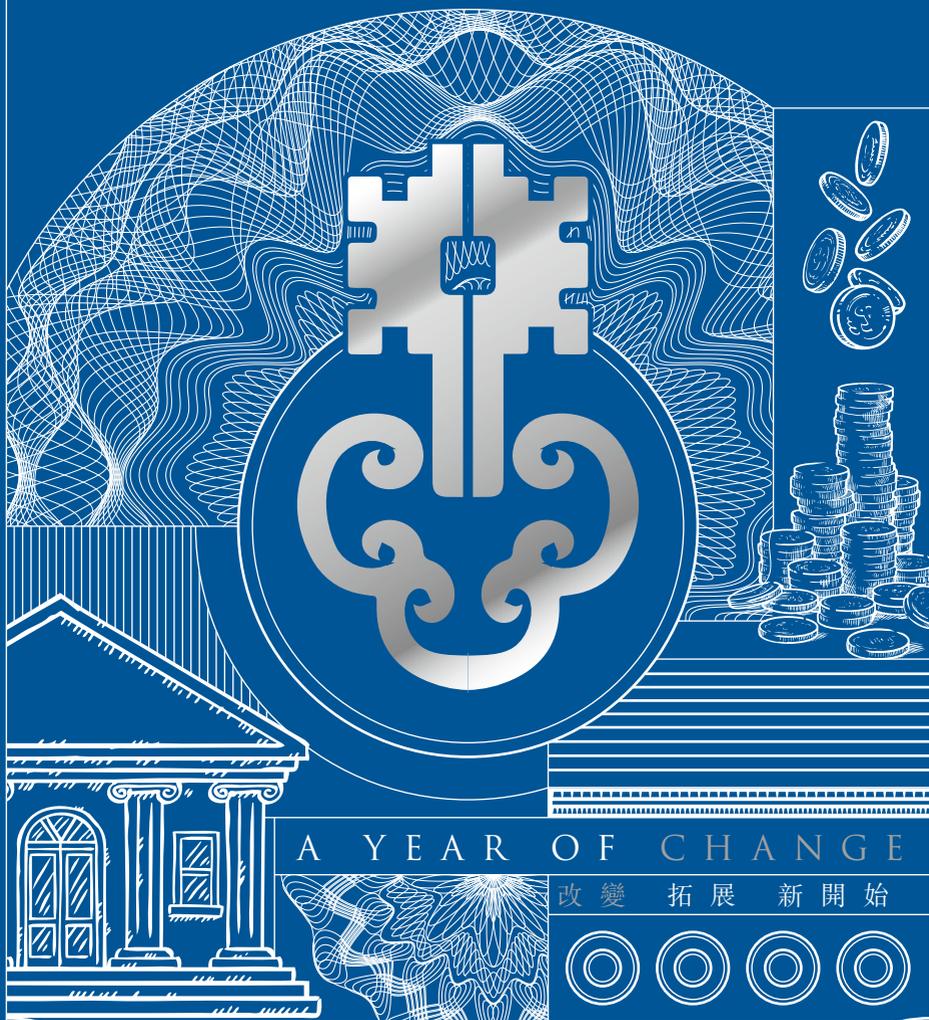




CITYCHAMP
WATCH & JEWELLERY GROUP LIMITED
冠城鐘錶珠寶集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號: 256



A YEAR OF CHANGE

改變 拓展 新開始



Interim Report 中期報告 2021

Board of Directors

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Risk Management Committee

SIT Lai Hei (*Committee Chairman*)
SHI Tao
LAM Toi Man
BI Bo

CFO & Company Secretary

FONG Chi Wah

Auditor

BDO Limited

Principal Bankers

Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
Industrial Bank Co., Ltd. Hong Kong Branch
Luso International Banking Ltd.
Bank of Communications Co., Ltd.
Hong Kong Branch
Korea Development Bank Qingdao Branch

Hong Kong Branch Share Registrar

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

Registered Office

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

Principal Office

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

Websites

www.irasia.com/listco/hk/citychamp
www.citychampwj.com

Management Discussion and Analysis

Our Strategy

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

Financial Highlights

	Six months ended 30 June		Variation %
	2021 HK\$'000	2020 HK\$'000	
Total revenue	994,585	796,114	24.9
Operating expenses	626,975	588,578	6.5
Gross profit generated from non-banking and financial businesses	460,459	306,976	50.0
Gross profit generated from banking and financial businesses	169,796	199,111	-14.7
EBITDA	89,839	30,566	193.9
Loss before tax	(6,230)	(86,094)	-92.8
Net loss after tax	(27,521)	(92,475)	-70.2
Loss per share attributable to owners of the Company for the period			
– Basic	(HK0.63 cent)	(HK2.32 cents)	-72.8
– Diluted	(HK0.63 cent)	(HK2.32 cents)	-72.8

	30 June	31 December	Variation %
	2021 HK\$'000	2020 HK\$'000	
Total assets	22,181,605	21,385,195	3.7
Total liabilities	17,648,617	16,648,968	6.0
Total equity	4,532,988	4,736,227	-4.3

Operating Results

For the six months ended 30 June 2021, the Group recorded total revenue of approximately HK\$994,585,000 (six months ended 30 June 2020: HK\$796,114,000), an increase of HK\$198,471,000 or 24.9% over the corresponding period last year.

Operating expenses (including selling and distribution expenses and administrative expenses) for the six months year ended 30 June 2021 was approximately HK\$626,975,000 (six months ended 30 June 2020: HK\$588,578,000), an increase of HK\$38,397,000 or 6.5% over the corresponding period last year.

Operating Results (Continued)

Gross profit generated from non-banking and financial businesses for the six months ended 30 June 2021 was approximately HK\$460,459,000 (six months ended 30 June 2020: HK\$306,976,000), an increase of HK\$153,483,000 or 50.0% over the corresponding period last year.

Gross profit generated from banking and financial businesses for the six months ended 30 June 2021 was approximately HK\$169,796,000 (six months ended 30 June 2020: HK\$199,111,000), a decrease of HK\$29,315,000 or 14.7% over the corresponding period last year.

EBITDA for the six months ended 30 June 2021 was approximately HK\$89,839,000 (30 June 2020: HK\$30,566,000), an increase of HK\$59,273,000 or 193.9% over the corresponding period last year.

Net loss after tax for the six months ended 30 June 2021 was approximately HK\$27,521,000 (six months ended 30 June 2020: net loss HK\$92,475,000), a decrease of HK\$64,954,000 or 70.2% over the corresponding period last year.

Performance

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

- I. Watches and timepieces businesses
 - I.A – local proprietary brands
 - I.B – foreign proprietary brands
 - I.C – non-proprietary brands
 - I.D – others
- II. Banking and financial businesses
 - II.A – Bendura Bank AG
 - II.B – Shun Heng Finance Holding (Hong Kong) Limited
- III. Various investment businesses
 - III.A – listed equity investment
 - III.B – property investment
 - III.C – other marketable securities

Performance (Continued)

I.A LOCAL PROPRIETARY BRANDS

Zhuhai Rossini Watch Industry Limited

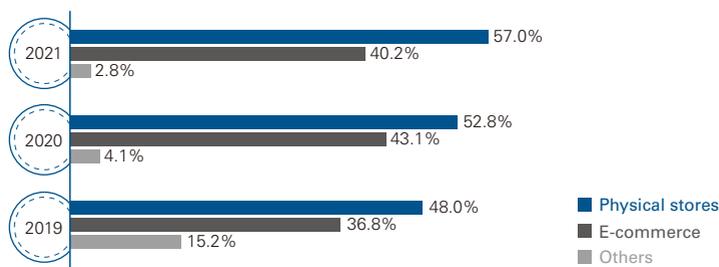
For the six months ended 30 June 2021, Zhuhai Rossini Watch Industry Limited ("Rossini"), a 91% subsidiary of the Group, recorded revenue of HK\$340,858,000, an increase of HK\$72,793,000 or 27.2%, from HK\$268,065,000 for the same period last year. Net profit after tax attributable to owners of the Company for the period under review was HK\$58,999,000, representing an increase of HK\$31,649,000 or 115.7% from HK\$27,350,000 for the same period last year.

The outbreak of the COVID-19 since 2020 has intensified the challenges of business for physical stores in Mainland China. To cope with this difficult time, Rossini implemented diversified sales models and flexible policies, by making quick response to market so as to improve sales performance and achieve positive results.

During the first half of 2021, though the COVID-19 was no longer spreading widely in Mainland China, the number of customers in physical stores was still limited. However, to reduce the impact from the COVID-19, Rossini continued to consolidate and develop the position of physical market sales by implementing flexible policies to physical stores based on provinces, regions, and branches, strengthening the control of trade receivables, and encouraging branches to expand into shopping malls of third-tier and fourth-tier cities and so forth. The efforts eventually brought an increase of approximately 27.2% in revenue compare to same period last year.

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

For the six months ended 30 June



Performance (Continued)

I.A LOCAL PROPRIETARY BRANDS (Continued)

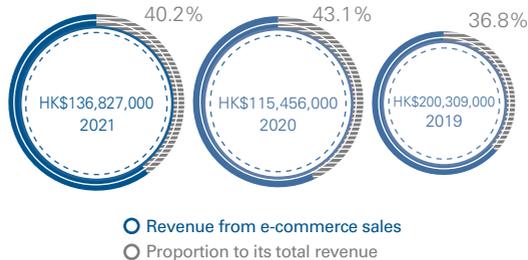
Zhuhai Rossini Watch Industry Limited (Continued)

E-commerce sales for the six months ended 30 June 2021 increased to HK\$136,827,000 from HK\$115,456,000 for the same period last year, representing an increase of approximately 18.5%. As one of the strategies to boost up the revenue, Rossini has developed e-commerce intensively, and a positive outcome has been achieved.

Specifically, Rossini kept expanding its territory for occupying more market shares by opening online distributors on the leading e-commerce platforms including Taobao, Tmall, JD and Pinduoduo. In addition, the shopping preferences of the Chinese consumers, especially those of the young generation, were influenced by key opinion leaders (KOL), who spread their views on social media live streaming apps. Rossini's e-commerce team seized the current trend and as a result, e-commerce livestreaming has taken off. Rossini was actively exploring new opportunities on popular social media platforms including Xiaohongshu, Kuaishou and Tik Tok to strengthen its brand awareness.

Rossini's revenue earned from e-commerce sales

For the six months ended 30 June



The ongoing of the COVID-19 keeps on bringing negative impact to the tourism industry. As a result, Rossini's industrial tourism business has been inevitably effected. With the COVID-19 was relatively under control in Mainland China since late 2020, domestic tourism has been gradually restored. The tourist number for the six months ended 30 June 2021 was approximately 30,000 (six months ended 30 June 2020: 10,000). Revenue was approximately HK\$2,343,000, representing an increase of approximately 20% over the corresponding period last year.

Performance (Continued)

I.A LOCAL PROPRIETARY BRANDS (Continued)

EBOHR Group

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

Revenue of EBOHR Group for the six months ended 30 June 2021 was HK\$168,447,000, an increase of HK\$34,883,000 or 26.1% from HK\$133,564,000 for the same period last year. Net profit after tax for the six months ended 30 June 2021 was HK\$4,306,000, compared with a loss of HK\$16,498,000 for the same period last year.

