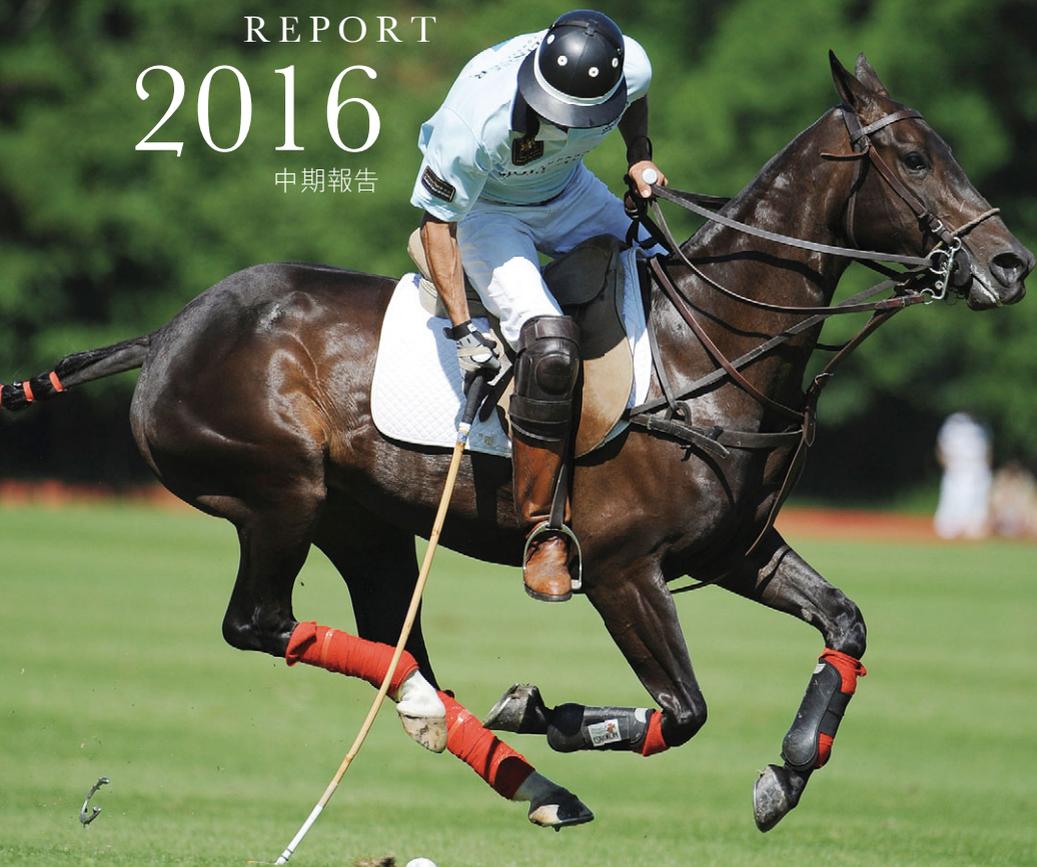




CITYCHAMP WATCH &  
JEWELLERY GROUP LIMITED  
冠城鐘錶珠寶集團有限公司

INTERIM  
REPORT  
2016  
中期報告



(incorporated in the Cayman Islands with limited liability)  
(於開曼群島註冊成立之有限公司)  
Stock Code 股份代號：256

# Corporate Information

## Board of Directors

### EXECUTIVE DIRECTORS

HON Kwok Lung (*Chairman*)

SHANG Jianguang

(*Chief Executive Officer*)

SHI Tao

LAM Toi Man

BI Bo

SIT Lai Hei

HON Hau Wong

TAO Li

### INDEPENDENT NON-EXECUTIVE DIRECTORS

FUNG Tze Wa

KWONG Chun Wai, Michael

LI Qiang

ZHANG Bin

## Audit Committee Members

FUNG Tze Wa

KWONG Chun Wai, Michael

LI Qiang

ZHANG Bin

## Remuneration Committee Members

FUNG Tze Wa

KWONG Chun Wai, Michael

LI Qiang

ZHANG Bin

HON Kwok Lung

SHANG Jianguang

## Nomination Committee Members

HON Kwok Lung

SHANG Jianguang

FUNG Tze Wa

KWONG Chun Wai, Michael

LI Qiang

ZHANG Bin

## Qualified Accountant & Company

### Secretary

FONG Chi Wah

### Auditor

BDO Limited

### Principal Bankers

Bank of China (Hong Kong) Limited

China Construction Bank (Asia)

Corporation Limited

China Merchants Bank Co., Ltd.

Hongkong and Shanghai Banking

Corporation Limited

Hang Seng Bank Limited

Standard Chartered Bank (Hong Kong)

Limited

UBS AG

## Hong Kong Branch Share Registrar

Tricor Secretaries Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

## Registered Office

P.O. Box 309

Ugland House

South Church Street

Grand Cayman

Cayman Islands

## Principal Office

Units 1902 – 04, Level 19

International Commerce Centre

1 Austin Road West, Kowloon

Hong Kong

## Websites

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

[www.citychampwj.com](http://www.citychampwj.com)



# Management Discussion and Analysis

## Operating Results

For the six months ended 30 June 2016, the unaudited revenue of the Group reached HK\$1,408,717,000 (six months ended 30 June 2015: HK\$1,715,716,000), a decrease of HK\$306,999,000 or 18% over the corresponding period last year. Total revenue from the Chinese brands, namely, Rossini and EBOHR, decreased by approximately 18% while total revenue from the foreign brands, namely, Eterna, Corum and Dreyfuss, increased by approximately 8%.

Gross profit for the period was approximately HK\$803,641,000 (six months ended 30 June 2015: HK\$972,390,000), a decrease of HK\$168,749,000 or 17% over the corresponding period last year. Notwithstanding the tough trading conditions experienced, we were able to maintain the overall gross margin comparing with the corresponding period last year.

Operating expenses for the period was approximately HK\$693,792,000 (six months ended 30 June 2015: HK\$773,798,000), a decrease of HK\$80,006,000 or 10% over the corresponding period last year. The decrease in operating expenses was primarily attributable to the decrease in selling and distribution expenses which was in line with the decrease in revenue.

Net profit after tax for the period was approximately HK\$135,227,000 (six months ended 30 June 2015: HK\$226,548,000), a decrease of HK\$91,321,000 or 40% over the corresponding period last year. The decrease in revenue and gross profit had an adverse impact on the net margin.

Depreciation of Renminbi was one of the reasons of the reduction in both total revenue and net profit.

## Strategic Development in the First Half of 2016

Considering the unique position of Hong Kong as an international financial centre, especially after the implementation of the Belt Road Strategy of the PRC Central Government, the Group is interested in diversifying into securities and banking businesses. To this end, we have executed agreements for acquiring Shun Heng Securities Limited ("Shun Heng"), Valartis Bank (Liechtenstein) AG ("Valartis Bank"), and Hong Kong Metasequoia Capital Management Limited ("Metasequoia Capital").



## Management Discussion and Analysis

### **Strategic Development in the First Half of 2016** (Continued)

On 19 February 2016, Global Wealthy Link Limited (“Global Wealthy”), a wholly owned subsidiary of the Company, executed the agreement to acquire 100% interest in Shun Heng at a consideration of HK\$24.8 million, subject to the approval of the Securities & Futures Commission of Hong Kong (“SFC”). We believe the acquisition will provide an opportunity for the Group to participate in the securities trading industry in Hong Kong, especially after the Shenzhen – Hong Kong Stock connect to be launched before the end of this year, and allow the Group to broaden the revenue and income stream. It is likely that the approval from SFC will be obtained during the third quarter of 2016.

We executed the agreement to acquire 68.85% interest in the Valartis Bank on 24 March 2016 from its majority shareholder and minority shareholders holding in an aggregate of 14.37% interest in the Valartis Bank have acceded to the agreement to sell their interest to us. The total consideration will be approximately CHF93,545,000 (equivalent to approximately HK\$739,009,000). Upon completion of the acquisition, the Group will hold 83.22% interest in Valartis Bank. Valartis Bank offers traditional investment advisory and asset management services for clients not only in traditional European markets but also acquiring emerging markets through multilingual coverage desk catering to clients from different markets. With the outlook and confidence in the future prospects of the banking industry, we believe that the acquisition provides an opportunity for the Group to diversify its business and broaden its revenue and income streams. It is likely that all the required approvals will be obtained and the acquisition will be completed before the end of September 2016.

On 11 August 2016, Global Wealthy executed the agreement to acquire 100% interest in Metasequoia Capital, a licensed company that is capable of conducting Type 4 (securities advisory services) and Type 9 (fund management business) activities regulated by the SFC, at a consideration of HK\$6 million. Following the completion of acquisition, we will develop fund management business in Hong Kong.

Through the proposed acquisitions of Shun Heng, Valartis Bank and Metasequoia Capital, the Group is in a position to embark on the securities and banking businesses in 2017, if not 2016.

After an on-going in-depth evaluation of the existing portfolio of distribution companies, we have disposed 46.05% equity in Henan Jinjue Enterprise Company Limited (“Henan Jinjue”) in May 2016, at a consideration of RMB48,352,500 (equivalent to approximately HK\$57,563,000). The disposal led to a loss of approximately HK\$28 million. Following the disposal, we still own 4.95% equity in Henan Jinjue.



