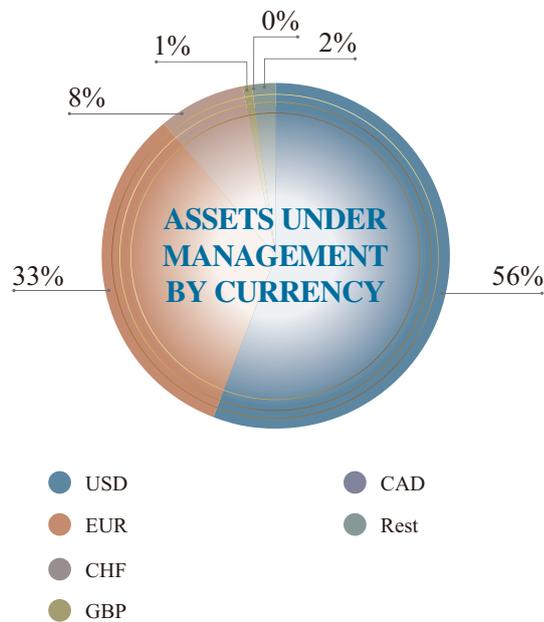
Other non-major subsidiaries of the Group are also engaged in other non-major categories of watches and timepieces and watch accessories businesses, which collectively contributed revenue and net loss after tax for the year ended 31 December 2023 of HK\$48,323,000 (31 December 2022: HK\$40,356,000) and HK\$5,005,000 (31 December 2022: HK\$3,574,000), respectively.

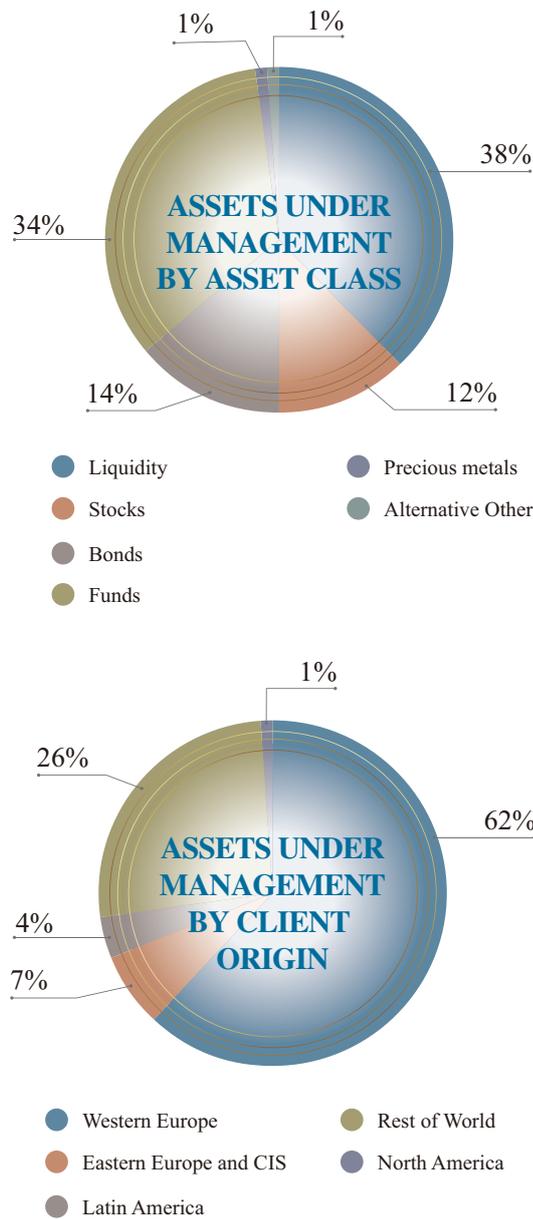
BANKING AND FINANCIAL BUSINESS

II.A. BENDURA BANK AG

Assets Under Management

For the year ended	CHF'000,000
31 December 2021	4,050
31 December 2022	3,614
31 December 2023	3,318





Revenue of Bendura Bank AG (“**Bendura Bank**” or the “**Bank**”) and its subsidiaries (the “**Bendura Group**”) for the year ended 31 December 2023 was HK\$491,839,000, an increase of HK\$154,319,000 or 45.7% from HK\$337,520,000 over 2022. Net profit of the Bendura Group after tax attributable to owners of the Company for the year ended 31 December 2023 was HK\$104,425,000, an increase of HK\$76,535,000 or 274.4% from HK\$27,890,000 in 2022. With a sustainable and profitable business mode, the Bank continued to have a sound financial base and a healthy liquidity situation.