The rebound of the COVID-19 in 2021 continuously brought a negative impact to the entire economy in Mainland China, people remained cautious in their consumption, especially in non-essential goods, leading to overall decrease in demand for watches. In addition, the competition from smart-watches also exercised a strong pressure on traditional watch sales. Despite the business environment remains challenging, EBOHR still made some positive progress in the first half of 2021. Revenue from physical stores increased approximately 30% compared to the same period last year. The improvement was mainly due to successful brand building strategy. By making use of various TV channels in Mainland China and popular social platforms like Wechat and TikTok, as well as organizing various festival sales promotion, different forms of creative promotion strengthened the brand awareness of EBOHR among the markets, and hence resulting in a better performance.

EBOHR’s revenue earned from e-commerce sales

For the six months ended 30 June



On the other hand, revenue from e-commerce slightly decreased 3.7% compared to the same period last year. Although revenue from some e-commerce platforms recorded a huge improvement, the drop in revenue from the leading online platforms like Tmall, JD and Vipshop offset the overall performance, resulting the limited growth of e-commerce.

Performance (Continued)

I.A LOCAL PROPRIETARY BRANDS (Continued)

EBOHR Group (Continued)

To further enhance the competitiveness of EBOHR, the R&D team put a lot efforts on the development of smart-watches. The target is to produce its own brand-new smart watch series, aiming to penetrate into the smart watch markets with promising growth potential. As the development of the COVID-19 is still not predictable in short term, EBOHR will keep imposing stringent control on labor's productivity and effectiveness to minimize the waste of resources.

The rapid growth of digital economy is changing consumer behavior, especially teenager groups demanding for individuality and diversity. Both Rossini and EBOHR Group are aggressively implementing strategies to enhance e-commerce. It is believed that the proportion of the e-commerce sales to revenue for both companies will increase and their contribution to the bottom-lines will also increase.

I.B FOREIGN PROPRIETARY BRANDS



Ernest Borel Holdings Limited

The Group held 64.08% equity interest in Ernest Borel Holdings Limited ("Ernest Borel", together with its subsidiaries, the "Ernest Borel Group") as at 30 June 2021. Ernest Borel Group recorded revenue and net loss after tax for the six months ended 30 June 2021 of HK\$77,047,000 (six months ended 30 June 2020: HK\$36,627,000) and HK\$11,720,000 (six months ended 30 June 2020: HK\$7,839,000), respectively.

Mainland China remains as the core market of the Ernest Borel Group. Revenue from Mainland China was approximately HK\$75,111,000 for the six months ended 30 June 2021, accounting for approximately 97.5% of its total revenue.

The extensive distribution network of the Ernest Borel Group covers retail markets in Mainland China, Hong Kong, Macau, Southeast Asian countries, Europe and the US. As at 30 June 2021, the Ernest Borel Group had 808 POS, comprising 694 POS in Mainland China, 100 POS in Hong Kong, Macau and Southeast Asian countries and 14 POS in Europe, the US and India.

Performance (Continued)

I.B FOREIGN PROPRIETARY BRANDS (Continued)

Ernest Borel Holdings Limited (Continued)

During the first half of 2021, the sales performance in Hong Kong, Macau and Southeast Asian countries were still heavily affected by the COVID-19. To increase revenue, the Ernest Borel Group continued to strengthen e-commerce sales in Mainland China. It launched specialized type watches and expanded special distribution channels such as duty-free shops and group customers business outlets opened in the Hainan Free Trade Zone. In addition, as the COVID-19 in Mainland China gradually relieved, the number of infections continued to decline. With the travel restriction control resulted in increasing domestic consumption, the revenue for the first half of 2021 was satisfactory, almost doubling the amount for the same period last year.

To reduce the impact of the COVID-19 on revenue, Ernest Borel Group applied different strategies. It optimized the price structure of watches, adjusted price downwards appropriately, and strived for market share of Swiss watches at different price levels. At the same time, it also optimized the customer profit margins by adjusting the supply chain, and reducing costs.

Ernest Borel Group will launch a series of marketing activities related to new brand spokespersons to strive for online and offline sales in Mainland China. It will continue to keep good relationship with distributors in Hong Kong, Macau and overseas countries for the expected recovery upon the release of the travel restrictions.

Other Foreign Proprietary Brands

Collectively, Corum, Eterna and The Dreyfuss Group Limited (the "Dreyfuss Group") contributed revenue and net loss after tax for the period ended 30 June 2021 of HK\$93,970,000 (six months ended 30 June 2020: HK\$67,190,000) and HK\$30,095,000 (six months ended 30 June 2020: HK\$51,746,000), respectively.

All the markets, including the Swiss watches market, were still impacted by the COVID-19, the closure of many shops around the world and the shutdown of international tourism have taken a heavy toll on the "Swiss Made" watches industry. To minimize the effect of the crisis, Corum has drastically cut the expenses by reviewing all the contracts and negotiating with all suppliers, together with streamlining the unnecessary working procedure. In addition, the marketing strategy disclosed early last year got very positive feedbacks from the markets, retailers, clients and other stakeholders. The first prototypes of the Golden Bridge have been introduced during Watches & Wonders 2021. The collection has attracted customers and retailers expressed a clear acceptance of the product collection with certain models selling out before the pieces were actually produced. Corum also planned to focus on the Chinese market by developing new distribution channels and setting up some local events, and dedicated to these markets in the second half of 2021 to improve its financial results.

Performance (Continued)

I.B FOREIGN PROPRIETARY BRANDS (Continued)

Other Foreign Proprietary Brands (Continued)

Eterna's strongest markets remained in Europe, with growing interest in Asia, especially the Mainland China market, which became the most important export market for the Swiss watch industry. Within the US, there was a trend towards online sales. During the first half of 2021, Eterna mainly focused on clearing the inventories, which allowed Eterna to reach a sustainable positive cashflow. Generally, Eterna controlled all operating expenses to offset the decrease in revenue.

The COVID-19 also affected both activity and revenue of Eterna Movement. During the first half of 2021, it had limited production and sales because Switzerland had a partial lockdown from mid-December 2020 until mid-April 2021. Thus the revenue from movements and components were reduced accordingly. To overcome the impact from the low production level, Eterna Movement managed to cut most of its production costs in a higher ratio than the revenue reduction and succeeded in reducing the loss for the first half of 2021 compared to the same period last year.

The performance of the Dreyfuss Group was improved as a result of the slow recovery of both the UK and global economy from the COVID-19. Revenue increased approximately 48% compared to the same period last year. The UK is still the Dreyfuss Group's largest single market, representing approximately 78% of its total turnover for the six months ended 30 June 2021. During the period, the Dreyfuss Group worked closely with the UK major customers by building strong relationships through regular online meetings and providing desirable watches at compelling price to increase profitability. It also continued to develop strategic international markets, especially the Mainland China market, so as to lessen the dependence on the UK market. The sales of the subsidiary in Mainland China has grown 77% for the first half of 2021 compared with same period last year.

In addition, the Dreyfuss Group aims to gain a greater presence in online business by focusing on customer needs, as well as pushing exclusive orders to large specialist retailers. The Dreyfuss Group also recognizes the growing significance of social media in influencing consumption among young customers. It actively develops its marketing strategy via social media. By supporting the leading players in the UK e-commerce industry and developing segmented collections for them, the Dreyfuss Group aims to further broaden its customer base.

Backed by our competitive strengths and deep understanding of the needs of our customers, we will redeploy our resources to realize gains in efficiency and synergy and will build on the good progress we have made to provide long-term value.

I.C NON-PROPRIETARY BRANDS

Currently, the Group held four distribution companies. Collectively, distribution companies contributed revenue and net profit after tax for the period ended 30 June 2021 of HK\$122,320,000 (six months ended 30 June 2020: HK\$76,233,000) and HK\$1,733,000 (six months ended 30 June 2020: net loss after tax HK\$1,628,000) respectively.

Performance (Continued)

I.D OTHERS

Other non-major subsidiaries of the Group also engaged in other non-major categories of watch and timepieces businesses, which collectively contributed revenue and net loss after tax for the period ended 30 June 2021 of HK\$15,377,000 (six months ended 30 June 2020: HK\$11,268,000) and HK\$12,359,000 (six months ended 30 June 2020: HK\$9,566,000) respectively.

II.A BENDURA BANK AG

Revenue of Bendura Bank AG (“Bendura Bank” or the “Bank”) for the period ended 30 June 2021 was HK\$168,213,000, a decrease of HK\$26,981,000 or 13.8% from HK\$195,194,000 for the same period last year. Net profit after tax attributable to owners of the Company for the period ended 30 June 2021 was HK\$8,684,000, representing a decrease of HK\$3,695,000 or 29.8% from HK\$12,379,000 for the same period last year.

Generally, the significantly lower net interest income contributed to lower revenue and net profit after tax.

Net income from interest and dividends decreased significantly by HK\$27,743,000 or 37.4% to HK\$46,468,000 for the first half of 2021 from HK\$74,211,000 for the same period last year. Lower interest rates shrank the Bank’s net interest margins and particularly the US Federal Reserve’s latest rate cuts to insulate the US economy against the COVID-19 fallout did hurt the Bank’s revenue very badly as a large portion of the Bank’s assets is denominated in US\$. In addition, the Bank continues to face negative interest rates in Swiss francs and euros.

As a positive consequence of the increased Asset under Management (AuM), net commission and fee income increased slightly by 13.9% to HK\$114,205,000 for the first half of 2021 from HK\$100,290,000 for the same period last year. The desire to rebalance the portfolio in the first half of 2021 also contributed to the increase in net commission and fee income.

Income from trading amounted to HK\$7,540,000, approximately HK\$13,153,000 or 63.6% below HK\$20,693,000 for the same period last year. This was mainly due to a negative valuation adjustment of HK\$11,138,000 resulting from a fund in liquidation in the trading portfolio.

Operating expenses amounted to HK\$147,765,000, slightly HK\$6,699,000 higher than HK\$141,066,000 for the same period last year. Although the general expenses decreased approximately 12%, it was being affected by 3% increase in personnel costs. In addition, as the most important marketing event of the Bank, i.e., the Polo Tournament, was cancelled due to the COVID-19, marketing costs, included in the operating expenses, were significantly lower.

As at 30 June 2021, a revision of HK\$1,453,000 to the carrying value of Wirecard AG notes to reflect the market value prevailing at the period end.

Performance (Continued)

II. ABENDURA BANK AG (Continued)

Against the challenges related to the COVID-19, the Bank recorded an inflow of Net New Money (NNM) of CHF260 million in the first six month of 2021, the AuM ending of CHF4,300 million in June 2021. The increase in AuM is undoubtedly a strong indicator of the sustainable profitability.

Total assets amounted to HK\$16,065,826,000, being HK\$1,014,098,000 more than HK\$15,051,728,000 as at 31 December 2020. Amounts due from clients increased to HK\$2,625,106,000 in June 2021 from HK\$2,463,225,000 in December 2020. Such increases were due to the gradual expansion of the mortgage portfolio and Lombard loans. These two segments of business would provide steady revenue and profit for the Bank, in spite of the general interest rate trend and ongoing strain caused by the COVID-19.

In addition to the growth of AuM and the balance sheet, a whole series of technical and organizational enhancements have been implemented or driven forward. In the process, the quality of service, performance, and IT security have been sustainably improved. As a result, the operation of the Bank has been developed steadily.

The latest e-Banking version went alive in May 2021. With the revised design, the handling is even more user friendly. Also the digitalization of the bank papers archives is progressing and enables rapid and registered access to archive data. Internal processes can thus be carried out much more quickly and also from the home office. This leads to a massive improvement in efficiency and reduction in the response time for customers and inquiries from authorities. Regardless of future pandemic development, almost all employees can work from their home as their hardware and software are sufficiently upgraded and hence the operation of all banking processes is ensured at the highest level.

