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CITYCHAMP WATCH & JEWELLERY GROUP LIMITED

冠城鐘錶珠寶集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 256)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

INTERIM RESULTS

The board of directors (the "Board") of Citychamp Watch & Jewellery Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2015 together with comparative figures for the corresponding period in 2014.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	4	1,715,716	1,722,042
Cost of sales		743,326	(847,419)
Gross profit		972,390	874,623
Other income and financial income	5	108,389	56,646
Selling and distribution expenses		(418,748)	(410,907)
Administrative expenses		(355,050)	(331,533)
Gain/(Loss) on fair value changes in financial assets at fair value through profit or loss, net		12,033	(343)
Gain on disposal of available-for-sale financial assets	11.2	–	163,542
Gain on fair value changes in derivative financial instruments		16,696	12,001
Share of profit of associates		5,103	6,551
Finance costs	6	(36,709)	(20,560)
Profit before income tax	7	304,104	350,020
Income tax expense	8	(77,556)	(76,400)
Profit for the period		226,548	273,620
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
– Exchange (loss)/gain on translation of financial statements of foreign operations		(43,886)	3,740
– Release of exchange fluctuation reserve to profit or loss on disposal of subsidiaries		256	(2,015)
– Release of investment revaluation reserve upon disposal	11.2	–	(163,542)
– Changes in fair value of available-for-sale financial assets	11.1	74,284	(126,935)
Other comprehensive income for the period		30,654	(288,752)
Total comprehensive income for the period		257,202	(15,132)

		Six months ended 30 June	
		2015	2014
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Owners of the Company		209,169	254,485
Non-controlling interests		17,379	19,135
		<u>226,548</u>	<u>273,620</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		241,277	(34,676)
Non-controlling interests		15,925	19,544
		<u>257,202</u>	<u>(15,132)</u>
Earnings per share attributable to owners of the Company during the period			
– Basic	10	<u>HK 4.74 cents</u>	<u>HK 5.56 cents</u>
– Diluted		<u>HK 4.73 cents</u>	<u>HK 5.55 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	<i>Notes</i>	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		584,627	576,661
Investment properties		112,175	112,175
Prepaid land lease payments		37,438	37,800
Goodwill		741,636	741,636
Interests in associates		61,123	56,020
Available-for-sale financial assets	11.1	419,621	308,204
Intangible assets		188,669	229,924
Prepayments and deposits		103,977	23,992
Deferred tax assets		7,631	10,223
		<hr/> 2,256,897	<hr/> 2,096,635
Current assets			
Inventories		2,096,411	2,065,394
Trade receivables	12	787,189	792,839
Prepaid land lease payments		908	1,028
Prepayments, deposits and other receivables		617,176	473,745
Tax recoverable		800	2,538
Financial assets at fair value through profit or loss		222,522	271,552
Derivative financial assets		–	1,653
Short-term investments		37,975	149,241
Cash and cash equivalents		927,474	878,253
		<hr/> 4,690,455	<hr/> 4,636,243

	<i>Notes</i>	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Current liabilities			
Trade payables	13	355,596	358,839
Other payables and accruals		526,115	507,023
Dividend payables		1,481	1,492
Tax payables		58,668	67,672
Borrowings		530,059	349,195
Contingent consideration payable		10,779	10,669
Derivative financial liabilities		8,129	26,479
Due to related companies		218	13,961
		1,491,045	1,335,330
Net current assets		3,199,410	3,300,913
Total assets less current liabilities		5,456,307	5,397,548
Non-current liabilities			
Other payables		51,117	55,406
Borrowings		277,730	475,482
Corporate bonds		811,764	764,914
Deferred tax liabilities		26,542	26,816
		1,167,153	1,322,618
Net assets		4,289,154	4,074,930
EQUITY			
Equity attributable to owners of the Company			
Share capital		440,937	440,893
Reserves		3,647,008	3,405,631
		4,087,945	3,846,524
Non-controlling interests		201,209	228,406
Total equity		4,289,154	4,074,930

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2015

1. 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 (“HKICPA”) and with the applicable disclosure provisions in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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 2015 was approved for issue by the board of directors on 26 August 2015.

2. 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 2014 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 (“Int”). The adoption of these new and revised HKFRSs has had no material impact on the Group’s financial statements. 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 2014 Annual Financial Statements.

3. 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 are as follows:

- (a) manufacture and distribution of watches and timepieces;
- (b) property investment; and
- (c) distribution of yacht.