## Management Discussion and Analysis

### Business Review

#### (1) WATCHES AND TIMEPIECES – PROPRIETARY BRANDS

##### *Zhuhai Rossini Watch Industry Ltd.*

For the six months ended 30 June 2016, Zhuhai Rossini Watch Industry Ltd. (“Rossini”), a 91% subsidiary of the Group, recorded revenue of HK\$506,800,000 (approximately RMB425,712,000), a decrease of HK\$105,033,000 (decrease of approximately RMB57,636,000), or 17% (12% in RMB), from HK\$611,833,000 (approximately RMB483,348,000) for the same period last year. Net profit after tax attributable to owners of the company for the period was HK\$136,228,000 (approximately RMB114,431,000) compared with HK\$192,651,000 (approximately RMB152,194,000) for the same period last year, representing a decrease of HK\$56,423,000 (decrease of approximately RMB37,763,000), or 29% (25% in RMB).

Year	30 June 2014	30 June 2015	<b>30 June 2016</b>
No. of distribution Outlets	2,504	2,948	<b>3,283</b>

Rossini has expanded sales to overseas markets. During the first half year, Rossini opened more distribution outlets in Macau and Hong Kong, and established sales in Vietnam, Thailand and Cambodia. Given attractive product, competitive price and reliable quality, the potential is considered tremendous.

Understanding that the younger generation may prefer a shiny, prestigious and high-tech watch, Rossini has entered the smartwatch fray. Rossini’s experiment on smartwatch has been successful and the first model was launched into the market in January 2016. Like e-commerce, engaging smartwatch is catering for the strategic development of Rossini.

Internet sales increased to HK\$113,713,000 for the period from HK\$84,238,000 for the same period last year and its respective proportion of Rossini’s total revenue increased to 22% from 14%. Rossini will continue to explore more suitable e-commerce platform to complement its existing platforms and the brand. It is expected that the e-commerce will be able to maintain a high growth rate in the forthcoming year.

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. The watch museum in the headquarters attracted numerous tourists amounting to more than 100,000 in the first half of 2016 and generated revenue of approximately HK\$14,036,000. The number of tourists and revenue declined in the first half of 2016 compared to the corresponding period last year, affected by the renovation of the watch museum and decrease in the number of Hong Kong – Zhuhai – Macao tourists. Rossini is putting stronger efforts into expanding the watch museum and developing industrial tourism, and hence boosting brand awareness.



## Management Discussion and Analysis

### Business Review (Continued)

#### (1) WATCHES AND TIMEPIECES – PROPRIETARY BRANDS (Continued)

##### *Zhuhai Rossini Watch Industry Ltd. (Continued)*

An industrial site of 25,000 sqm with factory facilities of 24,000 sqm erected above, which is adjacent to the existing headquarters of Rossini are being developed as the second phase of factories facilities for global e-commerce centre, technology R&D centre, and high-end watch centre. It would be fully operational in the third quarter of 2016. The brand will be further enhanced by new technology, new products and new channels of distribution through e-commerce. Rossini will be ready for moving to higher value added products and international markets.

Rossini has been selected as one of China's 500 Most Valuable Brands of the Year 2016 with a brand value of approximately RMB10.2 billion by the World Brand Laboratory, being the first domestic watch brand whose brand value exceeds RMB10 billion. In terms of units sold and market share, Rossini tops the list in the last fourteen years.

##### *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 2016 was HK\$383,615,000 (approximately RMB322,236,000), a decrease of HK\$93,374,000 (decrease of approximately RMB54,585,000), or 20% (14% in RMB), from HK\$476,989,000 (approximately RMB376,821,000) for the same period last year. Net profit after tax during the period was HK\$91,547,000 (approximately RMB76,899,000), compared with HK\$116,876,000 (approximately RMB92,332,000) for the same period last year, a decrease of HK\$25,329,000 (decrease of approximately RMB15,433,000), or 22% (17% in RMB).

Although EBOHR managed to increase its gross profit margin slightly in the first half of 2016 over the same period last year, its net profit margin decreased due to the increases in sales and marketing costs.

Year	30 June 2014	30 June 2015	<b>30 June 2016</b>
No. of distribution Outlets	2,204	2,803	<b>3,153</b>

The performance of EBOHR was affected by two different forces. On one hand, it was adversely affected by the general decline in the retail market in Mainland China in the first half of 2016. On the other hand, the increasingly strong penetration of e-commerce in Mainland China contributed favorably to EBOHR.



## Management Discussion and Analysis

### **Business Review** (Continued)

#### (1) WATCHES AND TIMEPIECES – PROPRIETARY BRANDS (Continued)

##### *EBOHR Group (Continued)*

Internet sales increased to approximately HK\$65,991,000 in the first half of 2016 from HK\$48,523,000 in the same period last year and its respective proportion of EBOHR's total revenue climbed to 17% from 10%. Substantial effort was put on periodically improving the visual image of the online stores and presentation of the products so as to increase the possibility of actual order by visual merchandising. EBOHR also seized the huge opportunity on the great festivals to introduce the promotional activities and bargains with a view to generate more revenue.

In view of the decline in retail market, EBOHR imposed tighter management on sales branch offices and control on distribution outlets. Greater effort is put on data analyses with the objective to formulate various strategies targeted to distribution outlets. For instance, EBOHR strengthened the performing distribution outlets and closed the non-performing ones.

EBOHR has established an improved system for after sales services. Following the recruitment and training of technical staff and acquisition of hardware, EBOHR was in a position to provide satisfactory maintenance services so as to improve the customer satisfaction and the brand reputation.

The structure of the EBOHR production facilities was completed in August 2015 and its renovation was in progress. Based on the current timeframe, the commencement of production was scheduled to be the first quarter of 2017.

EBOHR has been acknowledged as one of China's 500 Most Valuable Brands of the Year 2016 by the World Brand Laboratory with a brand value of approximately RMB7.3 billion.

Against the currently adverse market conditions in Mainland China, both Rossini and EBOHR are well positioned to meet the evolving needs of consumers and to benefit from the scale and resilience of these future significant growth opportunities in Mainland China. With the unique and strong platform which is based on the unrivaled access to consumers through over 6,000 distribution outlets coupled with the rapid development of e-commerce, the products tailored to local market conditions and needs, and the long-established brands reputation over 25 years, both companies would continue to lead the watch industry in Mainland China.



## Management Discussion and Analysis

### Business Review (Continued)

#### (1) WATCHES AND TIMEPIECES – PROPRIETARY BRANDS (Continued)

##### *EBOHR Group (Continued)*

Rossini and EBOHR continued to be the major sources of revenue of the Group and accounted for more than 63% of the total revenue of the Group (six months ended 30 June 2015: 63%).

##### *Eterna Group*

Eterna Group comprises Eterna AG Uhrenfabrik (“Eterna”), Eterna (Asia) Limited (“Eterna Asia”) and Eterna Movement AG (“Eterna Movement”).

For the six months ended 30 June 2016, Eterna Group contributed revenue of approximately HK\$55,078,000 (approximately CHF6,963,000) (30 June 2015: HK\$68,477,000 (approximately CHF8,361,000)), decrease of HK\$13,399,000 (decrease of approximately CHF1,398,000) or 20% (17% in CHF). Net loss after tax for the period was HK\$23,907,000 (approximately CHF3,022,000) (30 June 2015: HK\$17,894,000 (approximately equivalent to CHF2,185,000)), increase of HK\$6,013,000 (increase of approximately CHF837,000) or 34% (38% in CHF) respectively.

Eterna has shifted the focus from a component manufacturing company to a sale and marketing oriented operation with the primary objective of rebuilding the Eterna brand. A strong team spirit has emerged whereby they work very well as a team, building trust and developing confidence in one another.

The rejuvenation of the product, the repositioning of the brand and rebalancing of the collection so as to provide a 50/50 men’s and lady’s split has been delivered.

As the revitalized sales strategy, Eterna was available in the US after not having been there for over 10 years. Eterna’s products were sold through the channels of Corum in Italy and Spain and would also be sold through the channels of Corum in Malaysia.

The re-launch of the web page of Eterna gained tremendous social media attractions. 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.

As of 30 June 2016, there were 267 distribution outlets for Eterna outside Asia (30 June 2015: 226), of which 205, 18, and 44 were in Europe, America, and Middle East respectively.



## Management Discussion and Analysis

### **Business Review** (Continued)

#### (1) WATCHES AND TIMEPIECES – PROPRIETARY BRANDS (Continued)

##### *Eterna Group (Continued)*

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 campaigns include traditional media such as trade magazine, commercial magazine and watch supplements in weekly magazine and online media such as Facebook, Weibo and WeChat. More specifically, there are brochures in 41 hotels in Hong Kong, POS outdoor billboards at Tsim Sha Tsui and Causeway Bay and advertisement in tourist bus.

Eterna (Asia) distributes watches for Eterna as well as the Dreyfuss Group in Hong Kong, Taiwan and Macau. It places strong emphasis on the sales and marketing activities for Chinese tourists in Hong Kong who account for 80% of its revenue. As of 30 June 2016, there were 117 distribution outlets in Asia (30 June 2015: 99).

In the first half of 2016, Eterna Movement received orders from customers all over the world, including Corum and Eterna. It is believed that the conditions prevailing in the watch movement market are favorable to the long term development of Eterna Movement.

##### *Corum Group*

The management team of Corum Group continued to revitalize its business model through production development, production, brand position, distribution, team building and management practices.

For the six months ended 30 June 2016, Corum Group contributed revenue of approximately HK\$189,893,000 (approximately CHF24,007,000) (30 June 2015: HK\$95,703,000 (approximately CHF11,685,000)), increase of HK\$94,190,000 (increase of approximately CHF12,322,000) or 98% (105% in CHF). Net loss after tax for the period was HK\$10,059,000 (approximately CHF1,272,000) (30 June 2015: HK\$71,493,000 (approximately CHF8,729,000)), decrease of HK\$61,434,000 (decrease of approximately CHF7,457,000) or 86% (85% in CHF) respectively.