As the Bank builds its extension, the entire IT network is renewed. The use of the latest technology combined with central configuration and monitoring systems allows efficient and secure management of the network components.

The Bank is continuously developing functions and processes to identify potential Anti-Money Laundering (AML) violations. In the first half of 2021, further procedures were established to recognize and check typical AML profiles so as to further strengthen the general compliance.

In the first half of 2021, the investment consulting team managed to work very well with the relationship managers and the team expanded the direct client contact with several key clients. The relationship managers and their clients were satisfied with the service of the investment consulting team and the performance achieved. The various special strategies (Asian Dragon, Eastern Eagle, ESG Panda, Lion Alternatives) were very well received, especially the Asian Dragon strategy.

Performance (Continued)

II.A BENDURA BANK AG (Continued)

The shell of the extension of the Bank was completed at the end of 2020. The construction team is working on the major renovation and finishing touches in 2021. Owing to the continuous adverse effects of the COVID-19, the formal opening ceremony is expected to be in early 2022.

Mr. Macro Lechthaler joined the Bank as the new member of the board of directors. The 47-years-old Swiss national has been a member of the board of directors of Schwyzer Kantonalbank since 2016, chairing the audit committee and serving on the risk committee. With his substantial experience in banking and auditing, he would bring valuable expertise to the board of directors.

II.B SHUN HENG FINANCE HOLDING (HONG KONG) LIMITED

The Group currently conducts securities and asset management businesses under the umbrella of Shun Heng Finance Holding (Hong Kong) Limited (“Shun Heng Finance Holding”), which is 60% owned by the Group. It comprises Shun Heng Securities Limited and Hong Kong Metasequoia Capital Management Limited.

For the period ended 30 June 2021, Shun Heng Finance Holding contributed revenue and net loss after tax attributable to owners of the Company of HK\$1,583,000 and HK\$1,245,000 respectively (six months ended 30 June 2020: HK\$3,917,000 and net profit after tax of HK\$3,475,000 respectively).

Shun Heng Securities Limited (“Shun Heng Securities”)

Shun Heng Securities Limited (“Shun Heng Securities”), a corporate licensed to conduct Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (the “SFO”), is mainly engaged in securities brokerage and margin businesses. In addition to the traditional brokerage business, Shun Heng Securities has actively seek opportunities to grow the underwriting business for bonds issued by Chinese enterprises.

During the first half of 2021, Shun Heng Securities assisted in the completion of a private equity US dollar bond underwriting project, with total issuance of US\$100 million. From 1 January 2018 to 30 June 2021, Shun Heng Securities has successfully underwritten 11 bond projects with a cumulative amount of approximately US\$1.3 billion, achieving brand awareness in Hong Kong Market.

Hong Kong Metasequoia Capital Management Limited (“Metasequoia Capital”)

Hong Kong Metasequoia Capital Management Limited (“Metasequoia Capital”), a corporate licensed to conduct Type 4 (advisory on securities) and Type 9 (asset management) regulated activities under the SFO, is mainly engaged in asset management business.

Performance (Continued)

II.B SHUN HENG FINANCE HOLDING (HONG KONG) LIMITED (Continued)

Hong Kong Metasequoia Capital Management Limited (“Metasequoia Capital”) (Continued)

Metasequoia Capital has launched two funds, namely Global Opportunities Fund and Stable Growth Fund. Global Opportunities Fund invests mainly in securities markets in Mainland China, Hong Kong and the US, with asset under management from US\$10.24 million initially to approximately US\$13.58 million as at 30 June 2021. The Stable Growth Fund invests in domestic CNY bond and reached asset under management of approximately US\$6.23 million as at 30 June 2021.

III.A LISTED EQUITY INVESTMENT

Citychamp Dartong Company Limited

As at 30 June 2021, financial assets at fair value through other comprehensive income of the Group was HK\$457,749,000. HK\$122,779,000 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 30 June 2021, the Group owned 30,389,058 shares of Citychamp Dartong at the market price of RMB3.36 per share (equivalent to HK\$4.04 per share) with the fair value of HK\$122,779,000. The shares held by the Group accounted for 2.04% of the total issued share capital of Citychamp Dartong as at 30 June 2021. Such fair value accounted for 0.5% 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\$8,857,000 for the period ended 30 June 2021, as a result of decrease in the share price of Citychamp Dartong from RMB3.65 (equivalent to HK\$4.33) as at 31 December 2020 to RMB3.36 (equivalent to HK\$4.04) as at 30 June 2021.

This is the Group’s long-term investment due held for dividend yield and long-term capital gain. Given its substantial land bank for development and profitability of certain business segments, we are optimistic about the future prospects of Citychamp Dartong.

Min Xin Holdings Limited

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

Min Xin is a company engaged in financial services, securities trading, real estate development, toll road and manufacturing. As at 30 June 2021, the investment in Min Xin was HK\$334,970,000, i.e. 88,150,000 shares at the market price of HK\$3.8 per share as at 30 June 2021. 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 30 June 2021.

Performance (Continued)

III.A LISTED EQUITY INVESTMENT (Continued)

Min Xin Holdings Limited (Continued)

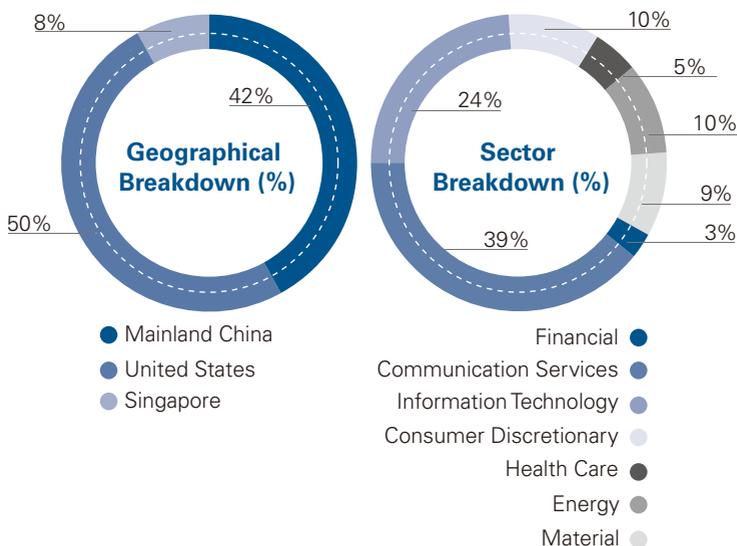
The Company incurred a net gain on fair value change in Min Xin's investment of HK\$1,763,000 for the period ended 30 June 2021 (six months ended 30 June 2020: net loss of HK\$44,075,000), as a result of increase in the share price of Min Xin from HK\$3.78 as at 1 January 2021 to HK\$3.80 as at 30 June 2021. For the six months ended 30 June 2021, the Company's dividend income from Min Xin was HK\$8,815,000.

III.B PROPERTY INVESTMENT

The property in Mainland China and Hong Kong owned by the Group have been leased out, with stable rental returns to the Group. During the period, these investment properties generated rental income of HK\$6,770,000 (six months ended 30 June 2020: HK\$4,056,000). Net profit after tax from the property investment business for the six months ended 30 June 2021 was HK\$6,196,000 (six months ended 30 June 2020: HK\$3,175,000).

III.C OTHER MARKETABLE SECURITIES

The Group has acted as the founder investor and invested US\$5.12 million in Metasequoia Investment Fund SPC – Global Opportunities Fund SP (the "Fund") since 15 August 2017 in order to facilitate establishing the fund management business with an initial capital of US\$10.24 million. The rest of the fund was subscribed by other investors with the capital of US\$5.12 million. As of 30 June 2021, the total net asset value of the Fund was US\$13.58 million, composed of US\$2.47 million and US\$11.11 million for the Group and other investors respectively.



Performance (Continued)**HEADQUARTER AND OTHER SUBSIDIARIES**

Losses from administrative expenses, finance costs and income tax of the headquarter and other non-major subsidiaries and/or non-major categories of businesses for the six months ended 30 June 2021 was HK\$51,895,000 (six months ended 30 June 2020: HK\$59,948,000).

Financial Position**(1) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 June 2021, the Group had non-pledged cash and bank balances of approximately HK\$7,317,405,000 (31 December 2020: HK\$5,612,645,000). Based on the borrowings of HK\$913,136,000 (31 December 2020: HK\$1,564,822,000), due to a shareholder of HK\$12,000,000 (31 December 2020: HK\$12,000,000), due to directors of HK\$17,000,000 (31 December 2020: HK\$21,233,000), due to a related company of HK\$79,000,000 (31 December 2020: Nil) and shareholders' equity of HK\$4,273,064,000 (31 December 2020: HK\$4,418,679,000), the Group's gearing ratio (being borrowings plus due to a shareholder plus due to directors and due to a related company divided by shareholders' equity) was 24% (31 December 2020: 36%).

As at 30 June 2021, the Group's borrowings amounting to HK\$908,921,000 were repayable within one year, representing 99.5% of the total borrowings.

List of borrowings by currencies and by nature of interest rate and by duration

Currency	Nature of interest rate	Duration	Duration
		within 1 year HK\$'000	within more than 1 year HK\$'000
CHF	Floating	–	4,215
HKD	Floating	346,000	–
USD	Floating	562,921	–
		908,921	4,215

Financial Position (Continued)

(2) CHARGE ON ASSETS

As at 30 June 2021, the Group's borrowings were mainly secured by:

- (a) corporate guarantee provided by certain subsidiaries within the Group;
- (b) equity interest of certain subsidiaries within the Group; and
- (c) a legal charge over the Group's land and buildings with the carrying amount of HK\$318,947,000 (31 December 2020: HK\$310,118,000).

(3) CAPITAL COMMITMENT

As at 30 June 2021, capital commitments were approximately HK\$270,000,000 in total (31 December 2020: HK\$270,000,000) for investment in an associate – Citychamp Allied International Limited and a property project.

Except for the above, the Group had no other material capital commitments as at 30 June 2021.

Financial Review

(1) TOTAL ASSETS

Total assets increased to HK\$22,181,605,000 as at 30 June 2021 from HK\$21,385,195,000 as at 31 December 2020.

Cash and deposits

	30 June 2021 HK\$'000	31 December 2020 HK\$'000	Increase/ (decrease) Amount HK\$'000	%
Cash and bank balance	173,214	303,644	(130,430)	(43.0)
Cash held on behalf of clients	54,003	110,985	(56,982)	(51.3)
Sight deposits with central banks	7,090,188	5,198,016	1,892,172	36.4

Due from banks

	30 June 2021 HK\$'000	31 December 2020 HK\$'000	Increase/ (decrease) Amount HK\$'000	%
Due from banks on a daily basis	3,586,784	5,229,597	(1,642,813)	(31.4)
Due from banks other claims	225,437	238,021	(12,584)	(5.2)
Valuation adjustments	(543)	(1,358)	815	60.0

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

The investment as at 30 June 2021 included (a) trading portfolio investments of HK\$67,876,000; (b) derivative financial assets of HK\$39,712,000; (c) other financial assets at amortised cost of HK\$2,017,760,000; and (d) other financial assets at fair value through other comprehensive income of HK\$457,749,000 (the "Investments").