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

	Six months ended 30 June 2015			
	Watches and timepiece HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited)	Yacht HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue and income:				
Sales to external customers	1,705,878	9,838	–	1,715,716
Other income and financial income	47,708	92	–	47,800
	<hr/>	<hr/>	<hr/>	<hr/>
Total	1,753,586	9,930	–	1,763,516
	<hr/>	<hr/>	<hr/>	<hr/>
Segment results	307,145	6,193	(602)	312,736
	<hr/>	<hr/>	<hr/>	<hr/>
Unallocated corporate income and expenses, net				22,974
Share of profit of associates				5,103
Finance costs				(36,709)
				<hr/>
Profit before income tax				304,104
Income tax expense				(77,556)
				<hr/>
Profit for the period				226,548
				<hr/>

3. SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2014			
	Watches and timepiece <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Yacht <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue and income:				
Sales to external customers	1,704,274	7,968	9,800	1,722,042
Other income and financial income	<u>36,783</u>	<u>688</u>	<u>–</u>	<u>37,471</u>
Total	<u>1,741,057</u>	<u>8,656</u>	<u>9,800</u>	<u>1,759,513</u>
Segment results	<u>232,592</u>	<u>(792)</u>	<u>(1,561)</u>	230,239
Unallocated corporate income and expenses, net				(29,752)
Share of profit of associates				6,551
Gain on disposal of available-for-sale financial assets				163,542
Finance costs				<u>(20,560)</u>
Profit before income tax				350,020
Income tax expense				<u>(76,400)</u>
Profit for the period				<u>273,620</u>

4. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and rental income received and receivable. Revenue recognised during the period is as follows:

	Six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Sale of goods	1,705,878	1,714,074
Gross rental income	9,838	7,968
	<u>1,715,716</u>	<u>1,722,042</u>

5. OTHER INCOME AND FINANCIAL INCOME

	Six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Bank interest income	8,260	9,681
Compensation income	20,410	–
Dividend income from available-for-sale financial assets	7,597	–
Dividend income from financial assets at fair value through profit or loss	87	70
Exchange gains	42,715	5,390
Government subsidies	–	1,564
Gain on disposal of subsidiaries	9,517	15,859
Sundry income	19,803	24,082
	<u>108,389</u>	<u>56,646</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interests charged on corporate bonds	14,630	–
Interests charged on bank borrowings	22,079	20,560
	<u>36,709</u>	<u>20,560</u>

7. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Depreciation	44,757	35,516
Amortisation of prepaid land lease payments	362	524
Amortisation of intangible assets	7,195	8,778
	<u>7,195</u>	<u>8,778</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax for the period		
PRC	81,906	75,821
Switzerland	1,102	579
Over-provision in respect of prior years		
United Kingdom	(2,860)	–
Deferred tax for the year		
United Kingdom	(2,592)	–
Total income tax expense	<u>77,556</u>	<u>76,400</u>

For both the six months ended 30 June 2015 and 2014, 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 2014: between 15% and 25%). Overseas tax is calculated at the rates applicable in the respective jurisdictions.

Under the current general provisions of the PRC Corporate Income Tax Law and published tax circulars, the Group would be subject to PRC withholding tax at the rate of 10% in respect of its PRC sourced income earned, including rental income from properties in PRC, dividend income derived from PRC incorporated company and profit arising from the transfer of equity interest in PRC incorporated company.

9. DIVIDENDS

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interim dividends	—	158,620

The directors do not declare the payment of an interim dividend for the period ended 30 June 2015 (Six months ended 30 June 2014: HK3.6 cents).

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	209,169	254,485
	Number of shares	
	Six months ended 30 June	
	2015	2014
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	4,409,229	4,575,310
Effect of dilutive potential ordinary shares: – share options issued by the Company	9,254	10,676
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	4,418,483	4,585,986

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

11.1 Available-for-sale financial assets

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Listed equity investment in the PRC, at fair value	381,594	308,122
Listed debt investment in Switzerland, at fair value	37,945	–
Unlisted equity investments, at cost	82	82
	<u>419,621</u>	<u>308,204</u>

As at 30 June 2015, the listed equity investment in the PRC represented 2.05% (31 December 2014: 2.55%) equity interest in Citychamp Dartong Company Limited ("Citychamp Dartong Shares"). As at 30 June 2015, the Group held 30,389,058 Citychamp Dartong Shares (31 December 2014: 30,389,058 Citychamp Dartong Shares).

During the period, the increase in fair value of available-for-sale financial assets of HK\$74,284,000 (Six months ended 30 June 2014: decrease of HK\$126,935,000) has been dealt with in other comprehensive income and investment revaluation reserve.

11.2 Gain on disposal of available-for-sale financial assets

For the six months ended 30 June 2015, there was no disposal of available-for-sale financial assets.

For the six months ended 30 June 2014, the Group had completed the disposal of 55,000,000 Citychamp Dartong Shares at a cash consideration of RMB302,104,000 (equivalent to HK\$379,671,000). The related cumulative gain previously recognised in other comprehensive income of HK\$163,542,000 was reclassified from the investment revaluation reserve to profit or loss for the period.

12. TRADE RECEIVABLES

The Group's trading terms with its customers 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 2014: 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 various market criteria. Trade receivables are non-interest bearing.

