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CITYCHAMP WATCH & JEWELLERY GROUP LIMITED

冠城鐘錶珠寶集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 256)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

The board of directors (the "Board") of Citychamp Watch & Jewellery Group Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015 together with the consolidated statement of financial position of the Group as at 31 December 2015, and the notes with comparative figures for the year ended 31 December 2014 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	5	3,476,354	3,488,553
Cost of sales		(1,694,496)	(1,797,911)
Gross profit		1,781,858	1,690,642
Other income		204,608	150,825
Selling and distribution expenses		(883,152)	(926,387)
Administrative expenses		(616,151)	(698,077)
Gain on fair value changes in equity investments held for trading, net		29,078	45,734
(Loss)/gain on fair value changes in contingent consideration payable		(969)	54,511
Loss on fair value changes in the conversion option of the convertible bond investment		(1,749)	–
Gain on fair value changes in derivative financial instruments		17,559	18,615
Net (deficit)/surplus on revaluation of investment properties		(499)	3,078
Gain on disposal of available-for-sale financial assets		–	163,542
Gain on disposal of subsidiaries		9,517	15,859
Impairment loss on goodwill	11	–	(49,395)
Impairment loss on intangible assets	12	–	(133,166)
Share of profit of associates		9,685	13,333
Finance costs	6	(77,075)	(65,055)
Profit before income tax	7	472,710	284,059
Income tax expense	8	(132,551)	(121,027)
Profit for the year		340,159	163,032
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss			
– Remeasurement of defined benefit obligations		9,485	(5,955)
Items that may be reclassified subsequently to profit or loss			
– Exchange differences on translation of foreign operations		(142,928)	(2,021)
– Release of exchange fluctuation reserve to profit or loss upon disposal of a subsidiary		256	(2,015)
– Share of other comprehensive income of associates		133	(16)
– Release of investment revaluation reserve upon disposal of available- for-sale financial assets		–	(163,542)
– Changes in fair value of available-for-sale financial assets		9,051	(11,533)
		(133,488)	(179,127)
Other comprehensive income for the year		(124,003)	(185,082)
Total comprehensive income for the year		216,156	(22,050)

	Notes	2015 HK\$'000	2014 HK\$'000
Profit for the year attributable to:			
Owners of the Company		307,675	132,005
Non-controlling interests		32,484	31,027
		340,159	163,032
Total comprehensive income for the year attributable to:			
Owners of the Company		196,583	(55,528)
Non-controlling interests		19,573	33,478
		216,156	(22,050)
Earnings per share attributable to owners of the Company			
– Basic	10	HK6.98 cents	HK2.94 cents
– Diluted		HK6.96 cents	HK2.93 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		730,799	576,661
Investment properties		111,676	112,175
Prepaid land lease payments		45,242	37,800
Goodwill	11	741,636	741,636
Interests in associates		65,828	56,020
Available-for-sale financial assets		317,250	308,204
Convertible bond investment		8,327	–
Intangible assets		172,270	229,924
Prepayments and deposits		21,887	23,992
Deferred tax assets		7,641	10,223
		2,222,556	2,096,635
Current assets			
Inventories		2,042,892	2,065,394
Trade receivables	13	693,868	792,839
Prepaid land lease payments		966	1,028
Prepayments, deposits and other receivables		522,128	473,745
Tax recoverable		9,248	2,538
Equity investments held for trading		367,471	271,552
Derivative financial assets		–	1,653
Short-term investments		143,362	149,241
Cash and bank balances		836,065	878,253
		4,616,000	4,636,243
Current liabilities			
Trade payables	14	359,533	358,839
Other payables and accruals		431,407	507,023
Dividend payables		1,482	1,492
Tax payables		69,323	67,672
Borrowings		766,654	349,195
Contingent consideration payable	15	–	10,669
Derivative financial liabilities		7,260	26,479
Due to related companies		181	13,961
		1,635,840	1,335,330
Net current assets		2,980,160	3,300,913
Total assets less current liabilities		5,202,716	5,397,548

	2015 HK\$'000	2014 HK\$'000
Non-current liabilities		
Other payables	60,031	55,406
Borrowings	171,878	475,482
Corporate bonds	708,834	764,914
Deferred tax liabilities	27,486	26,816
	968,229	1,322,618
Net assets	4,234,487	4,074,930
EQUITY		
Equity attributable to owners of the Company		
Share capital	440,938	440,893
Reserves	3,602,315	3,405,631
	4,043,253	3,846,524
Non-controlling interests	191,234	228,406
Total equity	4,234,487	4,074,930

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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, Uglad House, South Church Street, Grand Cayman, Cayman Islands and its principal place office is Units 1902-04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

- Manufacture and distribution of watches and timepieces;
- Property investments; and
- Distribution of yachts

During the year, the Group completed the disposal of its 51% equity interest in Beijing Haina Tianshi Watch Company Limited (“Beijing Haina”) in May 2015. Other than the aforementioned, there was no other significant change in the Group’s operations during the year.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

The consolidated financial statements have been prepared under historical cost basis except for investment properties and financial instruments classified as available-for-sale and equity investments held for trading, derivative financial instruments, conversion option of convertible bond investment and contingent consideration payable, which are measured at fair values. The adoption of new or revised HKFRSs and the impacts on the Group’s consolidated financial statements, if any, are disclosed in note 3.