(a) Trading portfolio investments of HK\$67,876,000

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Equity Instruments		
Listed equity instruments in Hong Kong at market value	583	649
Listed equity instruments outside Hong Kong at market value	8,456	4,522
Total equity instruments	9,039	5,171
Debt instruments		
Unlisted debt instruments of financial institutions	6,012	12,938
Investment fund units		
Unlisted investment fund units	46,403	55,843
Investments in other financial products	6,422	6,358
Total trading portfolio investments	67,876	80,310

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 30 June 2021, there were HK\$583,000 invested in a variety of listed equities in Hong Kong and HK\$8,456,000 invested in Mainland China and overseas markets.

The debt instruments of HK\$6,012,000 invested in the Mainland China by PRC company.

Trading assets of CHF1.8 million (equivalent to HK\$15,193,000) represents the single investment by Bendura Bank in the form of an unlisted investment fund. Bendura Bank acquired above trading assets from a professional counterparty in March 2019. The investment policy of Bendura Bank AG includes strict implementation of the investment process and is subject to constant review by the investment committee.

Investments in other financial products consist of the financial product investments of HK\$6,422,000 invested by Eternal Brands Limited, a subsidiary of the Group.

Financial Review (Continued)

(2) INVESTMENTS (Continued)

(b) Derivative financial assets of HK\$39,712,000

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Forward and option contracts	39,712	29,224

In the derivative financial assets of HK\$39,712,000, 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 30 June 2021, forward contracts of HK\$39,712,000 related to FX swaps were 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 using currency swaps and deposited with the Swiss National Bank (SNB). Income from the interest component of currency swaps exceeded the expense of SNB negative interest and the reduced level of interest from banks. During the first half of 2021, Bendura Bank recorded HK\$21,369,000 profits with FX swaps.

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

(c) Other financial assets at amortised cost of HK\$2,017,760,000

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Listed debt instruments, at amortised cost		
Issued by:		
Governments and public sector	643,256	84,447
Financial institutions	926,759	1,053,351
Corporations	447,745	312,088
	2,017,760	1,449,886

Bendura Bank invested in listed debt instruments issued by government and public sector, financial institutions and corporations amounting to HK\$2,017,760,000. The portfolio was composed of 87 listed debt instruments with different maturity, geography, segment and currency and hence, diversification is ensured. Almost all listed debt instruments were considered upper-medium-grade and are subject to low credit risk. The average remaining term of the held-to-maturity investment is 1.8 years, while the modified duration of the portfolio is only 1.5%. Largest single investments are bonds issued by UK Treasury Bill (CHF51 million) and ESM Treasury Bill (CHF14 million). Both issuers are double-A rated. Risk concentration is analyzed and presented to the senior management on a monthly basis.

Relatively major listed debt instruments as at 30 June 2021 are as follows:

Issuer	Nature of interest rate	Sector	Maturity date	Value (CHF'000)
China Merchants Bank/Lux	Fixed	Financial corporations	19 June 2022	5,500
Abn Amro Bank Nv	Floating	Financial corporations	19 July 2022	7,329
Amazon.Com Inc	Fixed	Corporations	12 May 2026	7,399
Bank Of Nova Scotia	Floating	Financial corporations	05 October 2022	8,288
Intl Bk Recon & Develop	Fixed	Financial corporations	19 March 2024	9,760
Esm Tbill	Zero Coupon	General governments	10 March 2022	14,335
UK Treasury Bill	Zero Coupon	General governments	09 August 2021	51,194
Others				136,145
Total				239,950
Equivalent to HK\$'000				2,017,760

Collectively, listed debt instruments at amortised cost accounted for 9.1% of the Group's total assets.

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

(c) Other financial assets at amortised cost of HK\$2,017,760,000 (Continued)

As at 31 December 2020, Bendura Bank invested in listed debt instruments issued by government and public sector, financial institutions and corporations amounting to HK\$1,449,886,000. The portfolio was composed of 79 listed debt instruments with different maturity, geography, segment and currency and hence, diversification is ensured. Almost all listed debt instruments were considered upper-medium grade and are subject to low credit risk. The average remaining term of the held-to-maturity investment is 2.3 years. Largest single investments are bond issued by European Investment Bank (CHF11 million) and followed by International Bank for Reconstruction and Development (CHF9 million). Both are triple-A issuers. Risk concentration is analysed and presented to the senior management on a monthly basis.

Relatively major listed debt instruments as at 31 December 2020 are as follows:

Issuer	Nature of interest rate	Sector	Maturity date	Value (CHF'000)
Bank of Montreal	Fixed	Financial corporations	22 December 2023	5,000
China Merchants Bank/Lux	Fixed	Financial corporations	19 June 2022	5,407
Abn Amro Bank Nv	Floating	Financial corporations	19 July 2022	7,071
Deutsche Bank Ag	Floating	Financial corporations	16 May 2022	7,566
Bank of Nova Scotia	Floating	Financial corporations	5 October 2022	8,166
Intl Bk Recon & Develop	Fixed	Financial corporations	19 March 2024	8,830
European Investment Bank	Floating	Financial corporations	24 March 2021	10,608
Others				112,391
Total				165,039
Equivalent to HK\$'000				1,449,886

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

- (d) Other financial assets at fair value through other comprehensive income of HK\$457,749,000

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Listed equity instruments in Hong Kong	334,970	333,207
Listed equity instruments outside Hong Kong	122,779	131,636
Unlisted equity investment	–	5,951
	457,749	470,794

Listed equity instruments of HK\$122,779,000 related to investment in Citychamp Dartong and HK\$334,970,000 related to investment in Min Xin. Details of investments in Citychamp Dartong and Min Xin are set out on division III.A of this management discussion and analysis.

(3) TOTAL LIABILITIES

Total liabilities increased to HK\$17,648,617,000 as at 30 June 2021 from HK\$16,648,968,000 as at 31 December 2020, mainly attributable to increase in due to clients.

Due to clients

	30 June 2021 HK\$'000	31 December 2020 HK\$'000	Increase/ (decrease) Amount HK\$'000	%
Due to clients – precious metals	137,366	130,119	7,247	5.6
Other amounts due to clients, mainly bank deposits	14,936,879	13,835,358	1,101,521	8.0

Financial Review (Continued)

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

Gross profit from non-banking and financial businesses was HK\$460,459,000, an increase of HK\$153,483,000 or 50.0%.

(5) EBITDA

EBITDA was HK\$89,839,000, a increase of HK\$59,273,000 or 193.9%.

(6) SELLING AND DISTRIBUTION EXPENSES

Total selling and distribution expenses was HK\$280,908,000, an increase of HK\$24,952,000 or 9.7%.

(7) ADMINISTRATIVE EXPENSES

Total administrative expenses was HK\$346,067,000, an increase of HK\$13,445,000 or 4.0%.

(8) SHARE OF LOSS/PROFIT OF ASSOCIATES

The share of profit of Fair Future Industrial Limited ("Fair Future"), a 25% owned associate of the Group, was HK\$20,000 (six months ended 30 June 2020: share of loss HK\$1,071,000). Fair Future is one of the leading OEM quartz watch manufacturers in Mainland China.

(9) FINANCE COSTS FROM NON-BANKING BUSINESS

Finance costs from non-banking business was HK\$39,000,000, representing a decrease of HK\$7,825,000 or 16.7%. It was composed of the interest charged on bank borrowings, bank overdrafts and lease liabilities.

(10) NET LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Net loss attributable to owners of the Company was HK\$27,396,000 (six months ended 30 June 2020: net loss attributable to owners of the Company of HK\$100,846,000).

(11) INVENTORIES

Inventories was HK\$358,614,000, a decrease of 84.1% from HK\$2,255,553,000 as at 31 December 2020.

(12) EVENTS AFTER REPORTING PERIOD

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

The impact of the COVID-19 on the Group

The COVID-19 was firstly reported in late 2019 and has been spreading throughout the world continuously till now. The COVID-19 has brought tremendous adverse impact on the supply and demand of a large number of industries and hence global economy generally. Sudden change of income and wealth as well as the psychological and emotional effect resulted in drop in demand of general consumption. Temporary or permanent closures of physical stores or shopping malls, owing to social distancing measures, lockdowns and travel restrictions, further deteriorated the general economy.

To overcome the adverse impacts of the COVID-19, the watch and timepieces businesses have adopted a number of remediate actions, including implementation of employee optimization, operation cost control, investigation of new sales model, exploring new distribution channels such as e-commerce and new retailing tactics, shortening production time to increase inventory turnover, etc.

Starting from late 2020, with the development and implementation of the vaccine, it appeared that the COVID-19 was gradually under control all over the world. Mainland China has controlled the COVID-19 relatively satisfactorily and it has recorded noticeable economic recovery. However, the economic recovery of other countries is considered still weak but the medium-term forecast of the global economy is considered favorable.

The improved performance in our watch and timepieces businesses in the first half of 2021 was a strong evidence of it. The COVID-19 led to greater opportunities in e-commerce as the customer behavior has been changed due to the social distancing measures. Our long-standing preparation efforts on e-commerce development has now become one of our important strategies for competition. With the improving demand when the economy is gradually recovered, it is believed that a satisfactory return will be achieved soon.

For banking business, the COVID-19 led to limited operation of Bendura Bank and reduction in client interaction which adversely affected its revenue last year. To overcome this situation, Bendura Bank pushed all digitalization projects for the employees to have full access to all necessary information when working at home. In May 2021, the revised design of e-Banking version came up, which enables rapid and registered access to archive data. This led to a massive improvement in efficiency and reduction in the response time for customers. In addition, Bendura Bank focused more on online marketing which improves the effectiveness in communication that leads to a closer relationship with its clients.

Review of Financial Statements

The audit committee of the Company (the “Audit Committee”) has reviewed the Group’s unaudited financial statements for the six months ended 30 June 2021. Based on this review and discussions with the management, the Audit Committee was satisfied that the unaudited financial statements for the six months ended 30 June 2021 were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the six months ended 30 June 2021.

Corporate Governance

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

Environmental, Social, and Governance Performance

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

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

Risk Management

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

Outlook

The PRC leadership has successfully curbed the spread of the virus and has led the world in economic recovery. It implements good decision on monetary and fiscal stimuli which are lending support to a recovery of the Mainland China economy. Besides, Mainland China's "dual-circulation strategy" has boosted the domestic consumption further, reinforced the economic growth and opened more opportunities for both domestic and foreign companies.

The COVID-19 has accelerated the reshape of Mainland China's consumer and retail landscape with the next new normal being evolved. Key post-COVID-19 trends in Mainland China's consumer sector are as follows:

- Accelerated direct-to-consumer (D2C) strategies – Before the COVID-19, companies had already started beefing up their digital and omni-channel capabilities. This trend will continue at an accelerated pace in the second half of 2021, breaking down the silos between online and the traditional bricks and mortar retail businesses in order to ensure a smooth and seamless customer experience, both offline and online.
- Boosted use of social commerce – Innovative digital engagement models, such as live stream videos via online platforms like TikTok or Tmall, are increasingly being deployed to promote products and services. WeChat also provides a number of in-app commerce functionalities enabling direct business-to-consumer (B2C) interaction through micro-stores set up by retailers within the app, allowing users to make a variety of social media-driven purchases. Brand reputation is established more through word of mouth from key opinion leaders (KOL) or between consumers.

Online marketplaces are emerging as winners, supported by an increasing number of digitally savvy consumers that come to marketplaces.

As the post-COVID-19 new normal emerges, we leverage the key post-COVID-19 trend and to further strengthen our unique and comprehensive e-commerce strategies. In order to achieve competitiveness in the market, we are also increasingly investing in digital channels and technologies for more effective marketing of our watches and better customer experiences.

With long-term positive economic fundamentals, Mainland China is expected to remain one of the world's resilient and fundamentally sound market.