With an improved performance in the first half of 2016, Corum Group continued to execute its well-defined strategies in order to be successful 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 on 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.



## Management Discussion and Analysis

### **Business Review** (Continued)

#### (1) WATCHES AND TIMEPIECES – PROPRIETARY BRANDS (Continued)

##### *Corum Group (Continued)*

Corum Group has focused on reducing cost and increasing productivity. Reduction of slow-moving watches and components will be continued and strict control of inventory level is in place.

As an addition to Corum's existing three collection pillars, namely, Bridges, Admiral's Cup and Heritage, the Bubble collection was re-launched in Baselworld 2016 and already showed strong deliveries to the market in May and June 2016.

The best performing markets for the first half of 2016 were Hong Kong, Malaysia, Italy and the US. Mainland China is expected to be one of the leading markets for generating revenues due to the immense untapped potential for imported high-end watches. Leveraging the Group's existing expertise and resources of extensive distribution channels in Mainland China, Corum Group is expected to quickly build its dedicated distribution channels in Mainland China and benefit from the potential of Mainland China's imported watch market.

As of 30 June 2016, the number of distribution outlets was 577 (30 June 2015: 534). Europe continues to top the list with 274 distribution outlets, followed by Asia, the US and Middle East with 142, 72 and 41 distribution outlets respectively.

##### *Dreyfuss Group*

The UK remains the largest single market of The Dreyfuss Group Limited ("Dreyfuss Group"), representing 57% of its total revenue in the first half of 2016 (30 June 2015: 69%).

For the six months ended 30 June 2016, Dreyfuss Group contributed revenue of approximately HK\$56,228,000 (approximately GBP5,052,000) (30 June 2015: HK\$115,195,000 (approximately GBP9,762,000)), decrease of HK\$58,967,000 (decrease of approximately GBP4,710,000) or 51% (48% in GBP). Net loss after tax for the period was HK\$20,051,000 (approximately GBP1,802,000) (30 June 2015: HK\$16,333,000 (approximately GBP1,384,000)), increase of HK\$3,718,000 (increase of approximately GBP418,000) or 23% (30% in GBP) respectively. In spite of the loss, the management of the Dreyfuss Group is still confident of the result of the second half of 2016.

The UK market experienced political and economic uncertainties during the Brexit debates, which consequently resulted in consumer's lack of confidence and soften spending. To weather the storm and encourage sales in the UK market, attractive promotions and trade incentives were provided. Dreyfuss Group will continue to be safeguarded by its solid market position characterized by its affordable price level and classic product designs.



## Management Discussion and Analysis

### **Business Review** (Continued)

#### (1) WATCHES AND TIMEPIECES – PROPRIETARY BRANDS (Continued)

##### *Dreyfuss Group (Continued)*

Dreyfuss Group continued to expand its international portfolio, as a strategy to build up international brand image and to diversify the risk of too much relying on the UK market in the long run. New international retail customers had been opened in Finland, Belgium, Australia, Sri Lanka, Italy, Poland, Cambodia and Laos. As of 30 June 2016, there were 4,155 points of sales (30 June 2015: 3,845) for brands under the Dreyfuss Group all over the world. 1,775 points of sales were located outside the UK, 160 of which were in Asia, representing an increase of 70% over the corresponding period last year. Sale through in-flight catalog is also an increasingly strong source of revenue. Leveraging the Group's reputation, distribution capability and experience in Mainland China, the Dreyfuss Group is ready to launch into the Mainland China market. To this end, a wholly-owned subsidiary in Mainland China will be formed in the second half of 2016.

Owing to the termination of sponsorship with the Chelsea Football Club, the Internet sales for the first half of 2016 was approximately HK\$1,313,000, representing a decrease of 43% over the first half of 2015.

#### (2) WATCHES AND TIMEPIECES – NON-PROPRIETARY BRANDS

During the six months ended 30 June 2016, distribution companies collectively contributed revenue of HK\$161,833,000 (approximately RMB135,940,000) (30 June 2015: HK\$296,865,000 (approximately RMB234,523,000)) and net loss after tax of HK\$10,605,000 (approximately RMB8,908,000) (30 June 2015: HK\$8,377,000 (approximately RMB6,618,000)).

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. In view of this, the Group adjusted the strategies on distribution companies and kept reviewing the existing portfolio of the distribution companies. After disposal of Henan Jinjue in May 2016, the Group held 4 distribution companies (30 June 2015: 5) with a total of 91 distribution outlets (30 June 2015: 134) as at 30 June 2016.



## Management Discussion and Analysis

### Business Review (Continued)

#### (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 movement and watch and owns two watch brands, namely, Guangzhou and Dixmont. Five Goat contributed revenue, of which 92% from mechanical movement and 8% from watches, of approximately HK\$17,481,000 (approximately RMB14,684,000) (30 June 2015: HK\$23,003,000 (approximately RMB18,172,000)) and net loss after tax attributable to the owners of the Company of HK\$2,540,000 (approximately RMB2,134,000) (30 June 2015: net profit after tax attributable to owners of the Company HK\$2,118,000 (approximately RMB1,673,000)) in the first half of 2016.

The challenging economic environment in Mainland China had an adverse impact on the demand for mechanical movement of Five Goat.

##### *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. With a design team of more than 50 professionals well exposed to the changing global consumer behavior. Fair Future has product portfolios that have been well received 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 in the first half of 2016 of HK\$7,670,000 (30 June 2015: HK\$5,103,000). Increase in the share of profit from Fair Future increased in line with its increased revenue and expanded product range.

##### *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\$18,037,000 (approximately RMB15,150,000) (30 June 2015: HK\$16,346,000 (approximately RMB12,914,000)) and HK\$180,000 (approximately equivalent to RMB151,000) (30 June 2015: HK\$1,192,000 (approximately RMB942,000)) respectively in the period.



## Management Discussion and Analysis

### **Business Review** (Continued)

#### (4) INVESTMENT IN CITYCHAMP DARTONG COMPANY LIMITED (“CITYCHAMP DARTONG”)

During the period, the Group received cash dividend of HK\$3,558,000 from Citychamp Dartong (six months ended 30 June 2015: HK\$7,597,000), i.e. cash dividend of RMB1.00 for every 10 shares. On 31 March 2016, Citychamp Dartong announced its results under PRC GAAP for the year ended 31 December 2015. Consolidated profit was RMB455,335,000 (31 December 2014: RMB907,451,000), in which RMB212,451,000 (31 December 2014: RMB751,070,000) was attributable to owners of Citychamp Dartong. As at 30 June 2016, there were 30,389,058 shares of Citychamp Dartong with a market value of approximately RMB219,105,000 owned by the Group.

The loss of HK\$61,269,000 (30 June 2015: gain of HK\$74,284,000) derived from the change of its fair value was recorded in the comprehensive income.

#### (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. During the period, the Group’s properties generated rental income of HK\$10,406,000 (30 June 2015: HK\$9,838,000).

#### (6) DISTRIBUTION OF MOTOR YACHT

During the period, Chart Victory incurred net loss after tax of approximately HK\$390,000 (30 June 2015: HK\$602,000).

### **Financial Position**

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

As at 30 June 2016, the Group had non-pledged cash and bank balances of approximately HK\$531,748,000 (31 December 2015: HK\$836,065,000). Based on the borrowings of HK\$883,035,000 (31 December 2015: HK\$938,532,000), the corporate bonds of HK\$719,676,000 (31 December 2015: HK\$708,834,000) and shareholders’ equity of HK\$3,859,681,000 (31 December 2015: HK\$4,043,253,000), the Group’s gearing ratio (being borrowings plus corporate bonds divided by Shareholders’ equity) was 42% (31 December 2015: 38%).

As at 30 June 2016, the Group’s borrowings amounting to HK\$796,389,000 (31 December 2015: HK\$766,654,000) were repayable within one year, representing 90% (31 December 2015: 82%) of all borrowings.



## Management Discussion and Analysis

### Financial Position (Continued)

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

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

Borrowings, other than the corporate bonds, by currency, nature of interest rate and duration, are listed below.

Currency	Nature of interest rate	Duration	
		Within 1 year HKD'000	More than 1 year HKD'000
EUR	Floating	99,069	–
CHF	Fixed/Floating	111,713	16,653
GBP	Floating	11,391	31,200
USD	Floating	478,043	38,793
HKD	Floating	53,150	–
RMB	Floating	43,023	–
		796,389	86,646

The Group's treasury activities are controlled mainly with reference to our liquidity requirement, currency requirement and expected interest movement.

#### (2) CHARGE ON ASSETS

As at 30 June 2016, banking facilities of the Company were secured by the Group's investment properties in Hong Kong of HK\$23,800,000 and land and buildings in Switzerland with net book values of HK\$98,755,000, totaling HK\$122,555,000 (31 December 2015: HK\$153,197,000).

#### (3) CAPITAL COMMITMENTS

Capital commitments as at 30 June 2016 were approximately HK\$819,800,000 in total (31 December 2015: HK\$109,974,000), related to:

1. Purchase of property, plant and equipment of HK\$110 million;
2. the final payment for acquiring Shun Heng of HK\$14.8 million; and
3. the final payment for acquiring Valartis Bank of approximately to HK\$695 million.

Except for the above, the Group had no other material capital commitments as at 30 June 2016.