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

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
1 to 3 months	620,746	612,274
4 to 6 months	59,657	110,593
Over 6 months	106,786	69,972
	<u>787,189</u>	<u>792,839</u>

13. TRADE PAYABLES

Ageing analysis of trade payables as at the reporting dates, based on invoice dates, is as follows:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
1 to 3 months	210,144	316,213
4 to 6 months	66,949	22,046
Over 6 months	78,503	20,580
	<u>355,596</u>	<u>358,839</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

For the six months ended 30 June 2015, the unaudited revenue of the Group reached HK\$1,715,716,000 (six months ended 30 June 2014: HK\$1,722,042,000), decreased by 0.37% (approximately HK\$6,326,000) compared with the corresponding period last year.

Gross profit for the period was approximately HK\$972,390,000 (six months ended 30 June 2014: HK\$874,623,000), increased by 11% (approximately HK\$97,767,000) compared with the corresponding period last year mainly due to a greater portion of revenue from proprietary brands.

Operating expenses was approximately HK\$773,798,000 (six months ended 30 June 2014: HK\$742,440,000), increased by 4% (approximately HK\$31,358,000) compared with the corresponding period last year mainly due to higher staff costs attributable to increased headcount.

Net profit attributable to owners of the Company was approximately HK\$209,169,000 (six months ended 30 June 2014: HK\$254,485,000), decreased by 18% (approximately HK\$45,316,000) compared with the corresponding period last year. Having set apart the financial impact of the gain on disposal of available-for-sale financial assets of approximately HK\$163,542,000 for the six months ended 30 June 2014, the Group should have an increase of net profit of approximately HK\$118,226,000 or 130% during the period under review compared with the corresponding period last year.

BUSINESS DEVELOPMENT REVIEW

The following business development strategies have been accomplished during period under review.

1. Enhancing the competitiveness of core revenue drivers

Rossini and EBOHR continued to be the major sources of revenue and accounted for more than 63% of the total revenue of the Group (six months ended 30 June 2014: 52%). These two brands seize the opportunity to expand their market shares continuously. The market for the brands in Mainland China still appeared promising despite the slower economic growth in the first half of 2015.

2. Restructuring distribution business

Owing to the anti-corruption campaign of the PRC Central Government and the deteriorating consumer's sentiment towards luxury goods, the demand for imported mid-range and high-end watches was weakened, which adversely affected the revenue of distribution companies of the Group. In response to those challenges, distribution companies adjusted the product mix skewed towards relatively inexpensive imported watches to minimize the impact. They collectively accounted for 17% of the total revenue of the Group (six months ended 30 June 2014: 28%).

3. Continuing effort in developing Swiss proprietary brands

Through management reorganization and product development, the Group has repositioned the foreign subsidiaries for strong improvement. The effect was reflected in the 2015 financials, despite challenging external environment, particularly in Mainland China and Hong Kong. The foreign subsidiaries collectively accounted for 16% of the total revenue of the Group (six months ended 30 June 2014: 16%).

(1) *Watches and timepieces – proprietary brands*

Zhuhai Rossini Watch Industry Ltd.

Zhuhai Rossini Watch Industry Ltd. ("Rossini"), a 91% subsidiary of the Group, achieved impressive result in the first half of 2015. Revenue in the first half of 2015 was HK\$611,833,000, an increase of HK\$91,085,000, or 17%, from HK\$520,748,000 for the same period last year. Net profit after tax attributable to owners of the Company for the first half of 2015 was HK\$206,391,000 compared with HK\$162,844,000 for the same period last year, an increase of HK\$43,547,000, or 27%.

Year	30 June 2013	30 June 2014	30 June 2015
No. of distribution outlets	<u>2,088</u>	<u>2,504</u>	<u>2,948</u>

Rossini has set up online stores on more than 16 E-commerce platforms. Internet sales increased to HK\$84,238,000 in the first half of 2015 from HK\$54,145,000 in same period last year and its respective proportion of revenue of Rossini to 16% from 10%.

The watch museum in the headquarters attracted tremendous number of tourists amounting to more than 170,000 in the first half of 2015 (30 June 2014: 35,000 tourists) and generating revenue of HK\$34,313,000 (30 June 2014: HK\$4,430,000). Rossini is putting stronger efforts into developing industrial tourism and hence boosting brand awareness. The watch museum has been approved by the China National Tourism Administration as a AAAA National Tourist Attraction, which was the first industrial tourism program in Zhuhai to gain such recognition.

The research centre for eco-watch, intelligent watch and related movement has been established with the objective of developing another revenue driver as both offensive and defensive strategy for Rossini. A total of 40,000 eco-watches will be sold in the second half of 2015 through distribution outlets and E-commerce.

In the first half of 2015, Rossini opened 4 distribution outlets in Macau, representing a breakthrough of international expansion. A representative office has also been established in India to cater for the Indian and Middle East markets. In the second half of 2015, Rossini watches will be sold in duty free shops in Cambodia and Russia.