Net profit after tax in 2023 was well above the previous year's level mainly due to the increase in interest income as a result of the significant rise in interest rates of major currencies. Net interest income increased by a 114% from HK\$133,526,000 in 2022 to HK\$286,001,000 in 2023.

Net income from commission and service fee activities recorded HK\$171,930,000, showing a slightly increase of 4% over the previous year. This was due to reduction in the number of client transactions and lower volume of assets under management.

Income from trading amounted to HK\$33,907,000, decreased by HK\$4,724,000 compared to the previous year while net ordinary income was increased by 36% over 2022 primarily due to the sale of a securities position.

Business expenses amounted to HK\$319,929,000, representing an increase of 16% compared to prior year, primarily due to the higher operating expenses related to the acquisition of Bendura Wealth Management (Hong Kong) Limited (formerly known as Challenge Capital Management Limited) ("**Bendura Wealth**"), a licensed corporation in Hong Kong which offers investment services such as dealing in securities, advice and asset management. Bendura Wealth has licences under the Securities and Futures Ordinance ("**SFO**") to engaging in the following regulated activities: Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) in Hong Kong. Other reasons for the increase are project costs related to the ongoing strategy project and costs in connection with the establishment of the subsidiary BENDURA Service GmbH in Vienna.

Assets under management dropped by CHF296.8 million (equivalent to HK\$2,754.0 million) compared to previous year, ending at CHF3,317.6 million (equivalent to HK\$30,784.1 million) in 2023. The decrease was partly performance-related and partly the result of a net money outflow.

2023 was marked by challenges such as aggressive rate hikes by the Federal Reserve and European Central Bank, banking crises that affected numerous institutions and geopolitical tensions in the Middle East and Eastern Europe. Coupled with continuous tightening of operating requirements in particular compliance, the Bank took a very prudent approach. Accordingly, the Bank massively managed to reduce its exposure towards Credit Suisse in the period well before it was integrated into another bank. Active liquidity management ensured the Bank had extremely high liquidity.

To reduce geopolitical risks, in November 2023, the Bank further extended its business in Hong Kong and Asia through acquisition of Bendura Wealth. The goal is to use this platform to provide clients in Asia with a wider range of products and services. The representative office in Hong Kong continues to prove a great success and it will continue to act together with Bendura Wealth as perfect platform for the Bank's future business in Asia.

The shortage of qualified staff in Liechtenstein was one of the concerns to the Bank in 2023 and the Bank looked for alternatives. In the second half of 2023, the Bank founded BENDURA Service GmbH, a wholly-owned subsidiary in Vienna with five highly qualified employees. The subsidiary was primarily intended to provide services for compliance and thus improve the continuity and quality.

At the beginning of 2023, two new young yet qualified members of the Board of Management were recruited internally from the Representative Office of the Bank in Hong Kong and from the Trading & Treasury. This reflects the continuity and sustainable personnel orientation of the Bank. The Bank is equipped with a wide spectrum of skill sets and experience particularly relevant to the sustainable growth of the Bank.

Looking ahead, with newly acquired Bendura Wealth, it is expected wealth management will be further expanded in Hong Kong and Asia. The Bank will closely monitor the development to enhance customer experience and boost sales efforts and brand awareness through online marketing.