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

2.3 Functional and presentation currency

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

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

(a) Adoption of new or revised HKFRSs – effective 1 January 2015

In the current year, the Group has applied for the first time the following new or revised standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2015:

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

The adoption of these amendments has no significant impact on the Groups’ consolidated financial statements.

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The adoption of the amendments to HKAS16 has no impact on the consolidated financial statements as the Group does not have property, plant and equipment under revaluation model.

Amendments to HKAS 19 (2011) – Defined Benefit Plans: Employee Contributions

The amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered instead of allocating the contributions to periods of service.

The adoption of the amendments has no significant impact on the consolidated financial statements.

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

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

HKFRSs (Amendments)	Annual Improvement 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
HKFRS 9 (2014)	Financial Instruments ²
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception ¹
HKFRS 15	Revenue from Contracts with Customers ²

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ No mandatory effective date yet determined but is available for adoption.

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 10 and HKAS 28 (2011) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) – Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the progress of making assessments of the potential impact of these new or revised HKFRSs and the directors anticipate that more disclosure would be made but are not yet in a position to state whether they would have material impact on the Group's consolidated financial statements.

(c) The amended Main Board Listing Rules relating to the presentation and disclosure in consolidated financial statements

The amended Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Amended Main Board Listing Rules") in relation to the presentation and disclosure in the consolidated financial statements, including the amendments with reference to the new Hong Kong Companies Ordinance, Cap. 622 applies to the Company in this financial year.

The directors consider that there is no impact on the Group's financial position or performance, however the Amended Main Board Listing Rules have impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the consolidated financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

4. SEGMENT INFORMATION

The chief operating decision-maker, being the Company's 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) distribution of yachts.

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

2015

	Watches and timepiece HK\$'000	Property investment HK\$'000	Yacht HK\$'000	Total HK\$'000
Segment revenue and income:				
Sales to external customers	3,458,245	18,109	–	3,476,354
Other income	162,305	1,513	–	163,818
Total	3,620,550	19,622	–	3,640,172
Segment results	549,559	4,470	(8,280)	545,749
Unallocated corporate income and expenses, net				(5,649)
				540,100
Share of profit of associates				9,685
Finance costs				(77,075)
Profit before income tax				472,710
Income tax expense				(132,551)
Profit for the year				340,159
Segment assets	4,247,209	235,551	28,060	4,510,820
Goodwill				741,636
Interests in associates				65,828
Available-for-sale financial assets				317,250
Convertible bond investment				8,327
Equity investments held for trading				367,471
Short-term investments				143,362
Unallocated corporate assets				683,862
Consolidated total assets				6,838,556
Segment liabilities	842,124	49,870	36	892,030
Borrowings				938,532
Corporate bonds				708,834
Due to related companies				181
Derivative financial liabilities				7,260
Unallocated corporate liabilities				57,232
Consolidated total liabilities				2,604,069
Other segment information				
Interest income	16,840	197	–	17,037
Impairment loss on trade receivables	12,688	–	–	12,688
Reversal of impairment loss on trade receivables	9,864	–	–	9,864
Write-down of inventories	49,932	–	6,838	56,770
Reversal of write-down of inventories	37,696	–	–	37,696
Depreciation and amortisation	97,680	4,470	–	102,150
Additions to non-current assets	296,097	–	–	296,097
Net deficit on revaluation of investment properties	–	499	–	499
Gain on disposal of a subsidiary	9,517	–	–	9,517
Loss on fair value change in contingent consideration payable	969	–	–	969

2014

	Watches and timepiece HK\$'000	Property investment HK\$'000	Yacht HK\$'000	Total HK\$'000
Segment revenue and income:				
Sales to external customers	3,460,865	17,888	9,800	3,488,553
Other income	104,463	4,308	–	108,771
Total	3,565,328	22,196	9,800	3,597,324
Segment results	198,422	5,492	(2,535)	201,379
Unallocated corporate income and expenses, net				(29,140)
				172,239
Gain on disposal of available-for-sale financial assets				163,542
Share of profit of associates				13,333
Finance costs				(65,055)
Profit before income tax				284,059
Income tax expense				(121,027)
Profit for the year				163,032
Segment assets	4,262,959	209,882	34,879	4,507,720
Goodwill				741,636
Interests in associates				56,020
Available-for-sale financial assets				308,204
Equity investments held for trading				271,552
Derivative financial assets				1,653
Short-term investments				149,241
Unallocated corporate assets				696,852
Consolidated total assets				6,732,878
Segment liabilities	783,383	43,269	–	826,652
Borrowings				824,677
Corporate bonds				764,914
Due to related companies				13,961
Contingent consideration payable				10,669
Derivative financial liabilities				26,479
Unallocated corporate liabilities				190,596
Consolidated total liabilities				2,657,948
Other segment information				
Interest income	19,827	126	–	19,953
Impairment loss on trade receivables	61,145	–	–	61,145
Reversal of impairment loss on trade receivables	321	–	–	321
Write-down of inventories	16,807	–	–	16,807
Reversal of write-down of inventories	17,808	–	–	17,808
Depreciation and amortisation	112,912	4,937	1	117,850
Additions to non-current assets	127,019	–	–	127,019
Net surplus on revaluation of investment properties	–	3,078	–	3,078
Gain on disposal of a subsidiary	15,859	–	–	15,859
Impairment loss on intangible assets	133,166	–	–	133,166
Impairment loss on goodwill	49,395	–	–	49,395
Gain on fair value change in contingent consideration payable	54,511	–	–	54,511

Unallocated corporate income and expenses mainly comprised dividend income from equity investments held for trading and available-for-sale financial assets, gain on fair value changes in equity investments held for trading, gain on fair value changes in the conversion option of convertible bond investment, gain on repurchase of corporate bonds and other corporate income and expenses of the Group's headquarter which are not directly attributable to the business activities of any operating segment. Other corporate expenses mainly included staff costs, directors' remuneration and office rental expenses for administrative purpose.