In May 2015, Rossini bid RMB63 million and won the tender for an industrial site of 25,000 m² and the factory facilities of 24,000 m² erected above. The site is adjacent to Rossini's existing production facilities in Zhuhai and will be developed as the second phase of Rossini's production facilities. It is believed that the expansion of the production facilities will satisfy and boost Rossini's continuous growth in business and production capacity.

Rossini has been selected as one of China's 500 Most Valuable Brands for 12 consecutive years with a brand value of approximately RMB8.6 billion for the year 2015, being the highest among all the watch brands in Mainland China. In terms of units sold, Rossini tops the list in the last thirteen years.

Rossini continues to benefit from a high-quality growth profit, a strong track record and a leading market position in the watch industry in Mainland China. It offers a business model with products present in various price segments, great brand awareness and strong pricing power as it continues expanding distribution outlets all over Mainland China.

EBOHR Group

EBOHR Group is composed of EB Brand Limited, EBOHR Luxuries International Limited (“EBOHR”), Shenzhen EBOHR Luxuries E-commerce Co., Ltd., PAMA Precision Manufacturing Limited and Swiss Chronometric AG.

Revenue for the first half of 2015 was HK\$476,989,000, an increase of HK\$99,850,000, or 26%, from HK\$377,139,000 for the same period last year. Net profit after tax for the first half of 2015 was HK\$116,876,000, compared with HK\$99,583,000 for the same period in 2014, an increase of HK\$17,293,000, or 17%.

Year	30 June 2013	30 June 2014	30 June 2015
No. of distribution outlets	<u>1,871</u>	<u>2,204</u>	<u>2,803</u>

Following the reorganization of the top management, EBOHR has strengthened management and control by implementing a number of administration policies. The officers in the headquarters and regional offices are motivated to perform and communicate with each other. Besides, revenue increases, productivity and quality improve, and expenses decrease, leading to greater profitability.

Greater effort is put on data analyses with the objective to formulate various strategies targeted to the issues identified. For instance, new product planning is accurately based on the consumer behavior of the targeted markets.

Internet sales through the online stores on the major E-commerce platforms in Mainland China increased to HK\$48,523,000 in the first half of 2015 from HK\$42,125,000 for the same period last year. EBOHR recruits quality officers for E-commerce so that they can work closely with the E-commerce platforms, conduct data analyses, improve the consumers’ experience, and ultimately gradually expand the E-commerce. During the first half of 2015, nine new products with thirty SKU were launched exclusively for Internet sales.

Efforts have also been put in technology research. During the first half of 2015, a central laboratory was established to improve the research on product quality and talented professionals and high-end equipment are already in place for that purpose.

EBOHR's famous Chinese artist as its brand spokesman works effectively and has further promoted the brand image and delivered the brand philosophy of "Engineered Elegance".

EBOHR has been acknowledged as one of China's 500 Most Valuable Brands of the Year 2015 by the World Brand Laboratory with a brand value of approximately RMB5.6 billion and has also received various provincial and city awards for its brand and achievements.

Eterna Group

Eterna Group comprises Eterna AG Uhrenfabrik ("Eterna AG"), Eterna Uhren GmbH, Kronberg, Eterna (Asia) Limited ("Eterna (Asia)"), Eterna Movement AG ("Eterna Movement").

As of 30 June 2015, there were 226 distribution outlets for Eterna AG outside Asia (30 June 2014: 264), of which 187, 10 and 29 were in Europe, America, and Middle East respectively.

Eterna AG focuses on manufacturing of Eterna brand watch and its distribution in countries outside Asia. The first half of 2015 was still a period of transition for Eterna AG. Eterna AG streamlined the operation and put strong emphasis on sales and marketing, precisely targeted sales and marketing activities in selected markets. Eterna AG also worked on converting the inventory into cash to finance the increasingly strong operation.

Eterna Movement is wholly owned by Eterna AG and specializes in manufacturing mechanical movements. In the first half of 2015, Eterna Movement's Caliber 39 got the COSC-certification that is the highest official achievement in Switzerland for mechanical movement. It has commenced sale of movements in Switzerland, UK and Germany. It also signed a contract with a distributor for the US and Canada. There are also demands from Japan, Mainland China and Italy.

Eterna (Asia), a 70% owned subsidiary of the Group is mainly engaged in distribution of Eterna watches in Asian market. It continued to build brand awareness by increasing visibility in the Asian markets and upgrading brand image by using integrated marketing campaigns and to expand the distribution network. Eterna (Asia) places strong emphasis on the sales and marketing activities for Chinese tourists who account for 80% of its revenue. As of 30 June 2015, there were 99 distribution outlets for Eterna in Asian market (30 June 2014: 49), of which 82, 13, 3 and 1 were in Mainland China, Hong Kong, Macau and Taiwan respectively.

Eterna Group contributed revenue and net loss after tax of approximately HK\$68,477,000 (30 June 2014: HK\$34,979,000) and HK\$17,894,000 (30 June 2014: HK\$30,922,000) respectively. Excluding non-cash accounting adjustments, the loss for the period should be approximately HK\$10,736,000. The loss in the first half of 2015 was reduced significantly compared with corresponding period last year.