III.A. Listed Equity Investment

(1) *Citychamp Dartong Company Limited*

As at 31 December 2023, financial assets at fair value through other comprehensive income of the Group was HK\$285,627,000. HK\$25,342,000 was related to the listed equity investment in the equity share of Citychamp Dartong Company Limited (“**Citychamp Dartong**”). Citychamp Dartong is a company listed on the Shanghai Stock Exchange (stock code: 600067) and engaged in real estate, enameled wire, banking and new energy. As at 31 December 2023, the Group owned 9,154,370 shares of Citychamp Dartong at the market price of RMB2.51 per share (equivalent to HK\$2.77 per share) with the fair value of HK\$25,342,000. The shares held by the Group accounted for 0.66% of the total issued share capital of Citychamp Dartong as at 31 December 2023. Such fair value accounted for 0.2% 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\$6,781,000 for the year ended 31 December 2023, as a result of decrease in the share price of Citychamp Dartong from RMB3.10 (equivalent to HK\$3.51) as at 1 January 2023 to RMB2.51 (equivalent to HK\$2.77) as at 31 December 2023. No dividend income from Citychamp Dartong was recognised by the Group for the year ended 31 December 2023 (2022: nil).

(2) *Min Xin Holdings Limited*

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

Min Xin is a company engaged in financial services, securities trading, real estate development, toll road and manufacturing. As at 31 December 2023, the investment in Min Xin was HK\$254,754,000 (i.e. 88,150,000 shares at the market price of HK\$2.89 per share as at 31 December 2023). Such fair value of the investment accounted for 1.5% of the Group’s total assets. The shares held by the Company accounted for 14.76% of the total issued share capital of Min Xin as at 31 December 2023.

The Company incurred a net loss on fair value change in Min Xin’s investment of HK\$3,526,000 for the year ended 31 December 2023 (31 December 2022: net loss of HK\$92,557,000), as a result of decrease in the share price of Min Xin from HK\$2.93 as at 1 January 2023 to HK\$2.89 as at 31 December 2023. For the year ended 31 December 2023, the Company’s dividend income from Min Xin was HK\$10,578,000 (2022: HK\$10,578,000).

III.B. Property Investment

The properties in Mainland China and Hong Kong owned by the Group have been leased out, with stable stream of rental income to the Group for the year ended 31 December 2023 under review. During the year ended 31 December 2023, these investment properties generated rental income of HK\$23,275,000 (31 December 2022: HK\$20,465,000). Net profit after tax from the property investment business for the year ended 31 December 2023 was HK\$17,671,000 (31 December 2022: HK\$7,239,000).

HEADQUARTER AND OTHERS

Losses from administrative expenses, finance costs and income tax of the headquarter and other non-major subsidiaries and/or non-major categories of businesses for the year ended 31 December 2023 was HK\$79,191,000 (31 December 2022: HK\$96,605,000).

FINANCIAL POSITION

(1) Liquidity, Financial Resources and Capital Structure

As at 31 December 2023, the Group had non-pledged cash and bank balances of approximately HK\$3,761,431,000 (31 December 2022: HK\$4,314,638,000). Based on the borrowings of HK\$681,254,000 (31 December 2022: HK\$958,135,000), due to a shareholder of HK\$9,025,000 (31 December 2022: HK\$12,000,000), due to directors of HK\$66,772,000 (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\$50,000,000 (31 December 2022: HK\$10,000,000) and shareholders' equity of HK\$4,365,294,000 (31 December 2022: HK\$4,012,813,000), the Group's gearing ratio (being borrowings plus due to a shareholder, directors, a related company and an associate divided by shareholders' equity) was 21.2% (31 December 2022: 30%).

(2) Charge on assets

As at 31 December 2023, the Group's borrowings were mainly secured by:

- (a) corporate guarantees provided by certain subsidiaries within the Group;
- (b) equity interest of certain subsidiaries within the Group; and
- (c) a legal charge over the Group's property, plant and equipment with the carrying amount of HK\$252,528,000 (2022: HK\$259,439,000).

(3) Capital commitment

Capital commitments as at 31 December 2023 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 purchase of property, plant and equipment.

Except for the above, the Group had no other material capital commitments as at 31 December 2023.