Unallocated corporate assets mainly comprised of cash and cash equivalents which held as the general working capital of the Group as a whole and other corporate assets of the Group's headquarter which are not directly attributable to the business activities of any operating segment.

Unallocated corporate liabilities mainly comprised of the other corporate liabilities of the Group's headquarter which are not directly attributable to the business activities of any operating segment. Other corporate liabilities mainly included withholding tax payable on corporate bond interest, corporate bond interest payable and accrued headquarter expenses. As at 31 December 2014, unallocated corporate liabilities also included the promissory notes issued to vendors for repurchase of the Company's ordinary shares.

Management determines the Group is domiciled in Hong Kong, which is the location of the Group's principal office. The Group's revenues from external customers and its non-current assets (other than financial assets and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Hong Kong (domicile)	109,978	48,627	75,312	83,477
PRC	2,706,583	2,809,125	1,344,978	1,158,518
Switzerland	152,867	60,192	316,821	272,248
Germany	24,432	11,423	1,203	887
United Kingdom	235,871	252,475	145,415	260,686
Singapore	9,525	40,218	-	-
Others	237,098	266,493	2,929	2,392
	3,476,354	3,488,553	1,886,658	1,778,208

The geographical location of revenue is based on the location of customers. For goodwill and intangible assets, the geographical location is based on the areas of operation of CGUs. The geographical location of other non-current assets is based on the physical location of the asset.

The Group has a large number of customers and there is no significant revenue derived from specific external customers for the years ended 31 December 2015 and 2014.

5. 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 year is as follows:

	2015 HK\$'000	2014 HK\$'000
Sales of goods	3,458,245	3,470,665
Rental income	18,109	17,888
	3,476,354	3,488,553

6. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest charged on corporate bonds	29,218	13,661
Interest charged on bank and other borrowings	47,782	51,290
Interest charged on finance leases	75	104
	77,075	65,055

7. PROFIT BEFORE INCOME TAX

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

	2015 HK\$'000	2014 HK\$'000
Cost of inventories recognised as expense, including:	1,694,496	1,797,911
– Reversal of write-down of inventories (note c)	(37,696)	(17,808)
– Write-down of inventories	49,932	16,807
Depreciation (note a)	103,144	103,824
Amortisation of prepaid land lease payments (note b)	1,015	1,028
Amortisation of intangible assets (note b)	9,096	14,037
Amortisation of issuance cost of corporate bonds	3,561	2,001
Lease payments under operating leases in respect of:		
– Land and buildings	54,324	50,128
– Plant and machinery	3,493	–
Auditor's remuneration	2,480	2,380
Gross rental income	(18,109)	(17,888)
Less: direct operating expenses	2,538	3,498
Net rental income	(15,571)	(14,390)
Exchange losses	6,130	2,898
Impairment loss on trade receivables	12,688	61,145
Reversal of impairment loss on trade receivables	(9,864)	(321)
Research and development expenses (note b)	110,898	74,449

Notes:

- (a) Depreciation expense of HK\$15,104,000 (2014: HK\$21,278,000) has been included in cost of sales, HK\$44,616,000 (2014: HK\$37,774,000) in selling and distribution expenses and HK\$43,424,000 (2014: HK\$44,772,000) in administrative expenses.
- (b) Amortisation expenses and research and development expenses had been included in the administrative expenses.
- (c) The reversal of write-down of inventories made in prior years arose mainly due to an increase in the estimated net realisable value of certain finished goods as a result of improved sales performance.

8. INCOME TAX EXPENSE

For both the years ended 31 December 2015 and 2014, no provision for Hong Kong profit 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% (2014: 15% and 25%). Overseas taxes are calculated at the rates applicable in the respective jurisdictions.

The Group is also subject to PRC withholding tax at the rate of 5% or 10% (2014: 5% or 10%) in respect of its PRC sourced income earned, including rental income from properties in the PRC, dividend income derived from PRC incorporated company and profit arising from the transfer of equity interest in PRC incorporated company.

	2015	2014
	HK\$'000	HK\$'000
Current tax for the year		
PRC	124,123	146,064
Switzerland	2,128	270
United Kingdom	2,370	4,271
(Over)/Under-provision in respect of prior years		
PRC	(305)	(728)
Switzerland	114	–
Deferred tax for the year	4,121	(28,850)
Total income tax expense	132,551	121,027

9. DIVIDENDS

	2015	2014
	HK'000	HK\$'000
Interim dividend: Nil (2014: HK3.6 cents per share)	–	158,721

At the board meeting held on 30 March 2016, the board of directors resolved to recommend a 2015 final dividend of HK2.5 cents per ordinary share (2014: Nil). The proposed 2015 final dividend is subject to shareholders' approval in the forthcoming 2016 annual general meeting and has not been recognised as dividend payable as at 31 December 2015, but will be reflected as an appropriation of retained profits/share premium for the year ending 31 December 2016.