## Management Discussion and Analysis

### FINANCIAL REVIEW

#### Financial Review

##### (1) GROSS PROFIT

Gross profit was HK\$803,641,000, a decrease of HK\$168,749,000 from HK\$972,390,000 for the same period last year. Before making adjustments for intra-group transactions, Rossini contributed a gross profit of HK\$350,669,000 and a gross margin of 69% while EBOHR Group contributed a gross profit of HK\$254,065,000 and a gross margin of 66%.

##### (2) SELLING AND DISTRIBUTION EXPENSES

Total selling and distribution expenses was HK\$370,647,000, a decrease of 11% from HK\$418,748,000 for the same period last year. Rossini, EBOHR Group, Eterna Group and Corum Group contributed selling and distribution expenses of HK\$156,962,000, HK\$124,722,000, HK\$11,852,000 and HK\$51,447,000 respectively.

##### (3) ADMINISTRATIVE EXPENSES

Total administrative expenses was HK\$323,145,000, a decrease of 9% from HK\$355,050,000 in the same period last year. Rossini, EBOHR Group, Eterna Group, Corum Group and Dreyfuss Group contributed administrative expenses of HK\$36,149,000, HK\$28,572,000, HK\$43,329,000, HK\$53,853,000 and HK\$53,369,000 respectively.

##### (4) FINANCIAL COSTS

Total financial costs were HK\$34,370,000, a decrease of 6% from HK\$36,709,000 for the same period last year. While interests charged on corporate bonds remained at the same level at approximately HK\$15 million, interests charged on borrowings decreased to approximately HK\$20 million for the first half of 2016 from approximately HK\$22 million for the corresponding period last year.

##### (5) NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Net profit attributable to owners of the Company was HK\$124,294,000, a decrease of 41% from HK\$209,169,000 in the same period last year. Before making adjustments for intra-group transactions, Rossini contributed net profit attributable to owners of the Company of HK\$136,228,000 while EBOHR Group of HK\$91,547,000. Gain on fair value charges in equity investment held for trading contributed net profit of HK\$65,767,000.

##### (6) INVENTORY

Inventory was HK\$1,957,068,000, a decrease of 4% from HK\$2,042,892,000 as at 31 December 2015. Rossini, EBOHR Group, Eterna Group, Corum Group and Dreyfuss Group contributed inventory of HK\$394,982,000, HK\$507,086,000, HK\$250,937,000, HK\$353,639,000 and HK\$100,966,000 respectively.



## Management Discussion and Analysis

### **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. We have arranged training for ESG, established risk management committee, and planned to form an internal audit department.

### **Outlook**

The outlook of the Group is currently constrained by the declining economic growth and the volatile political scenario in the US, Europe as well as Asia. Although the PRC Central Government has done its best to maintain its short term economic growth, in the medium term, the economic growth of Mainland China is expected to slow down and it creates challenges for the demand for watch.

Despite the challenges facing our business in Mainland China, we remain deeply rooted as the leading group with the most comprehensive distribution outlets, well-known brands and profitable operations in Mainland China. Our overseas business continues to improve as a result of improved management, planning and execution of the appropriate strategy.

Upon the completion of acquisitions of Shun Heng, Valartis Bank and Metasequoia Capital, the Group will have the adequate platform to develop securities and banking businesses. By combining growth, synergy and risk management, and by drawing on the professionalism of its securities and banking employees, a powerful securities and banking business segment with operations in Hong Kong and Europe would be developed. Coupled with the watch business, the Group has two important revenue and profit drivers that generate returns to shareholders in the years to come.

We remain positive and hold an optimistic long-term view about the future of the Group. We will keep investing in building the brand and the channels of distribution for the watch business and investing in the growth of securities and banking business with the objectives to confront the challenges and to benefit from the opportunities of the years ahead.



## Management Discussion and Analysis

### Employees and Remuneration Policy

Our sustained success would not be possible without the high levels of expertise, professionalism and commitment shown by our employees.

As at 30 June 2016, the Group had more than 6,500 full-time staff in Hong Kong and Mainland China and more than 250 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 2016 (six months ended 30 June 2015: nil).

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

As at 30 June 2016, the interests or short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:



## Management Discussion and Analysis

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

## (1) ORDINARY SHARES OF HK\$0.10 EACH OF THE COMPANY

As at 30 June 2016, certain directors of the Company held long positions in the shares of the Company as follows:

Name of directors	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Hon Kwok Lung	Corporate interests (Note 1)	3,217,389,515	74.03%
	Personal interests	3,500,000	0.08%
	Family interests (Note 2)	1,374,000	0.03%
		3,222,263,515	74.14%
Shang Jianguang	Beneficial owner	5,300,000	0.12%
Shi Tao	Beneficial owner	5,000,000	0.12%
Lam Toi Man	Beneficial owner	3,500,000	0.08%
Fung Tze Wa	Beneficial owner	1,600,000	0.04%
Hon Hau Wong	Beneficial owner	1,750,000	0.04%
Tao Li	Beneficial owner	5,000,000	0.12%

Notes:

- The 3,217,389,515 shares comprise of 1,840,128,000 shares held by Full Day Limited ("Full Day") and 1,377,261,515 shares held by Sincere View International Limited ("Sincere View").
- 1,374,000 shares were held by Mr. Hon Kwok Lung's wife, Ms. Lam Suk Ying.

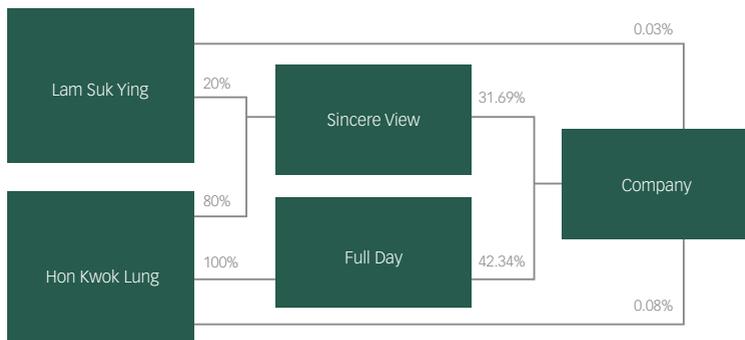


## Management Discussion and Analysis

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

## (1) ORDINARY SHARES OF HK\$0.10 EACH OF THE COMPANY (Continued)

The deemed interest held by Mr. Hon Kwok Lung was summarised in the following chart.



## (2) SHARE OPTIONS OF THE COMPANY

Certain directors of the Company personally hold options to subscribe for ordinary shares of the Company. Details of such options are disclosed under the paragraph "Share Option Scheme" below. These share options were granted pursuant to the terms of the share option scheme adopted by the Company on 30 May 2008.



## Management Discussion and Analysis

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

#### (3) LONG POSITION IN ROSSINI (NOTE 1)

Name of directors	Nature of interest	Percentage of shareholding
Sit Lai Hei	Corporate (Note 2)	9%
Hon Hau Wong	Corporate (Note 2)	9%

#### Notes:

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

Save as disclosed above, as at 30 June 2016, no other person had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



## Management Discussion and Analysis

**Share Option Scheme**

The following table discloses movements in the Company's share options for the six months ended 30 June 2016:

Name and category of participants	Number of share options		
	At 1 January 2016	Movement during the period	At 30 June 2016
<b>Independent non-executive director</b>			
Li Qiang	3,500,000	–	3,500,000
<b>Other eligible employees</b>			
In aggregate	4,225,000	(2,000,000)	2,225,000
<b>Other eligible persons</b>			
In aggregate	5,710,000	(230,000)	5,480,000
<b>Total</b>	<b>13,435,000</b>	<b>(2,230,000)</b>	<b>11,205,000</b>

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

As at 30 June 2016, the following persons hold interests of 5% or more of the issued share capital of the Company, as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

## LONG POSITION:

Name of shareholders	Capacity and nature of interest	Note	Number of ordinary shares held	Percentage of the Company's issued share capital
Full Day	Directly beneficially owned		1,840,128,000	42.34%
Sincere View	Directly beneficially owned		1,377,261,515	31.69%
Hon Kwok Lung	Corporate interests	(1)	3,217,389,515	74.03%
	Family interests		1,374,000	0.03%
	Personal interests		3,500,000	0.08%
			3,222,263,515	74.14%
Lam Suk Ying	Interest of spouse	(1)	3,220,889,515	74.11%
	Beneficial owner		1,374,000	0.03%
			3,222,263,515	74.14%

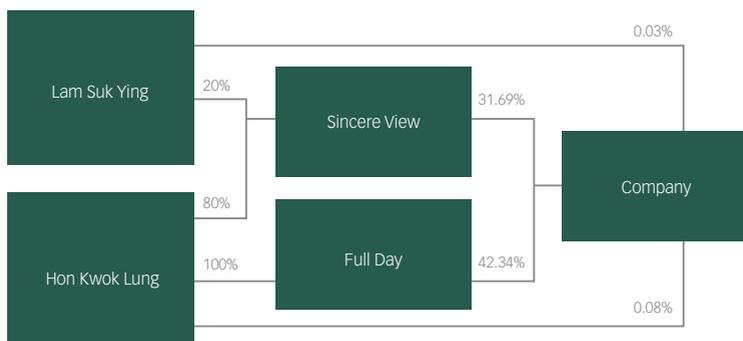


## Management Discussion and Analysis

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

Note:

- Mr. Hon Kwok Lung and Ms. Lam Suk Ying are deemed to have an interest in the same parcel of 3,222,263,515 shares (1,377,261,515 shares held by Sincere View, 1,840,128,000 shares held by Full Day, 3,500,000 shares held by Mr. Hon Kwok Lung and 1,374,000 shares are held by Ms. Lam Suk Ying). The shareholding structure was summarised in the following chart:



Save as disclosed above, as at 30 June 2016, no other person, other than the directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares and underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### Corporate Governance Code

During the six months period ended 30 June 2016, 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:

#### (1) 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 May 2016 (the "2016 AGM") due to other business engagement.