FINANCIAL REVIEW

(1) Total assets

Total assets increased to HK\$16,531,006,000 as at 31 December 2023 from HK\$16,157,243,000 as at 31 December 2022.

Cash and deposits

	31 December 2023	31 December 2022	Increase/(decrease)	
	<i>HK\$'000</i>	<i>HK\$'000</i>	Amount	%
			<i>HK\$'000</i>	
Cash and bank balances	66,625	75,452	(8,827)	(11.7)
Cash held on behalf of clients	6,957	–	6,957	100
Sight deposits with central banks	3,687,849	4,239,186	(551,337)	(13.0)
	<u>3,761,431</u>	<u>4,314,638</u>	<u>(553,207)</u>	<u>(12.8)</u>

Due from banks

	31 December 2023	31 December 2022	Increase/(decrease)	
	<i>HK\$'000</i>	<i>HK\$'000</i>	Amount	%
			<i>HK\$'000</i>	
Due from banks on a daily basis	1,908,088	1,594,134	313,954	19.7
Due from banks other claims	185,560	127,947	57,613	45.0
Due from banks – precious metal	130,989	208,223	(77,234)	37.1
Valuation adjustments	(1,669)	(664)	(1,005)	(151.4)
	<u>(1,669)</u>	<u>(664)</u>	<u>(1,005)</u>	<u>(151.4)</u>

(2) Investments

The investment as at 31 December 2023 included (a) trading portfolio investments of HK\$27,558,000; (b) derivative financial assets of HK\$5,136,000; (c) financial assets at amortised cost of HK\$1,878,805,000; and (d) financial assets at fair value through other comprehensive income of HK\$285,627,000 (the “Investments”).

(a) Trading portfolio investments of HK\$27,558,000

	31 December 2023 HK\$'000	31 December 2022 HK\$'000
Equity Instruments		
Listed equity instruments in Hong Kong at market value	629	451
Listed equity instruments outside Hong Kong at market value	–	586
Total equity instruments	629	1,037
Debt instruments		
Unlisted debt instruments of financial institutions	189	190
Total debt instruments	189	190
Investment fund units		
Unlisted investment fund units	19,890	20,186
Total investment fund units	19,890	20,186
Investments in other financial products	6,850	6,680
Total trading portfolio investments	27,558	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.

As at 31 December 2023, there were HK\$629,000 invested in a variety of listed equities in Hong Kong.

The debt instruments of HK\$189,000 invested in the Mainland China by a PRC company.

Trading assets of CHF1.0 million (equivalent to HK\$8,876,000) 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 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\$6,850,000 invested by Eternal Brands.

(b) Derivative financial assets of HK\$5,136,000

	31 December 2023 HK\$'000	31 December 2022 HK\$'000
Derivative financial assets		
Forward and option contracts	<u><u>5,136</u></u>	<u><u>2,888</u></u>

In the derivative financial assets of HK\$5,136,000, there were forward and option contracts conducted by Bendura Bank.

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

As at 31 December 2023, forward contracts of HK\$5,136,000, whereof approximately HK\$3 million relate to FX swaps entered by Bendura Bank. Based upon risk/return considerations, client deposits denominated in foreign currencies were, in part, no longer invested on the interbank market but were swapped into Swiss francs or Euro using currency swaps and deposited with the Swiss National Bank (SNB) and Austrian National bank (OenB) accordingly. Income from the interest component of currency swaps exceeded the expense of SNB/OenB negative interest and the reduced level of interest from banks.

At as 31 December 2022, derivative financial assets of HK\$2,888,000 related to forward and option contracts were conducted by Bendura Bank.