10. EARNINGS PER SHARE

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

Earnings	2015 HK\$'000	2014 HK\$'000
Profit attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	307,675	132,005
Number of shares	2015 Number of shares '000	2014 Number of shares '000
Weighted average number of shares for the purpose of calculating basic earnings per share	4,409,302	4,491,328
Effect of dilutive potential shares: – share options issued by the Company	9,588	10,595
Weighted average number of shares for the purpose of calculating diluted earnings per share	4,418,890	4,501,923

11. GOODWILL

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

	2015 HK\$'000	2014 HK\$'000
Year ended 31 December		
Opening carrying amount	741,636	670,777
Acquisition of subsidiaries	–	120,254
Impairment loss	–	(49,395)
Closing carrying amount	741,636	741,636

12. IMPAIRMENT LOSS ON INTANGIBLE ASSETS

As at 31 December 2014, intangible assets with indefinite useful lives amounted to HK\$98,441,000 and intangible assets with definite useful lives amounted to HK\$5,055,000 are attributable to the cash-generating unit (“CGU”) of Corum Group. As the recoverable amount of the CGU of Corum Group is lower than its carrying amount, an impairment loss on the intangible assets of HK\$75,417,000 was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2014. No further impairment loss has been provided for the year ended 31 December 2015.

As at 31 December 2014, intangible assets with indefinite useful lives amounted to HK\$33,034,000 and intangible assets with definite useful lives amounted to HK\$24,715,000 are attributable to the CGU of Eterna Group. The recoverable amount of the CGU of Eterna Group has been determined from value-in-use calculation in which overall negative cash flow is expected. As a result, the recoverable amount of the CGU of Eterna Group would be nil. In the opinion of the directors of the Company, the revenue growth of Eterna Group is not achieved as previously expected and it is uncertain that those intangible assets could generate economic benefit to Eterna Group. As such, the recoverable amount of the intangible assets would be minimal. An impairment loss on the intangible assets of HK\$57,749,000 was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2014. No further impairment loss has been made for the year ended 31 December 2015.

13. TRADE RECEIVABLES

The Group’s trading terms with its customers are mainly on credit. The credit period is generally for a period of one to six months (2014: one to six months) for major customers. The credit term for customers is determined by the management according to industry practice together with consideration of their creditability. In view of the aforementioned and the fact that the Group’s trade receivables relate to a wide range of customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	2015	2014
	HK\$’000	HK\$’000
Neither past due nor impaired	241,825	250,157
Less than 3 months past due	353,343	417,471
More than 3 months but less than 6 months past due	50,851	74,297
More than 6 months past due	47,849	50,914
	452,043	542,682
	693,868	792,839

14. TRADE PAYABLES

The credit terms of trade payables vary according to the terms agreed with different suppliers. Ageing analysis of trade payables as at the reporting dates, based on the invoice dates, is as follows:

	2015 HK\$'000	2014 HK\$'000
1 to 3 months	320,297	316,213
4 to 6 months	16,745	22,046
Over 6 months	22,491	20,580
	359,533	358,839

Trade payables are non-interest bearing.

15. CONTINGENT CONSIDERATION PAYABLE

	2015 HK\$'000	2014 HK\$'000
Contingent consideration payable	–	10,669

Contingent consideration payable represented the fair value of final consideration payments of the acquisition of the Dreyfuss Group.

For the year ended 31 December 2014, the directors of the Company were of the opinion that Dreyfuss Group cannot achieve the profit target by reference to actual financial result for the year ended 31 December 2014. The final consideration payable to the vendor should be adjusted from GBP5,000,000 (equivalent to approximately HK\$65,180,000) to GBP885,000 (equivalent to approximately HK\$10,669,000).

For the year ended 31 December 2015, the final consideration payable to the vendor has been mutually agreed at GBP1,050,000 (equivalent to approximately HK\$11,638,000) and the amount was recognised as other payables. The fair value loss of contingent consideration payable of HK\$969,000 (2014: fair value gain of HK\$54,511,000) has been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group achieved significant growth in 2015.

For the year ended 31 December 2015, the Group recorded revenue of approximately HK\$3,476,354,000 (31 December 2014: HK\$3,488,553,000), a slight decrease of HK\$12,199,000 or 0.3% over 2014.

Gross profit for the year was approximately HK\$1,781,858,000 (31 December 2014: HK\$1,690,642,000), an increase of HK\$91,216,000 or 5.4% over 2014.

Operating expenses for the year was approximately HK\$1,499,303,000 (31 December 2014: HK\$1,624,464,000), a decrease of HK\$125,161,000 or 7.7% over 2014.

Net profit after tax for the year was approximately HK\$340,159,000 (31 December 2014: HK\$163,032,000) an increase of HK\$177,127,000 or 109% over 2014. Having set apart the financial impact of an aggregate amount of approximately HK\$182,561,000 of impairment losses were made on goodwill and intangible assets related to two Swiss companies and the gain on disposal of available-for-sale financial assets of HK\$163,542,000 in 2014, the Group should have an increase of net profit after tax of HK\$158,108,000 in 2015 over 2014.

BUSINESS DEVELOPMENT STRATEGIES

The following business development strategies have been accomplished in 2015.