#### (2) CODE A.6.7

Code A.6.7 stipulates that independent non-executive directors should attend general meetings. Two independent non-executive directors did not attend the 2016 AGM due to other business engagements outside Hong Kong.



## Management Discussion and Analysis

### **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 2016.

### **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 2016. 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, Mr. Hon Kwok Lung and 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 (the Chairman of the Committee) and Mr. Shang Jianguang.

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.



## Management Discussion and Analysis

### Purchase, Sale or Redemption of Shares

During the six months ended 30 June 2016, the Company made the following on-market repurchase of the Company's listed shares.

Date of repurchase	Date of cancellation	Number of shares repurchased	Consideration per share HK\$	Total paid HK\$
20 April 2016	5 May 2016	65,442,000	1.15	75,258,300

Save as disclosed above, the Company has not repurchased any Company's listed shares (whether on the Stock Exchange or otherwise) during the period under review.

### 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 satisfactory performance could not have achieved without the leadership of the Board and our management team. I would like to express my deep gratitude to our employees, customers, suppliers, bankers, professional consultants, business partners, and shareholders for their support.

### Hon Kwok Lung

*Chairman*

Hong Kong, 30 August 2016



# Condensed Consolidated Statement of Comprehensive Income

For the Six Months Ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	6	<b>1,408,717</b>	1,715,716
Cost of sales		<b>(605,076)</b>	(743,326)
<b>Gross profit</b>		<b>803,641</b>	972,390
Other income	7	<b>53,367</b>	98,872
Selling and distribution expenses		<b>(370,647)</b>	(418,748)
Administrative expenses		<b>(323,145)</b>	(355,050)
Gain on fair value changes in equity investments held for trading, net		<b>65,767</b>	12,033
Gain on fair value changes in derivative financial instruments	23	<b>7,260</b>	16,696
Loss on fair value changes in the conversion option of the convertible bond investment		<b>(1,676)</b>	–
(Loss)/Gain on disposal of a subsidiary	13	<b>(28,699)</b>	9,517
Share of profit of associates		<b>7,670</b>	5,103
Finance costs	8	<b>(34,370)</b>	(36,709)
<b>Profit before income tax</b>	9	<b>179,168</b>	304,104
Income tax expense	10	<b>(43,941)</b>	(77,556)
<b>Profit for the period</b>		<b>135,227</b>	226,548
<b>Other comprehensive income</b>			
Items that may be subsequently reclassified to profit or loss			
– Exchange loss on translation of financial statements of foreign operations		<b>(77,496)</b>	(43,886)
– Release of exchange fluctuation reserve to profit or loss on disposal of subsidiaries	13	<b>4,701</b>	256
– Changes in fair value of available-for-sale financial assets	17.1	<b>(61,269)</b>	74,284
<b>Other comprehensive income for the period</b>		<b>(134,064)</b>	30,654
<b>Total comprehensive income for the period</b>		<b>1,163</b>	257,202



## Condensed Consolidated Statement of Comprehensive Income (Continued)

For the Six Months Ended 30 June 2016

	Note	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>124,294</b>	209,169
Non-controlling interests		<b>10,933</b>	17,379
		<b>135,227</b>	226,548
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>(384)</b>	241,277
Non-controlling interests		<b>1,547</b>	15,925
		<b>1,163</b>	257,202
<b>Earnings per share attributable to owners of the Company during the period</b>			
	12		
– Basic		<b>HK 2.83 cents</b>	HK 4.74 cents
– Diluted		<b>HK 2.83 cents</b>	HK 4.73 cents



# Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	<b>756,444</b>	730,799
Investment properties	15	<b>111,676</b>	111,676
Prepaid land lease payments		<b>43,451</b>	45,242
Goodwill	16	<b>741,636</b>	741,636
Interests in associates		<b>73,498</b>	65,828
Available-for-sale financial assets	17	<b>262,163</b>	317,250
Convertible bond investment		<b>7,122</b>	8,327
Intangible assets		<b>144,826</b>	172,270
Prepayments and deposits		<b>21,637</b>	21,887
Deferred tax assets		<b>11,182</b>	7,641
		<b>2,173,635</b>	2,222,556
<b>Current assets</b>			
Inventories	18	<b>1,957,068</b>	2,042,892
Trade receivables	19	<b>609,871</b>	693,868
Prepaid land lease payments		<b>944</b>	966
Prepayments, deposits and other receivables		<b>653,714</b>	522,128
Tax recoverable		<b>8,789</b>	9,248
Equity investments held for trading		<b>542,925</b>	367,471
Short-term investments	20	<b>47,953</b>	143,362
Cash and cash equivalents		<b>531,748</b>	836,065
		<b>4,353,012</b>	4,616,000



## Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
<b>Current liabilities</b>			
Trade payables	21	371,835	359,533
Other payables and accruals		347,407	431,407
Dividend payables		110,136	1,482
Tax payables		48,211	69,323
Borrowings	22	796,389	766,654
Derivative financial liabilities	23	–	7,260
Due to related companies		–	181
		<b>1,673,978</b>	1,635,840
<b>Net current assets</b>		<b>2,679,034</b>	2,980,160
<b>Total assets less current liabilities</b>		<b>4,852,669</b>	5,202,716
<b>Non-current liabilities</b>			
Other payables		45,520	60,031
Borrowings	22	86,646	171,878
Corporate bonds	24	719,676	708,834
Deferred tax liabilities		27,241	27,486
		<b>879,083</b>	968,229
<b>Net assets</b>		<b>3,973,586</b>	4,234,487
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		434,616	440,938
Reserves		3,425,065	3,602,315
		<b>3,859,681</b>	4,043,253
Non-controlling interests		113,905	191,234
<b>Total equity</b>		<b>3,973,586</b>	4,234,487



# Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2016

	Equity attributable to owners of the Company				
	Share capital HK\$'000 (Unaudited)	Share premium account* HK\$'000 (Unaudited)	Share option reserve* HK\$'000 (Unaudited)	Other reserve* HK\$'000 (Unaudited)	Goodwill arising on consolidation* HK\$'000 (Unaudited)
<b>1 January 2015</b>	440,893	841,402	2,106	22,692	(15,300)
<b>Transactions with owners</b>					
Capital contribution from non-controlling interest	-	-	-	-	-
Proceeds from shares issued under share option scheme	44	100	-	-	-
Exercise of share options	-	69	(69)	-	-
Disposal of a subsidiary	-	-	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-
<b>Total transactions with owners</b>	44	169	(69)	-	-
<b>Comprehensive income</b>					
Profit for the period	-	-	-	-	-
<b>Other comprehensive income</b>					
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-
Release of exchange fluctuation reserve to profit or loss on disposal of subsidiaries	-	-	-	-	-
Changes in fair value of available-for-sale financial assets	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-	-
<b>At 30 June 2015</b>	440,937	841,571	2,037	22,692	(15,300)



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

For the Six Months Ended 30 June 2016

Equity attributable to owners of the Company							Non-controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
Statutory reserve* HK\$'000 (Unaudited)	Exchange fluctuation reserve* HK\$'000 (Unaudited)	Investment revaluation reserve* HK\$'000 (Unaudited)	Retained profits* HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)				
26,268	85,040	188,705	2,254,718	3,846,524	228,406	4,074,930		
-	-	-	-	-	9,114	9,114		
-	-	-	-	144	-	144		
-	-	-	-	-	-	-		
-	-	-	-	-	(28,996)	(28,996)		
-	-	-	-	-	(23,240)	(23,240)		
-	-	-	-	144	(43,122)	(42,978)		
-	-	-	209,169	209,169	17,379	226,548		
-	(42,432)	-	-	(42,432)	(1,454)	(43,886)		
-	256	-	-	256	-	256		
-	-	74,284	-	74,284	-	74,284		
-	(42,176)	74,284	209,169	241,277	15,925	257,202		
26,268	42,864	262,989	2,463,887	4,087,945	201,209	4,289,154		



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

For the Six Months Ended 30 June 2016

	Equity attributable to owners of the Company				
	Share capital	Share premium account*	Share option reserve*	Other reserve*	Goodwill arising on consolidation*
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>At 1 January 2016</b>	<b>440,938</b>	<b>841,571</b>	<b>2,038</b>	<b>22,692</b>	<b>(15,300)</b>
<b>Transactions with owners</b>					
Proceeds from shares issues under share option scheme	223	501	-	-	-
Exercise of share option	-	339	(339)	-	-
Repurchase of ordinary shares	(6,545)	(68,713)	-	-	-
Disposal of a subsidiary	-	-	-	-	-
2015 final dividends	-	-	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-
<b>Total transactions with owners</b>	<b>(6,322)</b>	<b>(67,873)</b>	<b>(339)</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income</b>					
Profit for the period	-	-	-	-	-
<b>Other comprehensive income</b>					
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-
Release of exchange fluctuation reserve to profit or loss on disposal of subsidiaries	-	-	-	-	-
Changes in fair value of available-for-sale financial assets	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2016</b>	<b>434,616</b>	<b>773,698</b>	<b>1,699</b>	<b>22,692</b>	<b>(15,300)</b>

\* These reserve accounts comprise the consolidated reserves of HK\$3,425,065,000 (31 December 2015: HK\$3,602,315,000) in the condensed consolidated statement of financial position.