Montres Corum Sàrl

Montres Corum Sàrl and its subsidiaries (the “Corum Group”) was led by a Management Executive Committee and headed by senior executives from the holding company. The management team worked to revitalize the business model of the Corum Group through production development, production, brand position, distribution, team building and management practices.

Corum Group contributed revenue and net loss after tax of approximately HK\$95,703,000 (30 June 2014: HK\$173,508,000) and HK\$71,493,000 (30 June 2014: HK\$83,297,000) respectively.

There remains a challenge for Corum in the highly competitive industry. The market in Europe still maintains satisfactorily due to the increase in number of Chinese tourists and the weakening of the Euro.

Asia is expected to be the leading market for generating revenues due to the immense untapped potential, especially in Mainland China. Leveraging the group’s existing expertise and resources of extensive distribution channels in Mainland China, Corum is expected to quickly build its dedicated distribution channels in Mainland China and benefit from the potential of Mainland China’s imported watch market.

In 2015, a new collection Bubble was launched in addition to Corum’s existing three collection pillars, namely, Bridges, Admiral’s Cup and Heritage, which gained highly positive reactions from the markets.

As of 30 June 2015, the number of distribution outlets was 541, including 7 boutiques. Europe continues to top the list with 261 distribution outlets, followed by Asia, the US and Middle East/Africa with 125, 106 and 49 distribution outlets respectively.

The Dreyfuss Group Limited

The UK is the largest single market representing 69% of total revenue of The Dreyfuss Group Limited (“Dreyfuss Group”), which possesses three proprietary brands of Rotary, Dreyfuss & Co. and J&T Windmills. Further 30 distribution outlets are confirmed to open in the UK in the second half of 2015. Other markets include Germany, the Middle East, North Africa, Canada and Asia Pacific. As at 30 June 2015, there were 4,354 distribution outlet for Rotary, including 2,985 outlets in the UK. It is the strategy of the Dreyfuss Group to grow its international division in order to diversify into overseas markets. Markets developed in the first half of 2015 include Bulgaria, Canada, Kuwait, Spain, Oman, Portugal and Ukraine. Sale through in-flight catalog is also an increasingly strong source of revenue.

The Chinese sales and marketing team has been established in the first half of 2015 and distribution outlets in China would be operational in the second half of 2015.

E-commerce websites for the UK and the US markets started to operate in the second half of 2014. The Internet sales contributed HK\$2,289,000 in the first half of 2015, representing an increase of HK\$1,522,000 over prior year.

During the period under review, Dreyfuss Group contributed revenue and net loss after tax of approximately HK\$115,195,000 (30 June 2014: HK\$62,918,000 (note)) and HK\$16,333,000 (30 June 2014: HK\$7,509,000 (note)) respectively.

(2) *Watches and timepieces – non-proprietary brands*

Pursuant to a settlement agreement signed on 20 April 2015, the Group and the joint venture partner (“Kungtai Hengshi”) of Beijing Haina Tianshi Watch Co., Ltd (“Beijing Haina”) agreed to terminate all the joint venture agreements having been executed by both parties and refund to the Group all the investments that the Group had been invested in Beijing Haina. Also, the Group would sell 51% equity interest in Beijing Haina to Kungtai Hengshi. The disposal was completed during the period. As at the date of this Announcement, all investments have been refunded to the Group pursuant to the Settlement Agreement except the final payment of RMB15,300,000. Kuntai Hengshi is now working on the formalities related to the remittance of the last payment. Among all the formalities required, the State Administration of Foreign Exchange needs to approve such remittance due to its nature. Once the approval is granted, the payment can be executed. It is believed that the final payment of RMB15,300,000 will be received by 15 September 2015.

After the disposal of Beijing Haina, the Group has five distribution companies engaged in distribution of non-proprietary brands. These watch distribution companies, which had 134 distribution outlets as at 30 June 2015, distribute international brands mainly in Fujian, Guangdong, Henan, Jilin, Liaoning, Shenyang provinces in Mainland China.

Note: Revenue and net loss after tax for the six months ended 30 June 2014 covered period from 11 April 2014, the acquisition date, to 30 June 2014.

Collectively, distribution companies contributed revenue and net loss after tax for the first half of 2015 of HK\$296,865,000 (30 June 2014: HK\$489,192,000) and HK\$4,526,000 (30 June 2014: net profit after tax HK\$4,698,000) respectively. Owing to the relatively slow economic growth in Mainland China and the strong anti-extravagance policies adopted by the PRC Central Government, the demand for the imported mid-range and high-end watches was weakened in the Mainland China market, which affected the revenue and performance of the distribution companies.