We believe that the proposed disposal of all watch and timepieces businesses except Ernest & Borel represents a valuable opportunity for the Group to capitalize on the substantial cash inflow to strengthen the financial position of the Group by reducing the indebtedness, and focus on the organic growth of the banking and financial businesses, as well as the pursuit of potential business acquisitions.

Outlook (Continued)

Bendura Bank expands its online marketing into Google, LinkedIn and YouTube so as to target specific clients such as wealthy private individuals, medium-sized companies and intermediates.

It will maintain its existing strategy as a highly specialized niche player, meeting the needs of international clients by enlarging the advisory and investment services offering.

We continue the new mindset and take the COVID-19 as the most important opportunity and lesson that we should learn and improve from. Looking ahead, we would remain calm and apply courage and wisdom to take the strong headwind challenges.

Employees and Remuneration Policy

Our sustained success would not be possible without the high levels of expertise, professionalism and commitment shown by our employees. As at 30 June 2021, the Group had approximately 4,300 full-time staff in Hong Kong and Mainland China and approximately 300 in Europe. The remuneration packages offered to the employees are determined and reviewed on an arm's length basis with reference to the market conditions and individual performance. The Group also provides other benefits to its employees, including year-end double pay, medical insurance and retirement benefits, and incentive bonuses are offered with reference to the Group's operating results and employee's individual performance. All employees of the Group in Hong Kong have joined the mandatory provident fund schemes. Employees of Group's subsidiaries in Mainland China also participate in social insurance scheme administrated and operated by local authorities and contributions are made according to the local laws and regulations.

Interim Dividend

The Board has resolved not to distribute an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

Special Dividend

At the extraordinary general meeting of the Company held on 25 March 2021, the independent shareholders of the Company have approved a special dividend of not less than HK\$0.13 per share to be declared and paid in the capital of the Company to the shareholders of the Company whose names appear on the register of members of the Company on the record date to be fixed by the Board of Directors of determining the dividend, which is subject to the completion of the very substantial disposal and connected transaction. Please refer to the paragraphs headed "Connected Transaction" below for details. The special dividend, if declared and paid, amounts to approximately HK\$570 million.

Corporate Governance Code

During the six months period ended 30 June 2021, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules, except with the details disclosed below:

(1) CG CODE E.1.2

CG Code E.1.2 stipulates that the chairman of the Board should attend the annual general meeting. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 28 May 2021 (the “AGM 2021”) due to other business engagement.

(2) CG CODE A.6.7

CG Code A.6.7 stipulates that independent non-executive directors of the Company (the “Independent Non-executive Director”) should attend general meetings. Two Independent Non-executive Directors did not attend the AGM 2021 due to travel restrictions under the COVID-19.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as the Company’s code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry of the Directors, the Directors have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2021.

Connected Transaction

On 16 December 2020, after trading hours, the Company (as the vendor), Tycoon Idea Global Limited (the “Purchaser”, which is an associate of Mr. Hon Kwok Lung and therefore connected person of the Company under the Listing Rules) and Sincere View International Ltd. (the “Purchaser’s Guarantor”) entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, all the issued shares of (the “Sale Shares”) and the entire sum owing to the Company (the “Sale Loans”) by each of the following target companies: International Volant Limited, EB Brand Limited, Jia Cheng Investment Limited, Joyful Surplus International Limited, Sharptech International Limited, Unique Leader Limited and Sure Best Management Limited at consideration comprising (i) the consideration for the Sale Shares of HK\$1.5 billion; and (ii) the consideration for the Sale Loans of HK\$2.03 billion (being the face value of the Sale Loans as at 30 June 2020), to be paid by the Purchaser (or its nominee(s)) to the Company (or its nominee(s)), subject to adjustment at completion of the transaction. The gross proceeds to be received by the Company shall be HK\$3.53 billion, which will be settled in four stages by the Purchaser by (i) a cashier order issued by a licensed bank in Hong Kong, (ii) a banker’s draft drawn against a licensed bank in Hong Kong, (iii) by telegraphic transfer to the designated bank accounts of the Company (or its nominee(s)) or as the Company may direct in writing, or (iv) by such other method as the Purchaser and the Company agree in writing.

Connected Transaction (Continued)

The above connected transaction was approved by independent shareholders at the extraordinary general meeting of the Company held on 25 March 2021. Pursuant to the terms of the Sale and Purchase Agreement, the completion of transaction is subject to the satisfaction or waiver (where applicable) of a number of conditions and, accordingly, may or may not proceed. The transaction is not yet completed up to the date of this report.

Details are set out in the announcements of the Company dated 16 December 2020, 25 March 2021 and 27 June 2021 and circular of the Company dated 25 February 2021.

Board Committees

AUDIT COMMITTEE

The Audit Committee currently comprises following members:

Independent Non-executive Directors

Kam, Eddie Shing Cheuk (*Committee Chairman*)

Kwong Chun Wai, Michael

Zhang Bin

Li Ziqing

During the period under review, the Audit Committee met with the Company's external auditor, the Board and senior management. The Audit Committee reviewed the financial reporting and other information to Shareholders (including a review of the unaudited financial statements for the six months ended 30 June 2021), the works done by internal audit for the reporting period and performed other duties set out in the terms of reference. The Audit Committee also reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the Board and senior management.

Board Committees (Continued)**REMUNERATION COMMITTEE**

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

Independent Non-executive Directors

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

Executive Directors

Hon Kwok Lung
 Shang Jianguang

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

NOMINATION COMMITTEE

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

Executive Directors

Hon Kwok Lung (Committee Chairman)
 Shang Jianguang

Independent Non-executive Directors

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

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

Board Committees (Continued)

RISK MANAGEMENT COMMITTEE

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

Executive Directors

Sit Lai Hei (*Committee Chairman*)

Shi Tao

Lam Toi Man

Bi Bo

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

Buy-Back, Redemption or Sale of Listed Securities of the Company

During the six months ended 30 June 2021, the Company did not buy back any Company’s listed shares (whether on the Stock Exchange or otherwise).

Specific Performance Obligations on Controlling Shareholder of the Company

On 16 July 2019, the Company and a syndicate of banks (the “Syndicated Banks”) entered into a facility agreement (the “Syndicated Loan Agreement”), with Hang Seng Bank Limited (“Hang Seng”) as the mandated lead arranger, pursuant to which the Syndicated Banks have agreed to grant a term loan facility in the amount up to US\$150,000,000 (the “Syndicated Loan”) to the Company for a term of 36 months.

Pursuant to the Syndicated Loan Agreement, it will be an event of default if (1) Mr. Hon Kwok Lung (“Mr. Hon”) together with his direct family members and Ms. Sit Lai Hei (the “Hon Family”) fail to maintain (i) directly or indirectly, at least 60% of the beneficial shareholding interest in the issued share capital of the Company; or (ii) control over the management and business of the Company and its subsidiaries (excluding Bendura Bank AG and its subsidiaries and Shun Heng Finance Holding (Hong Kong) Limited and its subsidiaries; or (2) Mr. Hon (or another member of the Hon Family) is not the chairman of the Board. On and at any time after the occurrence of such event which is continuing, Hang Seng as the agent may, and shall if so directed by the Syndicated Banks whose commitments aggregate 66 $\frac{2}{3}$ % or more of the total commitment, by notice to the Company, (i) cancel the commitments (and reduce them to zero); (ii) declare that all or part of the Syndicated Loan, together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable; (iii) declare that all or part of the Syndicated Loan be payable on demand; and/or (iv) exercise or direct Hang Seng as the security agent to exercise any or all of its rights, remedies, powers or discretions under the Syndicated Loan Agreement.

Specific Performance Obligations on Controlling Shareholder of the Company
(Continued)

Details are set out in the announcement of the Company dated 16 July 2019.

Appreciation

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

Hon Kwok Lung

Chairman

Hong Kong, 30 August 2021

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest income from banking business		69,711	91,674
Interest expenses from banking business		(23,243)	(17,463)
Net interest income from banking business	6a	46,468	74,211
Service fees and commission income from banking business		145,046	132,473
Service fees and commission expenses from banking business		(30,841)	(32,183)
Net service fees and commission income from banking business	6b	114,205	100,290
Trading income from banking business	6c	7,540	20,693
Service fees and commission income from financial business	6d	1,351	3,891
Interest income from financial business	6d	232	26
Sales of goods from non-banking and financial businesses	6e	818,019	592,947
Rental income from non-banking and financial businesses	6e	6,770	4,056
Total revenue		994,585	796,114
Cost of sales from non-banking and financial businesses		(364,330)	(290,027)
Other ordinary income and other net gains or losses	7	29,496	44,641
Selling and distribution expenses		(280,908)	(255,956)
Administrative expenses		(346,067)	(332,622)
Share of loss of joint ventures		(26)	(348)
Share of profit/(loss) of associates		20	(1,071)
Finance costs	8	(39,000)	(46,825)
Loss before income tax	9	(6,230)	(86,094)
Income tax expense	10	(21,291)	(6,381)
Loss for the period		(27,521)	(92,475)

Condensed Consolidated Statement of
Comprehensive Income (Continued)

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
– Change in fair value of financial assets at fair value through other comprehensive income	16	(7,094)	(64,316)
– Remeasurement of net defined benefit obligation		645	525
		(6,449)	(63,791)
Item that may be subsequently reclassified to profit or loss			
– Exchange differences on translation to presentation currency		(96,790)	275
– Release of exchange reserve upon disposal of a subsidiary		–	(405)
		(96,790)	(130)
Other comprehensive income for the period		(103,239)	(63,921)
Total comprehensive income for the period		(130,760)	(156,396)
(Loss)/Profit for the period attributable to:			
Owners of the Company		(27,396)	(100,846)
Non-controlling interests		(125)	8,371
		(27,521)	(92,475)
Total comprehensive income for the period attributable to:			
Owners of the Company		(123,821)	(164,749)
Non-controlling interests		(6,939)	8,353
		(130,760)	(156,396)
Loss per share attributable to owners of the Company for the period			
– Basic	12	(HK0.63 cent)	(HK2.32 cents)
– Diluted		(HK0.63 cent)	(HK2.32 cents)

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Assets			
Cash and deposits		7,317,405	5,612,645
Due from clients	14	2,625,106	2,463,225
Due from banks	14	3,811,678	5,466,260
Trading portfolio investments	15	67,876	80,310
Financial assets at fair value through other comprehensive income	16	457,749	470,794
Derivative financial assets	17	39,712	29,224
Trade receivables	18	42,938	391,747
Other financial assets at amortised cost	19	2,017,760	1,449,886
Inventories	20	358,614	2,255,553
Income tax recoverable		–	2,299
Interests in joint ventures		576	602
Interests in associates		–	113,176
Property, plant and equipment	21	527,498	1,270,726
Investment properties	22	134,594	195,427
Intangible assets	23	51,531	54,415
Goodwill	24	473,506	1,144,071
Deferred tax assets		13,638	13,961
Other assets		71,777	370,874
Assets of disposal groups classified as held for sale	13	4,169,647	–
Total assets		22,181,605	21,385,195

Condensed Consolidated Statement of
Financial Position (Continued)