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

For the Six Months Ended 30 June 2016

Equity attributable to owners of the Company						
Statutory reserve*	Exchange fluctuation reserve*	Investment revaluation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
30,581	(44,588)	197,756	2,567,565	4,043,253	191,234	4,234,487
-	-	-	-	724	-	724
-	-	-	-	-	-	-
-	-	-	-	(75,258)	-	(75,258)
-	-	-	-	-	(61,212)	(61,212)
-	-	-	(108,654)	(108,654)	-	(108,654)
-	-	-	-	-	(17,664)	(17,664)
-	-	-	(108,654)	(183,188)	(78,876)	(262,064)
-	-	-	124,294	124,294	10,933	135,227
-	(68,110)	-	-	(68,110)	(9,386)	(77,496)
-	4,701	-	-	4,701	-	4,701
-	-	(61,269)	-	(61,269)	-	(61,269)
-	(63,409)	(61,269)	124,294	(384)	1,547	1,163
30,581	(107,997)	136,487	2,583,205	3,859,681	113,905	3,973,586



# Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2016

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net cash used in operating activities	<b>(141,781)</b>	(5,465)
Net cash from investing activities		
Dividend received from available-for-sale financial assets	<b>3,558</b>	7,597
Payment for the purchase of property, plant and equipment	<b>(71,529)</b>	(44,757)
Decrease in short-term investment	<b>95,409</b>	111,266
Proceeds on disposal of subsidiaries	<b>7,797</b>	56,067
Proceeds on disposal of property, plant and equipment	<b>593</b>	641
Other cash flows arising from investing activities	–	(8,112)
	<b>35,828</b>	122,702
Net cash used in financing activities		
Repurchase of corporate bonds	<b>(1,665)</b>	(27,183)
Repayments of bank borrowings	<b>(288,963)</b>	(221,272)
Proceeds from bank borrowings	<b>169,808</b>	181,750
Repurchase of ordinary shares	<b>(75,258)</b>	–
Other cash flows arising from financing activities	<b>(3,995)</b>	(1,754)
	<b>(200,073)</b>	(68,459)
Net (decrease)/increase in cash and cash equivalents	<b>(306,026)</b>	48,778
Cash and cash equivalents at the beginning of the period	<b>836,065</b>	878,253
Effect of foreign exchange rates changes	<b>(61,949)</b>	(42,185)
Cash and cash equivalents at the end of the period, represented by bank balances and cash (Note (i))	<b>468,090</b>	884,846

Note:

- (i) Cash and cash equivalents at the end of period comprised cash and bank balances and bank overdrafts for the purpose of condensed consolidated statements of cash flows.



# Notes to the Unaudited Condensed Consolidated Interim Financial Information

*For the Six Months Ended 30 June 2016*

## 1. General Information

During the period, the Group has completed the disposal of its 46.05% equity interest in Henan Jinjue Enterprise Company Limited (“Henan Jinjue”) together with the selling and distribution networks at the total consideration of HK\$57,563,000. Upon completion of the disposal, the Group only holds 4.95% equity interest in Henan Jinjue and Henan Jinjue ceased to be a subsidiary of the Group.

Other than the aforementioned disposal of Henan Jinjue, there were no other significant changes in the Group’s operations during the period.

## 2. Basis of Preparation

The unaudited condensed interim financial information (“the Unaudited Interim Financial Information”) has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“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 2016 was approved for issue by the board of directors on 30 August 2016.

## 3. Summary of Significant Accounting Policies

The Unaudited Interim Financial Information has been prepared in accordance with the accounting policies and method of computation used in the 2015 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 2015 Annual Financial Statements.



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

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

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

##### Estimated impairment of goodwill

The Group tests on an annual basis whether goodwill has suffered any impairment. The recoverable amounts of the cash generating units have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates of the future cash flows expected to arise from the cash generating units, the timeframe for the cash flows forecast and the suitable discount rates in order to calculate the present value. In the process of estimating expected future cash flows, management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors.

##### Provision for inventories

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



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

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

##### Depreciation and amortisation

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

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

The Group's management reviews trade and other receivables on a regular basis to determine if any provision for impairment is necessary. Impairment loss on receivables of the Group is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Allowances for impairment are determined by management of the Group based on the repayment history of its debtors and the current market conditions. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered as indicators that the receivable is impaired. Management reassesses the amount of impairment allowances of receivables, if any, at each reporting date.

##### Impairment of non-financial assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market condition existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

##### Income taxes

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



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

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

##### Warranty provision

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

##### Estimation of defined benefit obligations

The Group operates two defined benefit plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with HKAS 19 (2011), Employee Benefits. Under this method, the cost of providing pensions is charged to the profit or loss in accordance with the advice of the actuaries who carry out a full valuation of the plans. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. All actuarial gains and losses are recognised in full, in the year in which they occur, in other comprehensive income.

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

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



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

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

##### Research and development costs

In accordance with the accounting policy set out in note 4.10 of 2015 Annual Financial Statements, costs associated with research activities are expensed in profit or loss as they are incurred, while costs that are directly attributable to development activities are recognised as intangible assets provided they meet all the requirements as set out in note 4.10 of 2015 Annual Financial Statements. This requires the management to make judgements to distinguish the research phase and development phase of the projects being undertaken. Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the application of research, findings or other knowledge to a plan or design for the production of new or substantially improved materials devices, products, processes, systems or services before the start of commercial production or use. Determining the amounts to be expensed in profit or loss or to be capitalised required management to make judgement, and assumptions regarding the expected progress and outcome of the research and development activities the future expected cash generation of the assets, discount rates to be applied, and also the expected period of, probable future economic benefits. Because of the nature of the Group's research and development activities the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the projects. Hence research costs are generally recognised as expenses in the period in which they are incurred.

##### Fair value measurement

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

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

- Level 1 valuations: Quoted prices in active markets for identical items (unadjusted);
- Level 2 valuations: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3 valuations: Unobservable inputs (i.e. not derived from market data).



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

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

##### Fair value measurement (Continued)

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

The Group measures a number of items at fair value:

- Investment properties
- Available-for-sales financial assets
- Conversion option component of convertible bond investment
- Equity investment held for trading
- Derivative financial liabilities

#### 5. Segment Information

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



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

**5. Segment Information** (Continued)

	Six months ended 30 June 2016			
	Watches and timepiece	Property investment	Yacht	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue and income:				
Sales to external customers	<b>1,398,311</b>	<b>10,406</b>	–	<b>1,408,717</b>
Other income	<b>31,080</b>	<b>104</b>	–	<b>31,184</b>
<b>Total</b>	<b>1,429,391</b>	<b>10,510</b>	<b>–</b>	<b>1,439,901</b>
Segment results	<b>160,432</b>	<b>6,513</b>	<b>(390)</b>	<b>166,555</b>
Unallocated corporate income and expenses, net				<b>(26,454)</b>
Share of profit of associates				<b>7,670</b>
Gain on fair value changes in equity investments held for trading, net				<b>65,767</b>
Finance costs				<b>(34,370)</b>
Profit before income tax				<b>179,168</b>
Income tax expense				<b>(43,941)</b>
Profit for the period				<b>135,227</b>



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

**5. Segment Information (Continued)**

	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	47,708	92	–	47,800
<b>Total</b>	<b>1,753,586</b>	<b>9,930</b>	<b>–</b>	<b>1,763,516</b>
<b>Segment results</b>	<b>307,145</b>	<b>6,193</b>	<b>(602)</b>	<b>312,736</b>
Unallocated corporate income and expenses, net				10,941
Gain on fair value changes in equity investment held for trading, net				12,033
Share of profit of associates				5,103
Finance costs				(36,709)
<b>Profit before income tax</b>				<b>304,104</b>
Income tax expense				(77,556)
<b>Profit for the period</b>				<b>226,548</b>



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

## 6. 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	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Sale of goods	<b>1,398,311</b>	1,705,878
Rental income	<b>10,406</b>	9,838
	<b>1,408,717</b>	1,715,716

## 7. Other Income

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Bank and other interest income	<b>7,457</b>	8,260
Compensation income	–	20,410
Dividend income from available-for-sale financial assets	<b>3,558</b>	7,597
Dividend income from equity investments held for trading	–	87
Exchange gains	<b>13,740</b>	42,715
Government subsidies	<b>16,735</b>	–
Sundry income	<b>11,877</b>	19,803
	<b>53,367</b>	98,872



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

## 8. Finance Costs

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests charged on corporate bonds	<b>14,496</b>	14,630
Interests charged on bank borrowings	<b>19,874</b>	22,079
	<b>34,370</b>	36,709

## 9. Profit Before Income Tax

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation	<b>41,871</b>	44,757
Amortisation of prepaid land lease payments	<b>262</b>	362
Amortisation of intangible assets	<b>5,055</b>	7,195



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

## 10. Income Tax Expense

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>Current tax for the period</b>		
PRC	<b>48,049</b>	81,906
Switzerland	<b>464</b>	1,102
<b>Over-provision in respect of prior periods</b>		
United Kingdom	–	(2,860)
<b>Deferred tax for the period</b>	<b>(4,572)</b>	(2,592)
Total income tax expense	<b>43,941</b>	77,556

For both the six months ended 30 June 2016 and 2015, 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 2015: between 15% and 25%). Overseas tax is calculated at the rates applicable in the respective jurisdictions.

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



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

## 11. Dividends

11.1 Dividends attributable to the interim period were as follows:

The directors do not recommend the payment of an interim dividend for the period ended 30 June 2016 (Six months ended 30 June 2015: Nil).