1. Enhancing the competitiveness of core revenue drivers

Rossini and EBOHR continued to be the major sources of revenue and accounted for more than 60% of the total revenue of the Group (2014: 54%). These two brands seize the opportunity to expand their market shares. The market for the brands in Mainland China still appeared promising despite the slower economic growth in 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 and higher proportion of local watches to minimize the adverse impact. The distribution companies collectively accounted for 15% of the total revenue of the Group (2014: 23%).

3. Developing Swiss proprietary brands

Through management reorganization and product development, the Group has repositioned the foreign subsidiaries for strong improvement. The favourable effect was reflected in the 2015 financials, despite challenging external environment, particularly in Mainland China and Hong Kong. The foreign subsidiaries collectively accounted for 21% of the total revenue of the Group (2014: 19%).

(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 2015. Revenue in 2015 was HK\$1,152,437,000, an increase of HK\$100,896,000 or 10%, from HK\$1,051,541,000 in 2014. Net profit after tax attributable to owners of the company in 2015 was HK\$342,694,000 compared with HK\$341,632,000 in 2014, an increase of HK\$1,062,000, or 0.31%.

Year	2013	2014	2015
No. of distribution Outlets	2,348	2,681	3,190

Rossini has expanded sales to overseas markets such as Australia, Cambodia, Iran, Macau, Bengal, Thailand, Vietnam, UK and established its first overseas subsidiary in India, catering for the Indian and Middle East markets. Rossini has established additional regional sale offices in Yichang, Mianyang, Ganqing, Ningxia and Neimeng, totaling 33 all over Mainland China. They are useful and important for targeting precisely the local markets.

In 2015, Rossini set up cross-border E-commerce by cooperating with AliExpress, an online platform facing global market. Internet sales increased to HK\$202,381,000 in 2015 from HK\$135,000,000 in 2014 and its respective proportion of total revenue to 17.6% from 12.8%.

The Rossini watch museum attracted tremendous number of tourists amounting to more than 300,000 in 2015 and generated revenue of over HK\$37,688,000. Rossini is putting stronger efforts into expanding the watch museum and developing industrial tourism, and hence boosting brand awareness. In 2015, Rossini has completed a renovation project on the watch museum, which has been approved by the China National Tourism Administration as a AAAA National Tourist Attraction, the first industrial tourism program in Zhuhai to gain such recognition.

Rossini has obtained an industrial site of 24,000 sqm with factory facilities adjacent to the existing headquarters of Rossini. It will be developed as the second phase of factories facilities for global e-commerce centre, technology R&D centre and base for upscale clocks.

Rossini has been selected as one of China's 500 Most Valuable Brands of the Year 2015 with a brand value of approximately RMB8.6 billion and as one of Asia's 500 Most Influential Brands in 2015 both by the World Brand Laboratory. Its brand value is the highest among all the watches brands in Mainland China. In terms of units sold, Rossini tops the list in the last thirteen years in Mainland China. Rossini received numerous awards in 2015, including the Encouragement of The 15th China Quality Award by the China Association for Quality, National Technology Centre and, as the first watch enterprise in Mainland China, Laboratory Accreditation Certificate awarded by the China National Accreditation Service for Conformity Assessment.

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.

EBOHR Group

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

Revenue in 2015 was HK\$956,559,000, an increase of HK\$134,102,000, or 16%, from HK\$822,457,000 for the same period last year. Net profit after tax in 2015 was HK\$231,683,000, compared with HK\$131,038,000 in 2014, an increase of HK\$100,645,000, or 77%.

Year	2013	2014	2015
No. of distribution Outlets	2,095	2,493	2,910

Following the appointment of new general manager and reconstruction of management, EBOHR has strengthened management and control by implementing a number of administration policies, covering numerous aspects including management of regional sale offices, performance evaluation on e-commerce sales and after sales services. 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 analysis 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 major E-commerce platforms in Mainland China increased to HK\$148,348,000 in 2015 from HK\$81,725,000 in 2014 and its respective proportion of total revenue to 15.5% from 9.9%. 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. EBOHR focuses on further expanding the coverage of the existing E-commerce platforms and at the same time introduces new E-commerce platforms with development potentials.

EBOHR established a central laboratory to enhance the research of various fundamental technologies and improve the control on product quality in 2015. Following the investment in human resources and hardware, talented professionals and high-end equipment are already in place. EBOHR also works closely with local and international technical and design partners for new product development. EBOHR was recognized as Chinese High-tech Enterprise in 2015.

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 acknowledged as one of Asia's 500 Most Influential Brands in 2015 for the first time. EBOHR also received various provincial and city awards for its brand and achievements.

Eterna Group

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

2015 was still a period of transition for Eterna. Eterna streamlined the operation and put strong emphasis on sales and marketing, precisely targeted sales and marketing activities in selected markets. Eterna achieved satisfactory growth in 2015, through working closer with the existing points of sales, in Asia Pacific, Europe, Middle East, Russia and US. Eterna also worked on converting the significant of its inventory into cash to finance the increasingly strong operation.

Following the full strategic review of the brand and business in 2015, it was decided to put more efforts to develop lady watch as (1) Eterna is androgynous appeals equally to both men and women, (2) Eterna has a rich history and heritage with women, (3) the watch industry doesn't need another men's brand but ladies' and (4) no Swiss brand produces dedicated lady's product.