As at 30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Liabilities			
Due to banks		7,769	2,639
Due to clients		15,074,245	13,965,477
Derivative financial liabilities	17	10,366	31,334
Trade payables	25	69,744	360,624
Contract liabilities		1,365	13,824
Income tax payables		34,022	36,799
Borrowings	26	913,136	1,564,822
Provisions		325	368
Lease liabilities		35,995	57,570
Deferred tax liabilities		31,913	55,377
Due to a shareholder		12,000	12,000
Due to directors		17,000	21,233
Due to a related company		79,000	–
Other liabilities		255,236	526,901
Liabilities of disposal groups classified as held for sale	13	1,106,501	–
Total liabilities		17,648,617	16,648,968
EQUITY			
Equity attributable to owners of the Company			
Share capital		435,189	435,189
Reserves		3,837,875	3,983,490
		4,273,064	4,418,679
Non-controlling interests		259,924	317,548
Total equity		4,532,988	4,736,227
Total liabilities and equity		22,181,605	21,385,195

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Equity attributable to owners of the Company			
	Share capital HK\$'000 (Unaudited)	Share premium account* HK\$'000 (Unaudited)	Other reserve* HK\$'000 (Unaudited)	Goodwill arising on consolidation* HK\$'000 (Unaudited)
At 1 January 2020	435,189	682,028	(12,711)	(15,300)
Transactions with owners				
Disposal of a subsidiary	-	-	-	-
Deemed acquisition of non-controlling interests	-	-	(849)	-
Dividend paid to non-controlling interests	-	-	-	-
Total transactions with owners	-	-	(849)	-
Comprehensive income				
(Loss)/Profit for the period	-	-	-	-
Other comprehensive income				
Exchange differences on translation to presentation currency	-	-	-	-
Changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-
Release of exchange reserve to profit or loss upon disposal of a subsidiary	-	-	-	-
Remeasurement of net defined benefit obligation	-	-	-	-
Total comprehensive income	-	-	-	-
At 30 June 2020	435,189	682,028	(13,560)	(15,300)

Condensed Consolidated Statement of
Changes in Equity (Continued)

For the six months ended 30 June 2021

Equity attributable to owners of the Company							
Statutory reserve* HK\$'000 (Unaudited)	Exchange fluctuation reserve* HK\$'000 (Unaudited)	Fair value through other comprehensive income reserve** HK\$'000 (Unaudited)	Revaluation reserve for property, plant and equipment* HK\$'000 (Unaudited)	Retained profits* HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non- controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
105,931	(274,314)	(77,049)	34,916	3,376,382	4,255,072	405,817	4,660,889
-	-	-	-	-	-	(54,638)	(54,638)
-	-	-	-	-	(849)	(2,130)	(2,979)
-	-	-	-	-	-	(21,608)	(21,608)
-	-	-	-	-	(849)	(78,376)	(79,225)
-	-	-	-	(100,846)	(100,846)	8,371	(92,475)
-	480	-	-	-	480	(205)	275
-	-	(64,316)	-	-	(64,316)	-	(64,316)
-	(405)	-	-	-	(405)	-	(405)
-	-	-	-	338	338	187	525
-	75	(64,316)	-	(100,508)	(164,749)	8,353	(156,396)
105,931	(274,239)	(141,365)	34,916	3,275,874	4,089,474	335,794	4,425,268

Condensed Consolidated Statement of
Changes in Equity (Continued)

For the six months ended 30 June 2021

	Equity attributable to owners of the Company			
	Share capital HK\$'000 (Unaudited)	Share premium account* HK\$'000 (Unaudited)	Other reserve* HK\$'000 (Unaudited)	Goodwill arising on consolidation* HK\$'000 (Unaudited)
At 1 January 2021	435,189	682,028	(13,560)	(15,300)
Transactions with owners				
Deemed acquisition of non-controlling interests (note 29)	-	-	(21,794)	-
Dividend paid to non-controlling interests	-	-	-	-
Total transactions with owners	-	-	(21,794)	-
Comprehensive income				
Loss for the period	-	-	-	-
Other comprehensive income				
Exchange differences on translation to presentation currency	-	-	-	-
Changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-
Remeasurement of net defined benefit obligation	-	-	-	-
Total comprehensive income	-	-	-	-
At 30 June 2021	435,189	682,028	(35,354)	(15,300)

* These reserve accounts comprise the consolidated reserves of HK\$3,837,875,000 (31 December 2020: HK\$3,983,490,000) in the condensed consolidated statement of financial position.

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

Condensed Consolidated Statement of
Changes in Equity (Continued)

For the six months ended 30 June 2021

Equity attributable to owners of the Company							
Statutory reserve*	Exchange fluctuation reserve*	Fair value through other comprehensive income reserve**	Revaluation reserve for property, plant and equipment*	Retained profits*	Total	Non- controlling interests	Total equity
HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
106,209	7,523	(29,116)	34,916	3,210,790	4,418,679	317,548	4,736,227
-	-	-	-	-	(21,794)	(38,694)	(60,488)
-	-	-	-	-	-	(11,991)	(11,991)
-	-	-	-	-	(21,794)	(50,685)	(72,479)
-	-	-	-	(27,396)	(27,396)	(125)	(27,521)
-	(89,744)	-	-	-	(89,744)	(7,046)	(96,790)
-	-	(7,094)	-	-	(7,094)	-	(7,094)
-	-	-	-	413	413	232	645
-	(89,744)	(7,094)	-	(26,983)	(123,821)	(6,939)	(130,760)
106,209	(82,221)	(36,210)	34,916	3,183,807	4,273,064	259,924	4,532,988

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	3,003,983	(2,370,771)
Cash flows from investing activities		
Dividend received	9,050	8,872
Payment for the purchase of property, plant and equipment	(106,663)	(53,628)
Proceeds on disposal of property, plant and equipment	18,266	–
Increase in other financial assets at amortised costs	(631,238)	(20,537)
Decrease in pledged bank deposit	–	111,763
Other cash flows arising from investing activities	2,432	4,621
Net cash (used in)/generated from investing activities	(708,153)	51,091
Cash flows from financing activities		
Acquisition of non-controlling interests	(60,488)	(2,979)
Repayments of borrowings	(367,710)	(539,731)
Proceeds from borrowings	200,765	544,576
Advance from a related company	79,000	–
Proceeds from disposal of interest in subsidiaries	–	45,794
Repayment to directors	(4,233)	(5,000)
Interest paid	(33,361)	(44,066)
Dividend paid to non-controlling interests	–	(21,608)
Other cash flows arising from financing activities	–	(963)
Net cash used in financing activities	(186,027)	(23,977)
Net increase/(decrease) in cash and cash equivalents	2,109,803	(2,343,657)
Cash and cash equivalents at the beginning of the period (note)	5,447,595	4,631,702
Effect of foreign exchange rates changes	(220,711)	28,151
Cash and cash equivalents at the end of the period (note)	7,336,687	2,316,196

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

Notes to the Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

1. General Information

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

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

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

There was no significant change in the Group’s operations during the period.

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

2. Basis of Preparation

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

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

The Unaudited Interim Financial Information for the six months ended 30 June 2021 was approved for issue by the board of directors of the Company on 30 August 2021.

3. Summary of Significant Accounting Policies

The Unaudited Interim Financial Information has been prepared in accordance with the accounting policies and method of computation used in the 2020 Annual Financial Statements, except for the adoption of the new or amended Hong Kong Financial Reporting Standards (“HKFRSs”), which include individual HKFRSs, HKAS and Interpretations. The Group has not early adopted any new HKFRSs that have been issued but are not yet effective. The Unaudited Interim Financial Information should be read in conjunction with the 2020 Annual Financial Statements.

For the six months ended 30 June 2021

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

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

Estimated impairment of goodwill

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

Provision for inventories

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

For the six months ended 30 June 2021

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

Depreciation and amortisation

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

Estimated impairment of trade and other receivables

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

Impairment assessment of non-financial assets

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

Income taxes

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

For the six months ended 30 June 2021

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

Warranty provision

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

Estimation of defined benefit obligations

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

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

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

Valuation adjustments on credit positions

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

For the six months ended 30 June 2021

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

Provisions

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

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

Research and development costs

In accordance with the accounting policy set out in note 4.12 of 2020 Annual Financial Statements, costs associated with research activities are expensed in profit or loss as they are incurred, while costs that are directly attributable to development activities are recognised as intangible assets provided they meet all the requirements as set out in note 4.12 of 2020 Annual Financial Statements. This requires the management to make judgements to distinguish the research phase and development phase of the projects being undertaken. Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the application of research, findings or other knowledge to a plan or design for the production of new or substantially improved materials devices, products, processes, systems or services before the start of commercial production or use. Determining the amounts to be expensed in profit or loss or to be capitalised required management to make judgement, and assumptions regarding the expected progress and outcome of the research and development activities the future expected cash generation of the assets, discount rates to be applied, and also the expected period of, probable future economic benefits. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the projects. Hence research costs are generally recognised as expenses in the period in which they are incurred.

For the six months ended 30 June 2021

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

Right-of-use assets

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

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

Going concern assumption

The directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its financial obligations, as and when they fall due. Certain plans and measures as stated in note 3.3 of 2020 Annual Financial Statements have been taken and are being taken to manage the Group’s liquidity needs and to improve its financial position.

Should the Group be unable to continue as a going concern, adjustment would have to be made to write down the carrying value of the Group’s assets to their net realisable amounts, and to provide for further liabilities that might arise. The effect of these potential adjustments has not been reflected in the condensed consolidated financial statements.

Fair value measurement

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

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

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

For the six months ended 30 June 2021

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

Fair value measurement (Continued)

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

The Group measures the following items at fair value:

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

5. Segment Information

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

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

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

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

For the six months ended 30 June 2021

5. Segment Information (Continued)

	Six months ended 30 June 2021				
	Watches and timepieces HK\$'000 (Unaudited)	Property investments HK\$'000 (Unaudited)	Banking and financial businesses HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue:					
Net interest income from banking business	-	-	46,468	-	46,468
Net service fees and commission income from banking business	-	-	114,205	-	114,205
Trading income from banking business	-	-	7,540	-	7,540
Service fees and commission income from financial business	-	-	1,351	-	1,351
Interest income from financial business	-	-	232	-	232
Sales of goods from non-banking and financial businesses	818,019	-	-	-	818,019
Rental income from non-banking and financial businesses	-	6,770	-	-	6,770
Total revenue	818,019	6,770	169,796	-	994,585
Segment results	45,162	6,142	13,706	-	65,010
Unallocated corporate income and expenses, net	-	-	-	(32,234)	(32,234)
Share of loss of joint ventures	-	-	-	(26)	(26)
Share of profit of associates	-	-	-	20	20
Finance costs	(19,372)	-	(55)	(19,573)	(39,000)
Profit/(loss) before income tax	25,790	6,142	13,651	(51,813)	(6,230)
Income tax expense	(15,253)	54	(5,598)	(494)	(21,291)
Profit/(loss) for the period	10,537	6,196	8,053	(52,307)	(27,521)

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

For the six months ended 30 June 2021

5. Segment Information (Continued)

	Six months ended 30 June 2020				
	Watches and timepieces HK\$'000 (Unaudited)	Property investments HK\$'000 (Unaudited)	Banking and financial businesses HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue:					
Net interest income from banking business	-	-	74,211	-	74,211
Net service fees and commission income from banking business	-	-	100,290	-	100,290
Trading income from banking business	-	-	20,693	-	20,693
Service fees and commission income from financial business	-	-	3,891	-	3,891
Interest income from financial business	-	-	26	-	26
Sales of goods from non-banking and financial businesses	592,947	-	-	-	592,947
Rental income from non-banking and financial businesses	-	4,056	-	-	4,056
Total revenue	592,947	4,056	199,111	-	796,114
Segment results	(46,277)	3,252	36,835	-	(6,190)
Unallocated corporate income and expenses, net	-	-	-	(31,660)	(31,660)
Share of loss of joint ventures	-	-	-	(348)	(348)
Share of loss of associates	-	-	-	(1,071)	(1,071)
Finance costs	(14,783)	-	(170)	(31,872)	(46,825)
(Loss)/profit before income tax	(61,060)	3,252	36,665	(64,951)	(86,094)
Income tax expense	(2,743)	(77)	(3,094)	(467)	(6,381)
(Loss)/profit for the period	(63,803)	3,175	33,571	(65,418)	(92,475)