(c) *Other financial assets at amortised cost of HK\$1,878,805,000*

	31 December 2023 HK\$'000	31 December 2022 HK\$'000
Listed debt instruments, at amortised cost		
<i>Issued by:</i>		
Governments and public sector	891,891	229,862
Financial institutions	430,835	901,527
Corporations	556,079	440,336
	<u>1,878,805</u>	<u>1,571,725</u>

Bendura Bank invested in listed debt instruments issued by government and public sector, financial institutions and corporations amounting to HK\$1,878,805,000. The portfolio was composed of 94 listed debt instruments with different maturity, geography, segment and currency and hence, diversification is ensured. Almost all listed debt instruments were considered upper-medium-grade and are subject to low credit risk. The average remaining term of the HTM portfolio is 2.40 years, while the modified duration of the portfolio is only 1.50%. Largest single investments are bonds issued by ESM Treasury Bill matured in May 2024 (CHF25 million) and ESM Treasury Bill matured in February 2024 (CHF12 million). Both issuers are triple-A rated. Risk concentration is analyzed and presented to the senior management on a monthly basis.

Relatively major listed debt instruments as at 31 December 2023 are as follows:

Issuer	Nature of interest rate	Sector	Maturity date	Value (CHF'000)
Kfw	Fixed	Financial corporations	15 March 2028	4,633
Asian Infrastructure Inv	Fixed	Financial corporations	14 February 2028	4,907
Nestle Holdings Inc	Fixed	Non-financial corporations	13 March 2026	5,898
Amazon.com Inc	Fixed	Non-financial corporations	12 May 2026	6,713
Henkel AG & Co KGaA	Fixed	Non-financial corporations	17 November 2026	6,716
Intl Bk Recon & Develop	Fixed	Financial corporations	19 March 2024	8,409
DBS Bank Ltd	Fixed	Financial corporations	26 October 2026	8,410
ESM Tbill	Zero Coupon	General governments	22 February 2024	12,007
ESM Tbill	Zero Coupon	General governments	23 May 2024	24,703
Others				<u>120,083</u>
Total				<u>202,479</u>
HKD Equivalent to (in '000)				<u><u>1,878,805</u></u>

Collectively, listed debt instruments, at amortised cost accounted for 11.4% 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. Largest single investments are bond issued by International Bank of Reconstruction and Development (CHF9 million) and ESM Treasury Bill (CHF13 million). Both are triple-A issuers. Risk concentration is analyzed and presented to the senior management on a monthly basis.

Relatively major listed debt instruments as at 31 December 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				<u>124,219</u>
Total				<u>186,101</u>
HKD Equivalent to (in '000)				<u><u>1,571,725</u></u>

(d) Other financial assets at fair value through other comprehensive income of HK\$285,627,000

	31 December 2023 HK\$'000	31 December 2022 HK\$'000
Listed equity instruments in Hong Kong	254,754	258,280
Listed equity instruments outside Hong Kong	25,342	32,124
Unlisted equity investment	5,531	5,676
	<u>285,627</u>	<u>296,080</u>

Listed equity instruments of HK\$25,342,000 related to investment in Citychamp Dartong and HK\$254,754,000 related to investment in Min Xin. Details of investments in Citychamp Dartong and Min Xin are set out from pages 42 to 43 of this announcement.

(3) Goodwill and Intangible assets

(a) Goodwill

Goodwill is arising from business combinations, and capitalised as assets in the consolidated statement of financial position. The Group engages professional valuer to conduct impairment testing on individual cash generating units (“CGUs”) every financial year. As at 31 December 2023, the net carrying amount of goodwill was HK\$1,150,672,000 (As at 31 December 2022: HK\$1,092,012,000), which mainly composed of the following CGUs:

		31 December 2023	31 December 2022
	Segment	HK\$'000	HK\$'000
Zhuhai Rossini Watch Industry Limited	Watches and timepieces	603,646	619,546
Bendura Group	Banking Business	284,703	259,131
Ernest Borel Group	Watches and timepieces	234,389	213,335
Gold Vantage Group	Watches and timepieces	27,934	–
Total		<u>1,150,672</u>	<u>1,092,012</u>

The decrease in Goodwill was solely due to the exchange rate difference between foreign currencies and Hong Kong Dollar as at 31 December 2022 and 31 December 2023 respectively.