Besides, Eterna also started to implement a digital strategy. Eterna builds the E-commerce platform, recruits E-commerce team and establishes infrastructure for E-commerce.

Digital marketing, E-commerce and CRM sections will primarily help increase the brand's recognition and build everlasting relationships with our end consumers on a global level, especially aiming towards our new target customer. It will also be an additional channel for direct sales.

In 2015, Eterna Movement's Caliber 39 got the COSC-certification that is the highest official achievement in Switzerland for mechanical movement and started mass production. It has commenced sale of movements in the United States and Germany and engaged a Business Development Manager for exploring the US and Canada markets. There are also potential demands from other markets including Japan, Mainland China and Italy.

Eterna (Asia) 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. The constant and effective advertising campaign channels included traditional media such as trade magazine, commercial magazine and watch supplements in weekly magazine and popular online media such as Facebook, Weibo and WeChat. Additionally, Eterna produced mini brochures for 41 hotels in Hong Kong, and placed outdoor advertising billboards at shopping hot spots and on tourist bus. Eterna (Asia) places strong emphasis on the sales and marketing activities for Chinese tourists in Hong Kong that accounted for 80% of its revenue.

As of 31 December 2015, there were 372 distribution outlets for Eterna (31 December 2014: 322), of which 111, 205, 16 and 40 were in Asia Pacific, Europe, Americas and Middle East, respectively.

Eterna Group contributed revenue and net loss after tax of approximately HK\$162,353,000 (31 December 2014: HK\$83,049,000) and HK\$59,759,000 (31 December 2014: HK\$87,023,000) respectively. The net loss after tax of Eterna Group for 2015 has not taken into account of certain reversal of inventory provision and capitalization of development costs. If taking those effects into account, the loss for the year would be HK\$2,943,000 in 2015.

Corum Group

The management team continued 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\$281,746,000 (31 December 2014: HK\$328,732,000) and HK\$90,078,000 (31 December 2014: HK\$169,156,000) respectively. The net loss after tax of Corum Group for 2015 has not taken into account of certain reversal of inventory provision. If taking that effect into account, the loss for the year would be HK\$42,524,000 in 2015.

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. Special sale and marketing efforts are put in Middle East and South East Asia, especially, Hong Kong, Malaysia and Singapore, as potential consumers from those areas travel to Paris, Switzerland and other travel retail destinations throughout Europe.

Mainland China is expected to be the leading market for generating revenues due to the immense untapped potential. 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.

During 2015, Corum, based on the success of the iconic golden bridge collection, introduced round golden bridge collection, which is expected to be a significant revenue and profit driver.

As of 31 December 2015, the number of distribution outlets was 607, including 5 boutiques. Europe continues to top the list with 301 distribution outlets, followed by Asia, the Americas and Middle East with 126, 108 and 51 distribution outlets respectively.

Dreyfuss Group

The UK remains the largest single market representing 73.4% to total revenue in 2015 (2014: 69%) of total revenue of Dreyfuss Group, which possesses three proprietary brands of Rotary, Dreyfuss & Co. and J&T Windmills.

It has been the objective of Dreyfuss to diversify its sources of revenue outside the UK. Dreyfuss leverage its sponsorship with Chelsea Football Club as a marketing and brand awareness tool in 2015 to accelerate overseas growth and support its entry into new markets. Its international development has been especially strong in Asia Pacific where football, especially the English Premier League is very popular. In Mainland China, 24 distribution outlets were established in 2015. In Europe, new distribution outlets were established in 10 additional countries. In Middle East and North Africa, new distribution outlets were established in 20 different countries. In US, a local regional sales manager is recruited to cater for the continuous expansion. During 2015, we exported to 63 counties around the world. As at 31 December 2015, Dreyfuss Group had 3,885 distribution outlets globally, including 2,270 Rotary outlets in the UK.

Sales from UK's E-commerce website contributed GBP385,000 in 2015, representing an increase of GBP126,000 over 2014.

Dreyfuss Group made a turnaround in 2015 and contributed revenue and net profit after tax of approximately HK\$290,768,000 (31 December 2014: HK\$252,347,000 (note)) and HK\$16,887,000 (31 December 2014: net loss after tax of HK\$4,855,000 (note)) respectively.

Note: Revenue and net loss after tax for the year ended 31 December 2014 covered period from 11 April 2014, the acquisition date, to 31 December 2014.

(2) Watches and timepieces – non-proprietary brands

Pursuant to a settlement agreement signed on 20 April 2015 (the “Settlement Agreement”), the Group and the joint venture partner (“Kuntai Hengshi”) of Beijing Haina Tianshi Watch Co., Ltd (“Beijing Haina”) agreed to terminate all the joint venture agreements having been executed by both parties. Pursuant to the Settlement Agreement, Kuntai Hengshi agreed to refund to the Group all the investments that the Group had been invested in Beijing Haina and the Group agreed to sell 51% equity interest in Beijing Haina to Kuntai Hengshi. The disposal was completed during the year and all investments have been refunded to the Group. The disposal would have a short term negative impact on our revenue of the business segment of distribution companies.

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 128 distribution outlets as at 31 December 2015, distribute international brands mainly in Guangdong, Hebei, Henan, Jilin and Liaoning provinces in Mainland China.