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

For the six months ended 30 June 2021

6. Revenue

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

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

Revenue recognised during the period is as follows:

(a) Net interest income from banking business

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income from banking business arising from:		
Interest income – due from banks	30,250	58,050
Interest income – due from clients	18,741	12,376
Interest income from trading portfolio investments	927	–
Interest income from mortgage loans	10,209	9,377
Interest income from debt instruments	9,762	9,664
Interest (expense)/income from money market papers	(178)	532
Negative interest income on due to clients	–	1,675
	69,711	91,674
Interest expenses from banking business arising from:		
Interest expense on due to banks	(21,835)	(14,625)
Interest expense on due to clients	(1,247)	(2,655)
Negative interest income on due from banks and clients	(161)	(183)
	(23,243)	(17,463)
Net interest income from banking business	46,468	74,211

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

For the six months ended 30 June 2021

6. Revenue (Continued)

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Service fees and commission income from banking business arising from:		
Commission income from loans	3,322	1,804
Brokerage fees	23,717	28,757
Custody account fees	14,089	11,986
Commission on investment advice and asset management	55,153	45,227
Commission income from service fees	22,271	20,289
Commission income from fiduciary fees	227	238
Commission income from retrocession	2,177	2,659
Other commission income	24,090	21,513
	145,046	132,473
Service fees and commission expenses from banking business	(30,841)	(32,183)
Net service fees and commission income from banking business	114,205	100,290

(c) Trading income from banking business

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Debt instruments	1	–
Equity instruments	123	–
Forex and precious metals	18,554	20,693
Funds	(11,138)	–
Trading income from banking business	7,540	20,693

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

For the six months ended 30 June 2021

6. Revenue (Continued)

(d) Revenue from financial business

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Service fees and commission income	1,351	3,891
Interest income	232	26
Revenue from financial business	1,583	3,917

(e) Revenue from non-banking and financial businesses

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sale of goods	818,019	592,947
Rental income	6,770	4,056
Revenue from non-banking and financial businesses	824,789	597,003

7. Other Ordinary Income and Other Net Gains or Losses

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Exchange gain, net	8,185	–
Gain on fair value changes in trading portfolio investments, net (note 15)	632	19,857
Bank and other interest income from non-banking and financial business	2,432	745
Dividend income from trading portfolio investments	–	57
Dividend income from financial asset at fair value through other comprehensive income (“FVOCI”) (note 16)	8,815	8,815
Gain on disposal of property, plant and equipment	861	–
Government subsidies	3,323	3,668
Other sundry income	5,248	11,499
	29,496	44,641

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

For the six months ended 30 June 2021

8. Finance Costs

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interests on lease liabilities	1,091	1,758
Interests charged on bank borrowings and bank overdrafts	37,909	45,006
Margin loan interest	–	61
	39,000	46,825

9. Loss Before Income Tax

The Group's loss before income tax was arrived at after charging:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	56,697	69,000
Amortisation of intangible assets	372	835

10. Income Tax Expense

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current tax for the period		
PRC	15,466	7,602
Liechtenstein	6,433	3,756
Switzerland	964	680
Deferred tax for the period	(1,572)	(5,657)
Total income tax expense	21,291	6,381

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

For the six months ended 30 June 2021

10. Income Tax Expense (Continued)

For both the six months ended 30 June 2021 and 2020, no provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong. The subsidiaries established in the PRC are subject to income taxes at tax rates ranging between 15% and 25% (six months ended 30 June 2020: between 15% and 25%). Overseas tax is calculated at the rates applicable in the respective jurisdictions.

The Group is subject to PRC withholding tax at the rate of 5% or 10% in respect of its PRC sourced income earned, including rental income from properties in PRC and dividend income derived from PRC incorporated company.

11. Dividends

The directors do not recommend the payment of an interim dividend for the period ended 30 June 2021 (six months ended 30 June 2020: Nil).

12. Loss Per Share

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	(27,396)	(100,846)

	Number of shares	
	Six months ended 30 June	
	2021	2020
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of shares for the purpose of calculating basic and diluted loss per share	4,351,889	4,351,889

For the six months ended 30 June 2021

13. Assets and Liabilities of Disposal Groups Classified as held for Sale

On 16 December 2020, the Company entered into the sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell, and the purchaser has conditionally agreed to acquire, the sale shares and the sale loans of the disposal groups, which comprises International Volant Limited and its subsidiaries, EB Brand Limited and its subsidiaries, Jia Cheng Investment Limited and its subsidiaries, Joyful Surplus International Limited and its subsidiaries, Sharptech International Limited, Unique Leader Limited and Sure Best Management Limited ("Disposal Groups"). The disposal has been approved by independent shareholders in the shareholder meeting in March 2021. Details of the proposed disposal are set out in the Company's circular dated 25 February 2021.

An analysis of the assets and liabilities of Disposal Groups classified as held for sales as at 30 June 2021 was as follow:

	HK\$'000 (Unaudited)
Assets of Disposal Groups classified as held for sale:	
Cash and deposits	73,285
Trading portfolio investments	7,097
Income tax recoverable	1,016
Trade receivables	362,187
Inventories	1,822,151
Financial assets at fair value through other comprehensive income	6,030
Interests in associates	113,197
Property, plant and equipment	746,106
Investment properties	62,168
Intangible assets	531
Goodwill	658,113
Other assets	317,766
	4,169,647

	HK\$'000 (Unaudited)
Liabilities of Disposal Groups classified as held for sale:	
Trade payables	236,520
Contract liabilities	20,215
Income tax payables	8,753
Borrowings	492,822
Deferred tax liabilities	23,285
Lease liabilities	17,678
Other liabilities	307,228
	1,106,501

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

For the six months ended 30 June 2021

14. Due from Banks and Clients

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Due from clients – mortgage loans	1,528,624	1,476,436
Due from clients – other	1,104,597	994,955
Valuation adjustments for default risk	(8,115)	(8,166)
Total due from clients	2,625,106	2,463,225
Due from banks on a daily basis	3,586,784	5,229,597
Due from banks other claims	225,437	238,021
Valuation adjustments for default risk	(543)	(1,358)
Total due from banks	3,811,678	5,466,260

15. Trading Portfolio Investments

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Equity instruments		
Listed equity instruments in Hong Kong at market value	583	649
Listed equity instruments outside Hong Kong at market value	8,456	4,522
Total equity instruments	9,039	5,171
Debt instruments		
Unlisted debt instruments of financial institutions	6,012	12,938
Investment fund units		
Unlisted investments fund units	46,403	55,843
Investments in other financial products	6,422	6,358
Total trading portfolio investments	67,876	80,310

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

There is no transfer under the fair value hierarchy classification for the six months ended 30 June 2021 and 2020.

For the six months ended 30 June 2021

15. Trading Portfolio Investments (Continued)

The fair value gain during the period was amounted to HK\$632,000 (six months ended 30 June 2020: fair value gain of HK\$19,857,000), which has been recognised in the condensed consolidated statement of comprehensive income as “other ordinary income and other net gains or losses” (note 7) for six months ended 30 June 2021.

16. Financial Assets at Fair Value through Other Comprehensive Income

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Listed equity instruments in Hong Kong (note (a))	334,970	333,207
Listed equity instruments outside Hong Kong (note (b))	122,779	131,636
Unlisted equity investments	–	5,951
Total	457,749	470,794

Notes:

- (a) As at 30 June 2021 and 31 December 2020, the listed equity investments in Hong Kong represented 14.76% equity interest in Min Xin Holdings Limited (“Min Xin Shares”). As at 30 June 2021 and 31 December 2020, the Group held 88,150,000 Min Xin Shares. A dividend income totaling HK\$8,815,000 (six months ended 30 June 2020: HK\$8,815,000) was recognised by the Group in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2021.
- (b) As at 30 June 2021 and 31 December 2020, the listed equity investments outside Hong Kong represented 2.04% equity interest in Citychamp Dartong Company Limited (“Citychamp Dartong Shares”) listed on the Shanghai Stock Exchange in the PRC. As at 30 June 2021 and 31 December 2020, the Group held 30,389,058 Citychamp Dartong Shares. No dividend income was recognised by the Group in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2021 and 2020.

During the six months ended 30 June 2021, the decrease in fair value of financial assets at fair value through other comprehensive income of HK\$7,094,000 (six months ended 30 June 2020: HK\$64,316,000) has been dealt with in other comprehensive income and FVOCI reserve.

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

For the six months ended 30 June 2021

17. Derivative Financial Instruments

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Derivative financial assets		
Forward and option contracts	39,712	29,224
Derivative financial liabilities		
Forward and option contracts	(10,366)	(31,334)

Forward and option contracts arising in banking business

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

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

	30 June 2021		
	Nominal amount HK\$'000 (Unaudited)	Assets HK\$'000 (Unaudited)	Liabilities HK\$'000 (Unaudited)
Non-hedging instruments			
– Currency derivatives	5,824,042	39,712	(10,366)

	31 December 2020		
	Nominal amount HK\$'000 (Audited)	Assets HK\$'000 (Audited)	Liabilities HK\$'000 (Audited)
Non-hedging instruments			
– Currency derivatives	4,575,322	29,224	(31,334)
– Option	194	–*	–*
	4,575,516	29,224	(31,334)

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

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

For the six months ended 30 June 2021

17. Derivative Financial Instruments (Continued)

Forward and option contracts arising in banking business (Continued)

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

18. Trade Receivables

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables arising from watches and timepiece businesses (note (a))	35,269	382,091
Trade receivables arising from financial business (note (b)):		
– Margin clients	5,549	402
– Cash clients	2,120	4,631
– Clearing house	–	4,623
	7,669	9,656
Trade receivables, net	42,938	391,747

- (a) The Group's trading terms with its customers of watches and timepieces businesses are mainly on credit, except for certain customers, where payment in advance is required. The credit period is generally for a period of one to six months (31 December 2020: one to six months) for major customers. Each customer has a maximum credit limit. The credit term for customers is determined by the management according to industry practice together with consideration of their creditability. Trade receivables are non-interest bearing.

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

For the six months ended 30 June 2021

18. Trade Receivables (Continued)

(a) (Continued)

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
1 to 3 months	24,516	267,893
4 to 6 months	8,252	29,796
Over 6 months	2,501	84,402
	35,269	382,091

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

In the opinion of the directors, ageing analysis is not meaningful in view of the business nature of securities dealing.

19. Other Financial Assets at Amortised Cost

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Listed debt instruments, at amortised cost	2,017,760	1,449,886
Issued by:		
Governments and public sector	643,256	84,447
Financial institutions	926,759	1,053,351
Corporations	447,745	312,088
	2,017,760	1,449,886

For the six months ended 30 June 2021

20. Inventories

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Raw materials	176,229	358,304
Work-in-progress	18,014	75,528
Finished goods and merchandise	164,371	1,821,721
	358,614	2,255,553

21. Property, Plant and Equipment

During the six months ended 30 June 2021, the Group acquired property, plant and equipment of HK\$106,663,000 (six months ended 30 June 2020: HK\$53,628,000). During the period, the Group has entered into several leases for offices and shops with right-of-use assets amounted to approximately HK\$9,264,000 (six months ended 30 June 2020: 5,035,000) recognized. Property, plant and equipment of HK\$9,915,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$3,448,000).