(b) *Intangible assets*

Intangible assets are arising from business combinations, and capitalised as assets in the consolidated statement of financial position. They included supplier and distribution networks, brand names, patents and trading rights. As at 31 December 2023, the net carry amount of intangible assets was HK\$105,693,000 (As at 31 December 2022: HK\$43,254,000), which allocated to the following category:

	31 December 2023 HK\$'000	31 December 2022 HK\$'000
Supplier and distribution networks	–	–
Brand Names	46,302	43,254
Trading Rights	–	–
Computer Software	880	–
Customer relationship	41,805	–
Technical knowhow	16,706	–
	<hr/>	<hr/>
Total	105,693	43,254

Brand name with indefinite useful lives amounted to HK\$46,302,000 are attributable to the CGU of Ernest Borel Group and the decrease in the value of brand names was solely due to the exchange rate difference between foreign currency and Hong Kong Dollar as at 31 December 2022 and 31 December 2023 respectively.

(4) **Total liabilities**

Total liabilities increased to HK\$12,165,712,000 as at 31 December 2023 from HK\$11,978,382,000 as at 31 December 2022, mainly attributable to a increase in due to clients.

Due to clients

	31 December 2023 HK\$'000	31 December 2022 HK\$'000	Increase/(decrease) Amount HK\$'000	%
Due to clients – precious metals	131,180	208,435	(77,255)	(37.1)
Other amounts due to clients, mainly bank deposits	10,024,131	9,779,243	244,888	2.5

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

Gross profit from non-banking and financial businesses was HK\$623,219,000, a decrease of HK\$40,800,000, or 6.1%.

(6) EBITDA

EBITDA was HK\$255,878,000, an increase of HK\$204,150,000 or 394.7%.

(7) Selling and distribution expenses

Total selling and distribution expenses was HK\$376,358,000, a decrease of HK\$72,085,000 or 16.1%.

(8) Administrative expenses

Total administrative expenses was HK\$667,762,000, an increase of HK\$41,168,000 or 6.6%.

(9) Share of profit of associates

The share of profit of associates is mainly arising from the share of profit from Fair Future and its subsidiaries, a 25% owned associate of the Group, was HK\$13,842,000, representing a decrease of HK\$2,898,000 or 17.3%. Fair Future is one of the leading OEM quartz watch manufacturers in Mainland China.

(10) Finance costs from non-banking business

Finance costs from non-banking business was HK\$78,242,000, representing an increase of HK\$7,710,000 or 10.9%. It was composed of the interest charged on corporate bonds and the interest charged on bank borrowings, bank overdrafts and lease liabilities.

(11) Gain attributable to owners of the Company

Gain attributable to owners of the Company was HK\$45,100,000 (31 December 2022: loss of HK\$111,051,000) for the year ended 31 December 2022.

(12) Inventories

Inventories was HK\$1,805,899,000, a decrease of HK\$130,024,000 or 6.7%.

OUTLOOK

In 2024, growth and politics will take center stage. In view of the elections of the heads of states for countries such as US, UK and Australia, the central banks across the globe are likely to be more growth oriented rather than focusing on controlling inflation against a backdrop of trade and geopolitical tensions.

The macroeconomic situation of Mainland China in 2024 will remain challenging. Mainland China is still dogged by the weakness in the property prices, global demand for Mainland China's exports, and the geopolitical tensions. Relationships between the Mainland China and US are likely to be challenging as the world is splintering into rival blocs and spheres of influence. Coupled with the lower disposable income growth and higher level of unemployment, consumer confidence is significantly affected. The sluggish consumer spending has been a key factor hindering a stronger recovery for the demand for our watches.

A series of measures aimed at boosting property demand was introduced, followed by various measures wrestling with many structural issues and much stronger fiscal stimulus to support infrastructure growth. One of the most recent measures is to build a nationwide unified market. The long-term prospects of the Chinese market remain robust.