Collectively, distribution companies contributed revenue and net loss after tax in 2015 of HK\$519,884,000 (31 December 2014: HK\$805,527,000) and HK\$1,783,000 (31 December 2014: net profit after tax HK\$8,672,000) 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”) failed to meet the guaranteed profit for the year ended 31 December 2014 of RMB20,200,000 and the shortfall, which the PRC partner shall compensate to the Group, was RMB7,614,000. As at the date of this annual results announcement, the PRC partner has duly settled compensation of RMB7,000,000.

(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 manufacture and distribution of mechanical movements and watches of its two proprietary brands, namely, Guangzhou and Dixmont. The challenging economic environment in Mainland China had an adverse impact on the demand for the movement of Five Goat in 2015. Five Goat contributed revenue, of which 95% from mechanical movement and 5% from watches, and net profit after tax attributable to the owners of the Company of approximately HK\$52,368,000 (31 December 2014: HK\$75,286,000) and HK\$6,979,000 (31 December 2014: HK\$8,268,000) respectively in 2015.

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 accessories of watches for a well-known Japanese brand on an OEM basis. Creative and stylish design is one of the core-competencies of Fair Future. The professional design team is well exposed to the changing global consumer behavior. Fair Future has a product portfolio that has been well received by its OEM customers. Coupled with good quality and cost control, Fair Future is well positioned for sustainable development. Fair Future contributed net profit after tax in 2015 of HK\$9,685,000 (31 December 2014: HK\$13,333,000).

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 the owners of the Company of approximately HK\$32,329,000 (31 December 2014: HK\$41,924,000) and HK\$3,248,000 (31 December 2014: HK\$2,791,000) respectively in 2015.

(4) Investment in Citychamp Dartong

As at 31 December 2015, there were 30,389,058 shares of Citychanp Dartong with a market value of approximately HK\$317,173,000 owned by the Group.

(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. The Group has derived rental income of HK\$18,109,000 (31 December 2014: HK\$17,888,000) during the year.

(6) Distribution of motor yacht

During the year, Chart Victory Limited incurred net loss after tax of HK\$8,280,000 (31 December 2014: HK\$2,534,000).

FINANCIAL POSITION

(1) Liquidity, financial resources and capital structure

As at 31 December 2015, the Group had non-pledged cash and bank balances of approximately HK\$836,065,000 (31 December 2014: HK\$878,253,000). Based on the bank loans of HK\$938,532,000 (31 December 2014: HK\$824,677,000), the corporate bonds of HK\$708,834,000 (31 December 2014: HK\$764,914,000) and shareholders' equity of HK\$4,043,253,000 (31 December 2014: HK\$3,846,524,000), the Group's gearing ratio (being loans plus corporate bonds divided by Shareholders' equity) was 41% (31 December 2014: 41%). The increase in bank borrowings was due to additional working capital required to finance the continuous growth of the Group.

As at 31 December 2015, the Group's bank loans amounting to HK\$766,654,000 (82% of all bank loans) were repayable within one year.

The Group intends to apply a conservative approach to lending in view of the challenging global economic environment.

(2) Charge on assets

As at 31 December 2015, banking facilities of the Company were secured by the Group's trade receivables of HK\$109,340,000, investment properties in Hong Kong of HK\$23,800,000 and land and buildings in Switzerland with net book values of HK\$129,397,000, totaling HK\$262,537,000 (31 December 2014: HK\$264,664,000).

(3) Capital commitments

There were capital commitments with an amount of HK\$109,974,000 (2014: HK\$169,024,000) related to the purchase of property, plant and equipment. Except for the above, the Group had no material capital commitments as at 31 December 2015.

FINANCIAL REVIEW

(1) Gross profit

Gross profit was HK\$1,781,858,000, an increase of 5.4% from HK\$1,690,642,000 for the same period last year. Before making adjustments for intra-group transactions, Rossini contributed a gross profit of HK\$817,046,000 and a gross profit margin of 71% while EBOHR Group contributed a gross profit of HK\$570,225,000 and a gross profit margin of 60%.

(2) Selling and distribution expenses

Total selling and distribution expenses was HK\$883,152,000, an decrease of 4.7% from HK\$926,387,000 last year. Rossini, EBOHR Group, Eterna Group, Corum Group and Dreyfuss Group contributed selling and distribution expenses of HK\$318,010,000, HK\$279,222,000, HK\$24,627,000, HK\$71,688,000 and HK\$117,743,000 respectively.

(3) Administrative expenses

Total administrative expenses was HK\$616,151,000, a decrease of 11.7% from HK\$698,077,000 in 2014. Rossini, EBOHR Group, Eterna Group and Corum Group contributed administrative expenses of HK\$92,124,000, HK\$80,549,000, HK\$99,346,000 and HK\$114,603,000 respectively.

(4) Financial costs

Total financial costs were HK\$77,075,000, an increase of 18.5% from HK\$65,055,000 for the same period last year. The increase was due to the increase in the corporate bonds of CHF100 million.

(5) Net profit attributable to owners of the Company

Net profit attributable to owners of the Company was HK\$307,675,000, an increase of 133% from HK\$132,005,000 in 2014. Before making adjustments for intra-group transactions, Rossini contributed net profit attributable to owners of the Company of HK\$342,694,000 while EBOHR Group of HK\$231,683,000.