As at 30 June 2021, land and buildings in Switzerland with an aggregate carrying amount of HK\$81,351,000 (31 December 2020: HK\$108,017,000) have been pledged to secure banking facilities granted to the Group (note 26).

As at 30 June 2021, right-of-use assets in PRC with an aggregate carrying amount of HK\$237,596,000 (31 December 2020: HK\$202,101,000) have been pledged to secure banking facilities granted to the Group (note 26).

22. Investment Properties

As at 30 June 2021, the Group has not obtained the relevant title certificates for investment properties with an aggregate carrying amount of HK\$45,615,000 (31 December 2020: HK\$45,615,000). The Group's legal advisors have confirmed that the Group is the rightful and equitable owner of these investment properties. The directors are now in process of obtaining the title certificates from the relevant government authorities.

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

For the six months ended 30 June 2021

23. Intangible Assets

	Supplier and distribution networks HK\$'000	Brand names HK\$'000	Trading rights HK\$'000	Total HK\$'000
Six months ended 30 June 2021 (Unaudited)				
Opening carrying amount	833	46,336	7,246	54,415
Amortisation	(337)	(35)	–	(372)
Transfer to assets of disposal groups classified as held for sale	(496)	(35)	–	(531)
Exchange realignment	–	(1,981)	–	(1,981)
Closing carrying amount	–	44,285	7,246	51,531
Year ended 31 December 2020 (Audited)				
Opening carrying amount	2,246	42,597	7,246	52,089
Amortisation	(1,712)	(72)	–	(1,784)
Exchange realignment	299	3,811	–	4,110
Closing carrying amount	833	46,336	7,246	54,415

As at 30 June 2021, intangible assets of HK\$44,285,000 (31 December 2020: HK\$47,169,000) are attributable to watches and timepieces businesses while intangible assets of HK\$7,246,000 (31 December 2020: HK\$7,246,000) are attributable to financial business.

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

For the six months ended 30 June 2021

24. Goodwill

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Balance at the beginning of period/year	1,144,071	1,065,051
Transfer to assets of disposal groups classified as held for sale	(658,113)	–
Exchange realignment	(12,452)	79,020
Balance at the end of period/year	473,506	1,144,071

As at 30 June 2021, goodwill of HK\$212,415,000 (31 December 2020: HK\$871,442,000) are attributable to watches and timepieces businesses while goodwill of HK\$261,091,000 (31 December 2020: HK\$272,629,000) are attributable to banking and financial businesses.

25. Trade Payables

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade payables arising from watches and timepiece businesses (note (a))	16,076	245,246
Trade payables arising from financial business (note (b)):		
– Cash clients	51,190	107,208
– Margin clients	2,046	8,170
– Clearing house	432	–
	53,668	115,378
Trade payables	69,744	360,624

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

For the six months ended 30 June 2021

25. Trade Payables (Continued)

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
1 to 3 months	9,088	190,025
4 to 6 months	5,768	2,200
Over 6 months	1,220	53,021
	16,076	245,246

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

In the opinion of the directors, ageing analysis is not meaningful in view of the business nature of securities dealing.

26. Borrowings

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Bank overdrafts	–	52,711
Bank borrowings	913,136	1,512,111
	913,136	1,564,822

For the six months ended 30 June 2021

26. Borrowings (Continued)

As at 30 June 2021, the amount of the Group's bank overdrafts and bank borrowings repayable within one year or on demand is HK\$908,921,000 (31 December 2020: HK\$1,554,724,000).

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:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Borrowings payable:		
Within one year	908,921	1,477,347
In the second year	–	5,696
In the third to fifth year	4,215	81,779
	4,215	87,475
	913,136	1,564,822

At the reporting date, the Group's borrowings (including bank borrowings classified as liabilities of disposal groups classified as held for sale) were secured by:

- (i) corporate guarantees provided by certain subsidiaries within the Group as at 30 June 2021 and 31 December 2020;
- (ii) entire equity interest of certain subsidiaries within the Group as at 30 June 2021 and 31 December 2020;
- (iii) subordination deeds signed by the Directors of the Group as at 30 June 2021 and 31 December 2020;
- (iv) guarantee provided by the government of certain country as at 30 June 2021 and 31 December 2020;
- (v) personal guarantee provided by a non-controlling interests of a subsidiary of the Group and certain independent third parties as at 30 June 2021 and 31 December 2020;
- (vi) certain assets of the non-controlling interests of a subsidiary of the Group and certain independent third parties as at 30 June 2021 and 31 December 2020; and
- (vii) a legal charge over certain of the Group's land and buildings with the carrying amounts of HK\$318,947,000 (31 December 2020: HK\$310,118,000) as at 30 June 2021.

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

For the six months ended 30 June 2021

26. Borrowings (Continued)

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.

As at 30 June 2021, one of the financial covenants as stipulated in the relevant agreement in respect of borrowings with outstanding principal of approximately HK\$562,921,000 was not satisfied. The Company is in the process of the application of waiver as of the date of authorisation of the interim financial information for six months ended 30 June 2021.

27. Capital Commitments

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Contracted, but not provided for:		
– Investment in an associate – Citychamp Allied International Limited (note)	270,000	270,000

Note:

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

For the six months ended 30 June 2021

28. Related Party Transactions

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

- (i) Rental income

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Rental income received	–	60

This was received from the executive director, Mr. Shi Tao and this was charged at HK\$10,000 for the six months ended 30 June 2020 per month on average. The lease agreement has been terminated on 31 October 2020. The carrying amount of the Group's investment property which was rented to the executive director as quarter as at 30 June 2021 was HK\$27,400,000 (31 December 2020: HK\$27,400,000).

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Purchases of goods	5,578	10,103

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

Name of related party	Nature of transaction	Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
Directors of the company and their close family members	Services fees and commission income	31	5
	Interest income	–	2
Related company	Services fees and commission income	–	40
	Interest income	–	4

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

For the six months ended 30 June 2021

28. Related Party Transactions (Continued)

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

- (iv) Outstanding balances included in trade receivables, other assets, assets of disposal groups classified as held for sale, trade payables, other liabilities and liabilities of disposal groups classified as held for sale.

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Dividend receivable from an associate	500	10,000
Due from an associate (note (a))	18,315	18,315
Trade receivables from associates	1,969	4,108
Due from related companies (note (b))	1,065	1,065
Due to a shareholder (note (c))	12,000	12,000
Trade payables to associates	58,301	58,616
Due to directors (note (d))	17,000	21,233
Due to a related company (note (e))	79,000	–

Notes:

- (a) The balance was unsecured, interest-free and repayable on demand. The maximum outstanding balance of amounts due from associates during the period was HK\$18,315,000 (31 December 2020: HK\$18,315,000).
- (b) The amounts were due from companies of which Mr. Shang Jianguang, Ms. Sit Lai Hei and Mr. Hon Hau Wong, directors of the Company are also the directors of the related companies. The balance was unsecured, interest-free and repayable on demand. The maximum amount outstanding during the period was HK\$1,065,000 (31 December 2020: HK\$1,065,000).
- (c) The balance was unsecured, interest bearing at 5% and repayable on demand.
- (d) The balance was unsecured, interest bearing at 5% per annum and repayable within one year.
- (e) The amount was due from company of which Mr. Hon Kwok Lung, director of the Company is also the shareholder of the related company. The balance was unsecured, interest bearing at 5% per annum and repayable within one year.

For the six months ended 30 June 2021

28. Related Party Transactions (Continued)

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

(v) Financial guarantee provided to Fair Future

As 30 June 2021, the Group has provided a corporate guarantee in respect of a banking facility of up to HK\$55,000,000 (31 December 2020: HK\$55,000,000) granted to Fair Future. The corporate guarantee is ending on the expiry of the term of the revolving loan facility.

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

28.2 Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	5,592	6,782
Post-employment benefits	81	99
	5,673	6,881

29. Transactions with Non-Controlling Interests

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

In May 2021, Bendura Bank AG repurchased its 3,000 equity share at cash consideration of CHF2,456,000 (equivalent to HK\$20,997,000). Following the repurchase, the Company's effective equity interest in Bendura group increased by 1.31% and the Company effectively hold 86.75% equity interest of Bendura Group. The Group recognised a decrease of in non-controlling interests of HK\$12,719,000 and a decrease in equity attributable to owners of the Company of HK\$8,278,000.

In June 2021, Bendura Bank AG repurchased its 6,000 equity share at cash consideration of CHF4,620,000 (equivalent to HK\$39,491,000). Following the repurchase, the Company's effective equity interest in Bendura group increased by 2.75% and the Company effectively hold 89.5% equity interest of Bendura Group. The Group recognised a decrease of in non-controlling interests of HK\$25,975,000 and a decrease in equity attributable to owners of the Company of HK\$13,516,000.

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

For the six months ended 30 June 2021

30. Fair Value Measurements of Financial Instruments

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

- the fair values of listed equity investments, precious metal and debt instruments classified under due from banks, trading portfolio investments, financial asset at fair value through other comprehensive income and due to clients – precious metal are determined by reference to their quoted market prices at the reporting date in active markets and have been translated using the spot foreign currency rates at the end of the reporting periods where appropriate.
- the fair value of investment fund units under trading portfolio investments is determined by reference to their quoted market prices at the reporting date in active markets and have been translated using the spot foreign currency rates at the end of the reporting periods where appropriate.
- the fair value of certain equity investments under financial assets at fair value through other comprehensive income is determined based on the fair value of their underlying net assets.
- the fair values of unlisted debt instruments classified under trading portfolio investments have been determined using significant inputs, which are market observable, directly or indirectly.
- the fair values of derivative financial assets and liabilities are marked to market using the foreign exchange forward rates ruling at the end of each reporting periods.
- the fair value of unlisted investment in insurance policy is determined based on amount value as stated in cash surrender value statement issued by insurer.
- the fair value of unlisted financial product investments is determined based on the latest transaction price.

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

For the six months ended 30 June 2021

30. Fair Value Measurements of Financial Instruments (Continued)

The following table provides an analysis of financial assets and financial liabilities carried at fair value by level of fair value hierarchy.

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

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

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

	30 June 2021			Total HK\$'000 (Unaudited)
	Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)	
Assets				
Due from banks – precious metals	–	137,040	–	137,040
Trading portfolio investments	9,039	43,645	15,192	67,876
Derivative financial assets	–	39,712	–	39,712
Financial assets at fair value through other comprehensive income	457,749	–	–	457,749
	466,788	220,397	15,192	702,377
Liabilities				
Due to clients – precious metals	–	137,366	–	137,366
Derivative financial liabilities	–	10,366	–	10,366
	–	147,732	–	147,732

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

For the six months ended 30 June 2021

30. Fair Value Measurements of Financial Instruments (Continued)

	30 December 2020			Total HK\$'000 (Unaudited)
	Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)	
Assets				
Due from banks – precious metals	–	130,055	–	130,055
Trading portfolio investments	23,028	31,164	26,118	80,310
Derivative financial assets	–	29,224	–	29,224
Financial assets at fair value through other comprehensive income	464,843	5,951	–	470,794
	487,871	196,394	26,118	710,383
Liabilities				
Due to clients – precious metals	–	130,119	–	130,119
Derivative financial liabilities	–	31,334	–	31,334
	–	161,453	–	161,453

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

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

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



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