EMPLOYEES AND REMUNERATION POLICY

Our sustained success would not be possible without the high levels of expertise, professionalism and commitment shown by our employees. As at 31 December 2023, the Group had approximately 3,050 staff in Hong Kong and Mainland China (as at 31 December 2022: 3,600 staff) and approximately 178 staff in Europe (as at 31 December 2022: 250 staff). The remuneration packages offered to the employees were determined and reviewed on an arm's length basis with reference to the market condition and individual performance. The Group also provides other benefits to its employees, including year-end double pay, medical insurance and retirement benefits, and incentive bonuses are offered with reference to the Group's operating results and employees' individual performance. All employees of the Group in Hong Kong have joined the provident fund schemes. Employees of Group's subsidiaries in Mainland China also have participated in social insurance scheme administrated and operated by local authorities and contributions were made according to the local laws and regulations.

FINAL DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 31 December 2023 (31 December 2022: nil).

CLOSURE OF REGISTER OF MEMBERS

The Company's forthcoming Annual General Meeting is scheduled to be held on Tuesday, 28 May 2024 (the "**2024 AGM**"). For the purpose of determining the entitlement to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Thursday, 23 May 2024 to Tuesday, 28 May 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2024 AGM, all properly completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 22 May 2024.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange for the year ended 31 December 2023 except with the deviations disclosed below:

CG Code provision C.1.6

CG Code provision C.1.6 stipulates that independent non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. An independent non-executive director of the Company (the "**Independent Non-executive Director**") did not attend the annual general meeting of the Company held on 23 May 2023 (the "**2023 AGM**") due to his other business engagement. The remaining Independent Non-executive Directors were presented and were available to answer the questions at the 2023 AGM.

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

CG Code provision C.5.1

CG Code provision C.5.1 stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. However, only two regular Board meetings were convened during the year ended 31 December 2023.

The Company's senior management have regularly updated the Board for the Group's business development with performance review through electronic means for communication. All the Board members are encouraged to express their opinions for the Company's matters. The Board was consulted for each crucial decision and the written resolutions are also circulated to all the Directors to obtain board consents. As such, the Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code. The Company will also endeavour to hold Board meetings regularly at approximately quarterly intervals in the future.

CG Code provision F.2.2

CG Code provision F.2.2 stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Board was unable to attend the 2023 AGM due to his other business engagement. Mr. Siu Chun Wa, the Executive Director of the Company, presented at the 2023 AGM was elected as the chairman of the 2023 AGM to ensure the effective communication with the Company's shareholders thereat. The Chairman will endeavour to attend all future general meetings of the Company unless unexpected or special circumstances preventing them from doing so.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix C3 to the Listing Rules as its code of conduct for securities transactions by Directors and by relevant employees of the Group. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2023.

BOARD OF DIRECTORS

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

BOARD COMMITTEES

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

Audit Committee

The Company has established an audit committee (the “**Audit Committee**”) for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee currently comprises three Independent Non-executive Directors, being Mr. Kam, Eddie Shing Cheuk (chairman of the committee), Dr. Kwong Chun Wai, Michael and Mr. Zhang Bin. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial matters including the review of the audited financial statements for the year ended 31 December 2023.

Remuneration Committee

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

Nomination Committee

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

Risk Management Committee

The Company has established a risk management committee (the “**Risk Management Committee**”) to assist the Board in reviewing and ensuring the effectiveness of the Group's risk management system. Terms of reference have been adopted by the Board. The Risk Management Committee currently comprises three members, namely Mr. Teguh Halim (chairman of the committee), Mr. Siu Chun Wa and Mr. Shi Tao.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee has reviewed the consolidated financial statements for the year ended 31 December 2023 in conjunction with BDO Limited, the Company's external auditor. Based on this review and discussions with management, the Audit Committee was satisfied that the consolidated financial statements for the year ended 31 December 2023 were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended 31 December 2023.

SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's websites at www.irasia.com/listco/hk/citychamp and www.citychampwj.com. The annual report of the Company for the year ended 31 December 2023 will be available on the respective websites of the Stock Exchange and the Company, and despatched to the shareholders of the Company in due course.

APPRECIATION

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

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

Hong Kong, 27 March 2024

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