(6) Inventory

Inventory was HK\$2,042,892,000, a decrease of 1.1% from HK\$2,065,394,000 for the same period last year. Rossini, EBOHR Group, Eterna Group, Corum Group and Dreyfuss Group contributed inventory of HK\$401,581,000, HK\$522,490,000, HK\$241,469,000, HK\$324,397,000 and HK\$108,660,000 respectively.

The increase in inventory of Rossini is in line with its increase in distribution outlets. For Eterna Group, Corum Group and Dreyfuss Group, 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.

OUTLOOK

The economic slowdown in Mainland China, ongoing uncertainty in Europe and the normalization of monetary policy in the US will render operating conditions challenging.

In Mainland China, loose monetary policy and expansionary fiscal policy are expected to continue in 2016. The PRC Central Government will streamline channels for the monetary policy and increase the effectiveness of the fiscal policy, leading to a stable growth at around 7%.

Despite the challenges facing our Mainland China business, we remain deeply rooted as the leading group with the comprehensive distribution network, well-known brands and profitable operations in Mainland China. Mainland China remains the backbone of our business. Our overseas business continues to improve as a result of improved management, planning and execution of the appropriate strategies. We recognize that the rapid growth of the digital economy is changing consumer behavior, hence we are aggressively implementing the digital transformation of our business. The portion of our E-commerce shall growing towards 20% of our total revenue.

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 further 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 31 December 2015, the Group had approximately 5,300 full-time staff in Hong Kong and Mainland China and more than 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.

FINAL DIVIDEND

The Board recommended that a final dividend of HK2.5 cents per share for the year ended 31 December 2015 (year ended 31 December 2014: Nil) will be paid on or before 30 September 2016 to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 31 August 2016. The proposed final dividend is subject to approval by the Shareholders at the forthcoming Annual General Meeting (the "2016 AGM").

CLOSURE OF REGISTER OF MEMBERS

The 2016 AGM is scheduled to be held on Wednesday, 25 May 2016. For the purpose of determining the entitlement to attend and vote at the 2016 AGM, the register of members of the Company will be closed from Monday, 23 May 2016 to Wednesday, 25 May 2016, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2016 AGM, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 20 May 2016.

The register of members of the Company will be closed from Monday, 29 August 2016 to Wednesday, 31 August 2016, both days inclusive, for the purpose of determining Shareholders' entitlement to the proposed final dividend, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 26 August 2016.

EVENTS AFTER THE REPORTING PERIOD

On 24 March 2016, the Company entered into a share purchase agreement with independent third parties (the "Sellers"), pursuant to which, the Company conditionally agreed to acquire and the Sellers conditionally agreed to sell not less than 68.85% and up to all the outstanding capital of Valartis Bank (Liechtenstein) AG (the "Bank") (excluding treasury stock held by the Bank). The maximum aggregate consideration payable will be not more than CHF110,500,000 (subject to adjustment) and shall be settled in cash. At the request of the Company, trading in the shares of the Company on The Stock Exchange of Hong Kong Limited has been halted with effect on 29 March 2016, pending the release of an announcement in relation to the aforementioned share purchase agreement.

Save as disclosed above, there are no other material subsequent events undertaken by the Company or by the Group after the reporting period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a standard of corporate governance that is consistent with market practices.

The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31 December 2015 except for:

(i) CG Code E.1.2

CG 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 "AGM") due to his business trip outside Hong Kong.

(ii) CG Code A.6.7

CG 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.

The Chairman of the board of directors and independent non-executive directors will endeavor to attend all future general meetings of the Company unless unexpected or special circumstances preventing them from doing so. The board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision-making processes are properly regulated.

The followings summarize the Company's key corporate governance practices.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the code of conducts for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2015.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the four Independent Non-executive Directors of the Company, being Mr. Fung Tze Wa (Chairman of the Committee), Dr. Kwong Chun Wai, Michael, Mr. Li Qiang and Mr. Zhang Bin. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial matters including the review of the audited financial statements for the year ended 31 December 2015.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") on 23 August 2005 in compliance with the Listing Rules, terms of reference of which have been adopted by the Board of the Company are consistent with the requirements of the Code. The Remuneration Committee currently 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 Chairman of the Board, Mr. Hon Kwok Lung and the Chief Executive Officer, Mr. Shang Jianguang.

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") on 26 March 2012 in compliance with the Listing Rules, terms of reference of which have been adopted by the Board of the Company are consistent with the requirements of the Code. The Remuneration Committee currently comprises the four Independent Non-executive Directors, Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael, Mr. Li Qiang and Mr. Zhang Bin the Chairman of the Board, Mr. Hon Kwok Lung (the Chairman of the Committee) and the Chief Executive Officer, Mr. Shang Jianguang.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company for the year ended 31 December 2015.

SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's websites at www.irasia.com/listco/hk/citychamp and www.citychampwatchjewellery.com. The annual report of the Company for the year ended 31 December 2015 will be available on the respective websites of the Stock Exchange and the Company, and despatched to the shareholders of the Company in due course.

APPRECIATION

Our financial performance and strategic moves reflected the joint efforts of the Board and management in successfully pursuing our mission 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
Shang Jianguang
Chief Executive Officer

Hong Kong, 30 March 2016

As at the date of this announcement, the Board 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 as the executive Directors; and Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael, Mr. Li Qiang and Mr. Zhang Bin as the independent non-executive Directors.