11.2 Dividends attributable to the previous financial year and approved during the period were as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
2015 final dividend of HK 2.5 cents per share (2014 final dividend: Nil)	<b>108,654*</b>	–

\* The dividend payable for 2015 final dividend as at 30 June 2016 was HK\$108,654,000. During the six months ended 30 June 2016, 2,230,000 ordinary shares were issued due to exercise of share options and 65,442,000 ordinary shares were repurchased and cancelled by the Company. The aforementioned issuance and cancellation of ordinary shares were completed before the closure of members' register on 25 August 2016. As such, ordinary shares newly issued during the six months ended 30 June 2016 were entitled to the 2015 final dividend, whereas the ordinary shares cancelled during the six months ended 30 June 2016 were not entitled to the 2015 final dividend.



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

## 12. 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	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Profit attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	<b>124,294</b>	209,169

	Number of shares Six months ended 30 June	
	2016 '000 (Unaudited)	2015 '000 (Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>4,388,217</b>	4,409,229
Effect of dilutive potential ordinary shares: – share options issued by the Company	<b>9,470</b>	9,254
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>4,397,687</b>	4,418,483



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

For the Six Months Ended 30 June 2016

**13. Disposal of Subsidiaries**

## 13.1 Disposal of Henan Jinjue

As mentioned in note 1, the Group has completed the disposal of its 46.05% equity interest in Henan Jinjue during the period. Details of the Group's loss on disposal of a subsidiary was set out as follows:

	HK\$'000 (Unaudited)
Net assets disposed of:	
Property, plant and equipment	1,296
Intangible assets	24,033
Inventories	98,824
Trade receivables	58,813
Prepayments, deposits and other receivables	1,889
Cash and cash equivalents	4,703
Trade payables	(22,029)
Other payables and accruals	(18,400)
Tax payable	(172)
	148,957
Non-controlling interests	(61,212)
	87,745
Release of exchange fluctuation reserve upon disposal	4,701
	92,446
Less: Fair value of consideration in cash	(57,563)
Less: Value of the retained 4.95% equity interest in Henan Jinjue (note 17.2)	(6,184)
Loss on disposal of Henan Jinjue	28,699



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

**13. Disposal of Subsidiaries** (Continued)  
13.1 Disposal of Henan Jinjue (Continued)

	HK\$'000 (Unaudited)
Net cash inflow arising on disposal:	
Fair value of consideration in cash	57,563
Less: Consideration receivables	(45,063)
Cash and cash equivalents disposed of	(4,703)
Net cash inflow	<u>7,797</u>

The cash consideration of HK\$12,500,000 from disposal of Henan Jinjue has been received by the Group during the period. Pursuant to the agreement with the acquirer, the remaining consideration of HK\$45,063,000 has been included in prepayments, deposits and other receivables under current assets and will be received before 31 May 2017.



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

### 13. Disposal of Subsidiaries (Continued)

#### 13.2 Disposal of Beijing Haina

The disposal of the Group's 51% equity interest in Beijing Haina were completed in May 2015. Details of the Group's gain on disposal of a subsidiary was set out as follows:

	HK\$'000 (Unaudited)
Net assets disposed of:	
Property, plant and equipment	196
Intangible assets	41,260
Inventories	41,221
Trade receivables	10,041
Prepayments, deposits and other receivables	10,727
Cash and cash equivalents	6,022
Trade payables	(1,384)
Other payables and accruals	(7,253)
Tax payable	(393)
	100,437
Non-controlling interests	(28,996)
	71,441
Release of exchange fluctuation reserve upon disposal	256
	71,697
Less: Fair value of consideration in cash	(81,214)
Gain on disposal of Beijing Haina	(9,517)

	HK\$'000 (Unaudited)
Net cash inflow arising on disposal:	
Fair value of consideration in cash	81,214
Less: Consideration receivables	(19,125)
Cash and cash equivalents disposed of	(6,022)
Net cash inflow	56,067

The cash consideration of HK\$81,214,000 from disposal of Beijing Haina has been fully received by the Group during the year ended 31 December 2015.



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

#### 14. Property, Plant and Equipment

During the six months ended 30 June 2016, the Group acquired property, plant and equipment of HK\$71,529,000 (Six months ended 30 June 2015: HK\$44,757,000). Property, plant and equipment of HK\$9,883,000 were disposed of during the six months ended 30 June 2016 (Six months ended 30 June 2015: HK\$437,000).

As at 30 June 2016, the Group has not yet obtained the title certificates for certain leasehold buildings in the PRC with an aggregate carrying amount of HK\$540,000 (31 December 2015: HK\$546,000). The Group's legal advisors have confirmed that the Group has legally obtained the rights to use the buildings. The directors are now in process of obtaining the title certificates from the relevant government authorities.

As at 30 June 2016, land and buildings in Switzerland with an aggregate carrying amount of HK\$98,755,000 (31 December 2015: HK\$129,397,000) have been pledged to secure banking facilities granted to the Group (note 22).

#### 15. Investment Properties

As at 30 June 2016, the Group has not obtained the relevant title certificates for investment properties with an aggregate carrying amount of HK\$41,900,000 (31 December 2015: HK\$41,900,000). The Group's legal advisors have confirmed that the Group is the rightful and equitable owner of these investment properties. The directors are now in process of obtaining the title certificates from the relevant government authorities.

As at 30 June 2016, certain of the Group's investment properties with carrying amount of HK\$23,800,000 (31 December 2015: HK\$23,800,000) have been pledged to secure banking facilities granted to the Group (note 22).



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

## 16. Goodwill

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Gross carrying amount	<b>791,031</b>	791,031
Accumulated impairment loss	<b>(49,395)</b>	(49,395)
Net carrying amount	<b>741,636</b>	741,636

## 17. Available-for-sale Financial Assets

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Listed equity investment in the PRC, at fair value (note 17.1)	<b>255,904</b>	317,173
Unlisted equity investments, at cost (note 17.2)	<b>6,259</b>	77
	<b>262,163</b>	317,250



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

### 17. Available-for-sale Financial Assets (Continued)

- 17.1 As at 30 June 2016, the listed equity investment in the PRC represented 2.04% (31 December 2015: 2.04%) equity interest in Citychamp Dartong Company Limited (“Citychamp Dartong Shares”). As at 30 June 2016, the Group held 30,389,058 Citychamp Dartong Shares (31 December 2015: 30,389,058 Citychamp Dartong Shares).

During the period, the decrease in fair value of available-for-sale financial assets of HK\$61,269,000 (Six months ended 30 June 2015: increase of HK\$74,284,000) has been dealt with in other comprehensive income and investment revaluation reserve.

- 17.2 In previous years, the Group owned 51% equity interest in Henan Jinjue, and Henan Jinjue was being regarded as a subsidiary of the Group.

During the period, the Group has disposed of 46.05% of the equity interest in Henan Jinjue, and Henan Jinjue ceased to be a subsidiary of the Group. The retained 4.95% equity interests in Henan Jinjue was classified as available-for-sales financial assets, which was stated at cost.

### 18. Inventories

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Raw materials	<b>387,704</b>	246,328
Work in progress	<b>418,665</b>	367,055
Finished goods and merchandise	<b>1,150,699</b>	1,429,509
	<b>1,957,068</b>	2,042,892



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

## 19. 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 2015: 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:

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
1 to 3 months	<b>407,691</b>	562,540
4 to 6 months	<b>72,311</b>	68,523
Over 6 months	<b>129,869</b>	62,805
	<b>609,871</b>	693,868

## 20. Short-term Investments

As at 30 June 2016, the Group purchased short-term investments from major banks in the PRC in which no short-term investments (31 December 2015: HK\$41,565,000) was not subject to maturity and balance of HK\$47,953,000 (31 December 2015: HK\$101,797,000) was subject to maturity up to July 2016 (31 December 2015: January 2016).

For those short-term investments not subject to maturity, the Group is entitled to redeem the investments with the banks at anytime with immediate effect. The estimated return from these short-term investments is 2.6%-3.7% per annum (31 December 2015: 4.4% to 6% per annum). The accrued and unpaid interest will be received upon redemption of the investment from the banks. The directors of the Company consider that the carrying value of short-term investments approximate their fair value at end of the reporting period.



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

## 21. Trade Payables

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

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
1 to 3 months	<b>217,875</b>	320,297
4 to 6 months	<b>72,809</b>	16,745
Over 6 months	<b>81,151</b>	22,491
	<b>371,835</b>	359,533

## 22. Borrowings

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Bank overdrafts	<b>63,658</b>	–
Bank borrowings	<b>819,377</b>	938,532
Carrying amount as the end of period/year	<b>883,035</b>	938,532
Less: Current portion	<b>(796,389)</b>	(766,654)
Non-current portion	<b>86,646</b>	171,878



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

## 22. Borrowings (Continued)

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

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Portion of bank borrowings due for repayment within one year	<b>574,159</b>	559,977
Other bank borrowings due for repayment after one year		
After one year but within two years	<b>195,742</b>	258,815
After two years but within five years	<b>34,727</b>	104,744
After five years	<b>14,749</b>	14,996
	<b>245,218</b>	378,555
	<b>819,377</b>	938,532

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

- (i) corporate guarantee provided by subsidiaries within the Group as at 30 June 2016 and 31 December 2015.
- (ii) a corporate guarantee provided by Fujian Fengron Investment Company Limited ("Fengrong") as at 31 December 2015.
- (iii) a legal charge over certain of the Group's investment properties with carrying amounts of HK\$23,800,000 (31 December 2015: HK\$23,800,000) (note 15).
- (iv) a legal charge over certain of the Group's land and buildings with the carrying amounts of HK\$98,755,000 (31 December 2015: HK\$129,397,000) (note 14).
- (v) a personal guarantee of HK\$27,600,000 provided by the director of a subsidiary as at 30 June 2016 and 31 December 2015.