The PRC partner of Henan Jinjue Enterprise Co., Ltd (“Henan Jinjue”) guaranteed certain profit targets and agreed to compensate to the Group any shortfall. For each of the three years ended 31 December 2014, Henan Jinjue did not meet the profit targets and incurred shortfall as illustrated in the table below.

Year	Guaranteed	Actual	Guaranteed	Actual	Shortfall	Compensation		
	revenue					profit	profit/(loss)	by PRC
	for the year	revenue	for the year	after tax		Partner	already	to be
	(note 2)	for the year	for the year	for the year		(i.e. 51% of	received	received
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	the shortfall)	RMB'000	RMB'000
2012	12,500	0	1,000	(226)	1,226	625	625	0
	(note 1)		(note 1)					
2013	195,000	121,730	15,600	3,701	11,899	6,068	6,068	0
2014	253,000	163,290	20,200	5,270	14,930	7,614	0	7,614

Notes:

1. Guaranteed annual revenue and profit for the year ended 31 December 2012 was adjusted on a pro rata basis subject to the actual commencement date of operation.
2. Guaranteed revenue is for indicative purpose only and therefore no compensation is required on the shortfall of sales.

As at the date of this announcement, the PRC partner of Henan Jinjue has duly settled the compensations of RMB625,000 and RMB6,068,000 related to 2012 and 2013 respectively. Regarding the compensation related to 2014, our executives have held a few meeting with the PRC partner in order to recover such compensation. It is orally agreed by the PRC partner that the compensation of RMB7,614,000 will be paid by the end of 2015.

(3) *Watches and timepieces – production*

The Group has the capability to produce mechanical movement ranging from basic mechanical movement to tourbillon and fashion watches on OEM basis for leading global brands at competitive cost.

Guangzhou Five Goat Watch Company Limited

Guangzhou Five Goat Watch Company Limited (“Five Goat”), a 78% owned subsidiary of the Group, is engaged in the proprietary manufacture and distribution of mechanical movement and watch. It owns two proprietary watch brands, namely, Guangzhou and Dixmont. Five Goat contributed revenue and net profit after tax attributable to owners of the Company of approximately HK\$23,003,000 (30 June 2014: HK\$30,309,000) and HK\$2,118,000 (30 June 2014: HK\$3,503,000) respectively in the first half of 2015. Approximately 94% of the revenue of Five Goat came from sale of mechanical movement.

Fair Future Industrial Limited

Fair Future Industrial Limited (“Fair Future”), a 25% owned associate of the Group, is engaged in the manufacture of watches and watch accessories for a well-known Japanese brand on an OEM basis. Creative and stylish design is one of the core-competencies of Fair Future. With a design team of more than 50 professionals well exposed to the changing global consumer behavior. Fair Future offers product portfolio that has been highly recognised by OEM customers. Coupled with good quality and cost control, Fair Future is well positioned for sustainable development.

Fair Future contributed net profit after tax for the first half of 2015 of HK\$5,103,000 (30 June 2014: HK\$6,551,000).

Gold Vantage Industrial Limited

Gold Vantage Industrial Limited (“Gold Vantage”), a 51%-owned subsidiary of the Group, is engaged in the manufacture of watch cases on an OEM basis. Gold Vantage contributed revenue and net loss after tax attributable to owners of the Company of approximately HK\$16,346,000 (30 June 2014: HK\$15,481,000) and HK\$1,192,000 (30 June 2014: HK\$1,923,000) respectively in the first half of 2015.

(4) Investment in Citychamp Dartong Company Limited (“Citychamp Dartong”)

As at 30 June 2015, the Group hold 30,389,058 shares of Citychamp Dartong, representing 2.05% of its total issued share capital, with a market value of HK\$381,594,000.

(5) Property investment

The factory complex in Dongguan, the property on Yan He South Road, Luohu District, Shenzhen, three shop units on Xianghua Road, Zhuhai, in Guangdong Province of Mainland China, and one apartment in Hong Kong owned by the Group have been leased out, with stable rental returns to the Group for the year under review.

(6) Distribution of Motor Yacht

During the period, Chart Victory Limited incurred net loss after tax of approximately HK\$602,000 (six months ended 30 June 2014: HK\$1,561,000).

Financial Position

(1) Liquidity, financial resources and capital structure

As at 30 June 2015, the Group had non-pledged cash and bank balances of approximately HK\$927,474,000 (31 December 2014: HK\$878,253,000). Based on the borrowings of HK\$807,789,000 (31 December 2014: HK\$824,677,000), the corporate bonds of HK\$811,764,000 (31 December 2014: HK\$764,914,000) and shareholders’ equity of HK\$4,087,945,000 (31 December 2014: HK\$3,846,524,000), the Group’s gearing ratio (being borrowings plus corporate bonds divided by Shareholders’ equity) was 40% (31 December 2014: 41%).

As at 30 June 2015, the Group’s borrowings amounting to HK\$530,059,000 (66% of all borrowings) were repayable within one year.