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

## 22. Borrowings (Continued)

Certain bank borrowings contain clause which gives the banks the right at their sole discretion to demand immediate repayment at any time irrespective of whether the Company has complied with the covenants and met the scheduled repayment obligations. None of the portion of bank borrowings due for repayment after one year which contain a repayment on demand clause and are classified as current liabilities are expected to be settled within one year. The carrying amounts of the bank borrowings approximate to their fair value.

## 23. Derivative Financial Liabilities

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
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### Derivative financial liabilities

Financial undertakings provided by the Group in relation

to issuance of ordinary shares for:

– Acquisition of intangible assets (Note)	–	7,260
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Note:

### Acquisition of intangible assets

In previous years, the Group completed the acquisition of intangible assets by issue and allotment of ordinary shares of the Company. Pursuant to the terms of the acquisition agreement, the Group has provided a financial undertaking to compensate the vendor the shortfall in cash if the average selling price of the consideration shares disposed by the vendor from the expiration of the respective lock-up periods is less than HK\$1. During the six months ended 30 June 2016, the vendor has disposed all ordinary share with the share price more than HK\$1. As such, the financial undertaking has been released as at 30 June 2016.

The aforementioned financial undertakings meet the definition of derivatives in accordance with HKAS 39. The value of the financial undertakings will change in response to changes in the share price of the Company's shares. There are no initial net investments and they are settled at a future date. In these regards, the financial undertakings are accounted for as derivative financial liabilities, which are designated as financial liabilities at fair value through profit or loss. The fair value gain of the derivative financial instruments during the period was amounted to HK\$7,260,000 (Six months ended 30 June 2015: HK\$16,696,000), which has been recognised in the consolidated statement of comprehensive income for the period.



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

## 24. Corporate Bonds

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
At 1 January	<b>708,834</b>	764,914
Amortisation of transaction cost	<b>1,927</b>	3,561
Repurchase of corporate bonds	<b>(2,017)</b>	(58,136)
Exchange realignment	<b>10,932</b>	(1,505)
	<b>719,676</b>	708,834

On 24 July 2014, the Group issued CHF denominated corporate bonds of principal amount of CHF100,000,000 bears interest at 3.625% per annum. The interests of the corporate bonds are paid in arrears on 24 July every year. The corporate bonds are listed in SIX Swiss Exchange in Switzerland and guaranteed by the Company. The corporate bonds will mature on 24 July 2019.

The Group may, at any time after the date of issuance and prior to the date of maturity, redeem the whole corporate bonds at 100% of the total principal amounts together with payments of interest accrued up to the dates of such early redemption by serving a prior notice to a period of not less than 30 days nor more than 60 days.

During the six months ended 30 June 2016, the Group has repurchased certain corporate bonds of principal amount of CHF255,000 (equivalent to approximately HK\$2,017,000) at the consideration of CHF210,000 (equivalent to approximately HK\$1,665,000). The Group recognised a gain on repurchase of the corporate bonds of CHF40,000 (equivalent to approximately HK\$313,000) (after unamortised placement fee) for six months ended 30 June 2016 (six months ended 30 June 2015: HK\$4,914,000).



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

## 25. Related Party Transactions

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

(i) *Rental income*

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Rental income received (note a)	<b>60</b>	60
Sub-lease income received (note b)	<b>171</b>	171

Notes:

- (a) This was received from a director and this was charged at HK\$10,000 (Six months ended 30 June 2015: HK\$10,000) per month on average.
- (b) Sub-lease income was received from a company of which certain directors of the Company are also directors of the related company and this was charged at approximately HK\$29,000 (Six months ended 30 June 2015: HK\$29,000) per month on average.

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

During the period, the Group has entered into the following transactions with Fair Future and its subsidiaries, which negotiated on normal commercial terms and conditions:

	30 June 2016 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Unaudited)
Sales of goods	<b>15,078</b>	16,696
Purchases of goods	<b>52,033</b>	4,807
Rental expenses paid	<b>177</b>	177
Rental income received	–	154
Processing fee paid	–	940
Maintenance fee paid	–	57



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

## 25. Related Party Transactions (Continued)

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

(iii) *Outstanding balances included in other receivables*

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Dividend receivable from an associate	<b>27,500</b>	27,500
Consideration receivable from an associate in respect of disposal of brand name	<b>25,000</b>	25,000
Due from an associate (note a)	<b>9,665</b>	17,107
Due from related companies (note b)	<b>1,045</b>	911

Notes:

- (a) The balance was unsecured, interest-free and repayable on demand. The maximum amount outstanding during the period was HK\$9,665,000 (31 December 2015: HK\$17,107,000).
- (b) The amounts were due from companies of which certain directors of the Company are also the directors of the related companies. The balances were unsecured, interest-free and repayable on demand. The maximum amount outstanding during the period was HK\$1,045,000 (31 December 2015: HK\$911,000).

(iv) *Financial guarantee*

On 24 June 2013, the Company executed an agreement with Fengrong in respect of a financial guarantee of RMB300,000,000 provided by Fengrong in favour of a bank for a loan facility granted to the Group of EUR35,000,000. The financial guarantee provided by Fengrong covered a 3-year period from 27 June 2013 to 26 June 2016, and secured by 47,190,000 (31 December 2015: 72,000,000) ordinary shares of Citychamp Dartong owned by Fengrong. Fengrong shall pay an annual guarantee fee of RMB4,500,000 to the bank and the Group will fully reimburse Fengrong all the guarantee fees and other direct expenses related to the financial guarantee totalling RMB14,000,000 in three years as incurred during the guarantee period. During the six months ended 30 June 2016, the Group has reimbursed guarantee fee and other direct expenses totaling HK\$1,196,000 (Six months ended 30 June 2015: HK\$1,272,000) to Fengrong. The Group has repaid all aforesaid bank borrowings for the six months ended 30 June 2016.



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

## 25. Related Party Transactions (Continued)

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

(v) *Financial guarantee provided to Fair Future*

At 30 June 2016, the Group has provided a corporate guarantee of HK\$120,000,000 (31 December 2015: HK\$120,000,000) in respect of a bank loan granted to Fair Future.

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

### 25.2 Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	<b>16,345</b>	14,325
Post-employment benefits	<b>99</b>	99
	<b>16,444</b>	14,424



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

## 26. Fair Value Measurements of Financial Instruments

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

- the fair value of listed securities and available-for-sale financial assets are determined by reference to their quoted bid prices at the reporting dates and have been translated using the spot foreign currency rates at the end of the reporting periods where appropriate. The listed equity securities are denominated in HK\$, RMB and CHF.
- the fair value of derivative financial assets are marked to market using the foreign exchange forward rates ruling at the end of each reporting period.
- the fair value of derivative financial liabilities and the conversion option component are determined by the directors of the Company with reference to the valuation performed by Asset Appraisal Limited, an independent professionally qualified valuer, by using valuation techniques such as Black-Scholes Option Pricing Model and Binomial Option Pricing Model. These valuation techniques maximise the use of observable market data where it is available for all significant inputs and rely as little as possible on entity specific estimates.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that is not based on observable market data (unobservable inputs).



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

## 26. Fair Value Measurements of Financial Instruments (Continued)

	30 June 2016			
	Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Assets</b>				
Available-for-sale financial assets				
– Listed	255,904	–	–	255,904
Listed securities designated at fair value through profit or loss	542,925	–	–	542,925
Convertible bond investment, conversion option component	–	–	568	568
	<b>798,829</b>	<b>–</b>	<b>568</b>	<b>799,397</b>

	31 December 2015			
	Level 1 HK\$'000 (Audited)	Level 2 HK\$'000 (Audited)	Level 3 HK\$'000 (Audited)	Total HK\$'000 (Audited)
<b>Assets</b>				
Available-for-sale financial assets				
– Listed	317,173	–	–	317,173
Listed securities designated at fair value through profit or loss	367,471	–	–	367,471
Convertible bond investment, conversion option component	–	–	2,244	2,244
	684,644	–	2,244	686,888
<b>Liabilities</b>				
Derivative financial liabilities	–	–	7,260	7,260

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

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



Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)  
For the Six Months Ended 30 June 2016

## 26. Fair Value Measurements of Financial Instruments (Continued)

The fair value of derivative financial liabilities is Level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balances are provided as below.

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Opening balance (Level 3 recurring fair value)	<b>7,260</b>	26,479
Change in fair value recognised in profit or loss during the period/year	<b>(7,260)</b>	(19,219)
Closing balance (Level 3 recurring fair value)	–	7,260

The key inputs to determine the fair value of derivative financial liabilities are the stock price and expected volatility. A higher in stock price and volatility would result in an increase in the fair value of derivative financial liabilities, and vice versa.

The fair value of the conversion option component is Level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balances are provided as below.

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Opening balance (Level 3 recurring fair value)	<b>2,244</b>	–
At subscription date	–	3,993
Change in fair value recognised in profit or loss during the period/year	<b>(1,676)</b>	(1,749)
Closing balance (Level 3 recurring fair value)	<b>568</b>	2,244

The key significant unobservable inputs to determine the fair value of the derivative component are the stock price and expected volatility. A higher in the stock price and expected volatility would result in an increase in the fair value of the conversion option component, and vice versa.





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