(2) Charge on assets

As at 30 June 2015, banking facilities of the Company were secured by the Group's trade receivables of HK\$174,142,000, investment properties in Hong Kong of HK\$22,800,000 and land and buildings in Switzerland with net book values of HK\$108,909,000, totaling HK\$305,851,000 (31 December 2014: HK\$264,664,000).

(3) Capital commitments

There were capital commitments with an amount of HK\$121,756,000 (31 December 2014: HK\$169,024,000) related to purchase of property, plant and equipment. Except for the above, the Group had no other material capital commitments as at 30 June 2015.

Financial Review

(1) Gross profit

Gross profit was HK\$972,390,000, an increase of 11% from HK\$874,623,000 for the same period last year. Before making adjustments for intra-group transactions, Rossini contributed a gross profit of HK\$439,785,000 and a gross margin of 72% while EBOHR contribute a gross profit of HK\$303,976,000 and a gross margin of 64%.

(2) Selling and distribution expenses

Total selling and distribution expenses was HK\$418,748,000, an increase of 2% from HK\$410,907,000 last year. Rossini, EBOHR, Eterna, Corum and Dreyfuss contributed selling and distribution expenses of HK\$157,744,000, HK\$131,453,000, HK\$14,137,000 and HK\$57,707,000 and HK\$16,310,000 respectively.

(3) Administrative expenses

Total administrative expenses was HK\$355,050,000, an increase of 7% from HK\$331,533,000 for the same period last year. Rossini, EBOHR, Eterna, Corum and Dreyfuss contributed administrative expenses of HK\$50,330,000, HK\$34,291,000, HK\$40,917,000, HK\$71,886,000 and HK\$62,860,000 respectively.

(4) Finance costs

Total finance costs were HK\$36,709,000, an increase of 79% from HK\$20,560,000 for the same period last year. The increase was mainly due to the issue of the corporate bonds.

(5) Net profit attributable to owners of the Company

Net profit attributable to owners of the Company was HK\$209,169,000, a decrease of 18% from HK\$254,485,000 for the same period last year. Before making adjustments for intra-group transactions, Rossini contributed net profit attributable to owners of the Company of HK\$206,391,000 while EBOHR contributed net profit of HK\$116,876,000.

(6) Inventory

Inventory was HK\$2,096,411,000, an increase of 1.5% from HK\$2,065,394,000 as at 31 December 2014. Rossini, EBOHR, Eterna, Corum and Dreyfuss contributed inventory of HK\$390,642,000, HK\$601,305,000, HK\$253,456,000, HK\$378,331,000 and HK\$102,691,000 respectively.

The inventory level of Rossini and EBOHR was decreased compared with their respective inventory as at 31 December 2014. For Eterna, Corum and Dreyfuss, the Group has initiated measures to enhance sales efficiency at distribution outlet level, improve overall inventory management with more rapid information exchange between the distribution outlet, the regional sale office and the headquarters, and put increasingly strong efforts to clear old inventory. It is expected that the level of inventory would be gradually in line with revenue generated in the medium term.

GOVERNANCE AND THE BOARD

The Board remains focused on improving its effectiveness, and the efficiency of the governance processes. We believe that an appropriate mix of skills, experience and perspectives within the Board helps strengthen its effectiveness. In addition to two experienced executive directors, namely Mr. Hon Hau Wong and Mr. Tao Li joining the board in August 2014 and November 2014 respectively, Mr. Zhang Bin, who has a wealth of legal experience in various practicing areas, also joined the Board as an Independent Non-executive Director in November 2014.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board, as assisted by the Audit Committee, oversees the Group's risk management system, and conducts periodic reviews of such system to ensure good corporate governance practice. Foreign exchange risk, economy risk and industry risk are the principal risks and uncertainties facing the Group and the Board will monitor the situation closely and adopt any necessary risk mitigation measures.

Foreign Exchange Risk

The Group incurs a large portion of cost of goods sold in RMB and receives the majority of revenues also in RMB. Certain portions of the Group's sales and purchases and loans are denominated in Swiss Franc and GBP. Currently, we may consider to enter into foreign exchange hedging transactions as the foreign exchange risks exist. If we are not engaged in foreign exchange hedging transactions, it may affect our financial condition and performance.

Economy Risk

The growth in revenue is dependent on the growth of consumer spending on watches. Any continued economic slowdown domestically or globally may result in a decrease in consumer spending in watches and may lead to an adverse effect upon the Group's business and results of operations.

Industry Risk

Analysis of the economic situation of international and Mainland China markets demonstrates that the retail industry of watches and timepieces will confront relatively substantial pressure. The severe competition of the industry may affect the Group's business performance.

OUTLOOK

The economic slowdown on Mainland China, ongoing uncertainty in Europe and the normalization of monetary policy in the US will render operating conditions challenging for the rest of the year. Our strategic planning and investment have given us a strong base for the next chapter of development.

Loose monetary policy has started a new downtrend of short term interest rates. As monetary policy continues to remain loose and the People's Bank of China continues to inject liquidity, short term interest rates may continue to drop. Fiscal policy will proactively revitalize existing capital of the provincial fiscal departments. Activating the capital will not only increase the effectiveness of the fiscal policy, but also help to streamline channels for monetary policy and effectively guide funds into the real economy, leading to a stable growth at around 7%. Such stable economic growth in Mainland China is expected to provide favourable environment for the development of Rossini and EBOHR, and other proprietary brands. Due to the increasing prestige of the proprietary brands which are led by Rossini and EBOHR and the various new management measures adopted by the Group, the Group will continue its stable growth in the new round of competition.

Looking ahead, with our strong cross-border infrastructure and unique market position in Mainland China, we continue to enhance the value of our businesses in Mainland China and develop our Swiss proprietary brands. The Group has entered a new era and shall enjoy a time of dynamic and sustainable growth prospects in the years to come.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, the Group had more than 5,000 full-time staff in Hong Kong and Mainland China and approximately 200 staff in Europe. The remuneration packages offered to the employees were determined and reviewed on an arm's length basis with reference to the market condition and individual performance. The Group also provides other benefits to its employees, including year-end double pay, medical insurance and retirement benefits, and incentive bonus are offered with reference to the Group's operating results and employees' individual performance. All employees of the Group in Hong Kong have joined the provident fund schemes. Employees of Group's Subsidiaries in Mainland China also participate in social insurance scheme administrated and operated by local authorities and contributions are made according to the local laws and regulations.

DIVIDEND

The directors have resolved not to distribute an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: HK3.6 cents per share).

CORPORATE GOVERNANCE CODE

During the six months period ended 30 June 2015, the Company has complied with all the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the "Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" (the "Listing Rules"), except with the details disclosed below:

Code E.1.2

Code E.1.2 stipulates that the Chairman of the board of directors should attend the annual general meeting of the Company. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 25 June 2015 (the "2015 AGM") due to his business trip outside Hong Kong.

Code A.6.7

Code A.6.7 stipulates that independent non-executive directors should attend general meetings. One independent non-executive director did not attend the 2015 AGM due to other business engagements.

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 Company's directors, the directors have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2015.

AUDIT COMMITTEE

The audit committee (the "AC") comprises the four independent non-executive directors, Mr. Fung Tze Wa (the Chairman of the Committee), Dr. Kwong Chun Wai, Michael, Mr. Li Qiang and Mr. Zhang Bin. The AC reviewed the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the unaudited interim financial information for the six months ended 30 June 2015. The AC also reviewed and commented internal audit reports of subsidiaries and associates and adequacy of resources, qualifications, experience and training of staff engaged in the accounting and financial report function.

REMUNERATION COMMITTEE

The remuneration committee (the "RC") currently comprises four independent non-executive directors, Mr. Fung Tze Wa (the Chairman of the Committee), Dr. Kwong Chun Wai, Michael, Mr. Li Qiang and Mr. Zhang Bin, Executive Director and Chairman of the Board, Mr. Hon Kwok Lung and Executive Director and Chief Executive Officer, Mr. Shang Jianguang.

The majority of the RC members are independent non-executive directors. The RC 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 RC also makes recommendations to the board on the remuneration packages of individual executive directors and senior management. The RC ensures that no director or any of his/her associates is involved in deciding his/her own remuneration.

NOMINATION COMMITTEE

The nomination committee (the "NC") comprises the four independent non-executive directors, Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael, Mr. Li Qiang and Mr. Zhang Bin, Mr. Hon Kwok Lung and Mr. Shang Jianguang. Mr. Hon Kwok Lung has been appointed as the chairman of the NC. The terms of reference of the NC have been included on the Stock Exchange's website and the Company's website.

The majority of the NC members are independent non-executive directors. The principal duties of the NC are to review the structure, size and composition 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 NC is also responsible for assessing the independence of independent non-executive directors.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2015, the Company has not repurchased any Company's listed shares (whether on the Stock Exchange or otherwise).

PUBLICATION OF 2015 INTERIM RESULTS AND 2015 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.irasia.com/listco/hk/citychamp) and (www.citychampwatchjewellery.com), and the 2015 Interim Report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

Our financial performance and strategic moves reflected the joint efforts of the Board and management in successfully pursuing our mission to be one of the leaders in the watch industry of Mainland China. Our strong sales and profit growth 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.

By order of the Board
Citychamp Watch & Jewellery Group Limited
Hon Kwok Lung
Chairman

Hong Kong, 26 August 2015

As at the date of this announcement, the Board of the Company comprises Mr. Hon Kwok Lung, Mr. Shang Jianguang, Mr. Shi Tao, Mr. Lam Toi Man, Mr. Bi Bo, Ms. Sit Lai Hei, Mr. Hon Hau Wong and Mr. Tao Li who are the Executive Directors, and Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael, Mr. Li Qiang and Mr. Zhang Bin, who are the Independent Non-Executive Directors.