CITYCHAMP WATCH & JEWELLERY GROUP LIMITED

冠城鐘錶珠寶集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 256)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

The board of directors (the "Board") of Citychamp Watch & Jewellery Group Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014 together with the consolidated statement of financial position of the Group as at 31 December 2014, and the notes with comparative figures for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Revenue	5	**3,488,553**	3,176,423
Cost of sales		**(1,797,911)**	(1,697,584)
Gross profit		**1,690,642**	1,478,839
Other income and financial income		**150,825**	74,945
Selling and distribution expenses		**(926,387)**	(724,581)
Administrative expenses		**(698,077)**	(542,743)
Gain/(loss) on fair value changes in financial assets at fair value through profit or loss, net		**45,734**	(11,450)
Gain on fair value changes in contingent consideration payable	17	**54,511**	–
Gain on fair value changes in derivative financial instruments		**18,615**	12,093
Net surplus on revaluation of investment properties		**3,078**	8,185
Dividend income from available-for-sale financial assets		**–**	30,965
Gain on disposal of available-for-sale financial assets	6(a)	**163,542**	456,023
Gain on disposal of a subsidiary	15.2	**15,859**	–
Impairment loss on goodwill	12	**(49,395)**	–
Impairment loss on intangible assets	13	**(133,166)**	–
Share of profit of associates		**13,333**	12,134
Finance costs	7	**(65,055)**	(36,554)
Profit before income tax	8	**284,059**	757,856
Income tax expense	9	**(121,027)**	(157,246)
Profit for the year		**163,032**	600,610
Other comprehensive income			
Item that will not be subsequently reclassified to profit or loss			
– Remeasurement of net defined benefit obligations		**(5,955)**	1,785
Items that may be subsequently reclassified to profit or loss			
– Exchange (loss)/gain on translation of financial statements of foreign operations		**(2,021)**	32,719
– Release of exchange fluctuation reserve to profit or loss upon disposal of a subsidiary		**(2,015)**	–
– Share of other comprehensive income of associates		**(16)**	–
– Release of investment revaluation reserve upon disposal	6(a)	**(163,542)**	(456,023)
– Changes in fair value of available-for-sale financial assets	6(b)	**(11,533)**	94,418
		(179,127)	(328,886)
Other comprehensive income for the year		**(185,082)**	(327,101)
Total comprehensive income for the year		**(22,050)**	273,509

	Notes	2014 HK$'000	2013 HK$'000
Profit for the year attributable to:			
Owners of the Company		**132,005**	565,434
Non-controlling interests		**31,027**	35,176
		163,032	600,610
Total comprehensive income for the year attributable to:			
Owners of the Company		**(55,528)**	233,899
Non-controlling interests		**33,478**	39,610
		(22,050)	273,509
Earnings per share attributable to owners of the Company during the year	11		
– Basic		**HK2.94 cents**	HK12.50 cents
– Diluted		**HK2.93 cents**	HK12.47 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**576,661**	553,193
Investment properties		**112,175**	109,097
Prepaid land lease payments		**37,800**	38,921
Goodwill	12	**741,636**	670,777
Interests in associates		**56,020**	70,203
Available-for-sale financial assets		**308,204**	699,408
Intangible assets		**229,924**	278,263
Prepayments and deposits		**23,992**	26,771
Deferred tax assets		**10,223**	1,344
		2,096,635	2,447,977
Current assets			
Inventories		**2,065,394**	1,987,473
Trade receivables	14	**792,839**	633,269
Prepaid land lease payments		**1,028**	935
Prepayments, deposits and other receivables		**473,745**	250,782
Tax recoverable		**2,538**	–
Financial assets at fair value through profit or loss		**271,552**	214,302
Derivative financial asset		**1,653**	–
Short-term investments		**149,241**	55,696
Cash and cash equivalents		**878,253**	471,621
		4,636,243	3,614,078
Assets of a disposal group classified as held for sale	15.1	**–**	211,576
		4,636,243	3,825,654
Current liabilities			
Trade payables	16	**358,839**	400,456
Other payables and accruals		**507,023**	368,546
Dividend payables		**1,492**	453
Tax payables		**67,672**	60,373
Borrowings		**349,195**	231,011
Contingent consideration payable	17	**10,669**	–
Derivative financial liabilities		**26,479**	49,450
Due to associates		**–**	92,545
Due to related companies		**13,961**	12,821
		1,335,330	1,215,655
Liabilities of a disposal group classified as held for sale	15.1	**–**	55,523
		1,335,330	1,271,178
Net current assets		**3,300,913**	2,554,476
Total assets less current liabilities		**5,397,548**	5,002,453

	2014 HK$'000	2013 HK$'000
Non-current liabilities		
Other payables	**55,406**	48,937
Borrowings	**475,482**	366,779
Corporate bonds	**764,914**	–
Deferred tax liabilities	**26,816**	24,693
	1,322,618	440,409
Net assets	**4,074,930**	4,562,044
EQUITY		
Equity attributable to owners of the Company		
Share capital	**440,893**	472,840
Reserves	**3,405,631**	3,842,239
	3,846,524	4,315,079
Non-controlling interests	**228,406**	246,965
Total equity	**4,074,930**	4,562,044

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL INFORMATION

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

Pursuant to the passing of a special resolution at the Annual General Meeting held on 21 May 2014, the English name of the Company was changed from "China Haidian Holdings Limited" to "Citychamp Watch & Jewellery Group Limited" and the Chinese name of the Company was changed from "中國海澱集團有限公司" to "冠城鐘錶珠寶集團有限公司". The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies of the Cayman Islands on 26 May 2014.

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

– Manufacture and distribution of watches and timepieces;

– Property investments; and

– Distribution of yachts

During the year, the Group completed the disposal of its 51% equity interest in Ruihuang (Chongqing) Watch Company Limited ("Ruihuang") on 17 June 2014 and acquired the entire equity interests of The Dreyfuss Group Limited and its subsidiaries (together the "Dreyfuss Group") on 11 April 2014. Other than the aforementioned, there was no other significant change in the Group's operations during the year.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements have been prepared under historical cost convention except for investment properties and financial instruments classified as available-for-sale and at fair value through profit or loss, derivative financial instruments and contingent consideration payable, which are stated at fair values. The adoption of new/revised HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

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

2.3 Functional and presentation currency

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

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) Adoption of new/revised HKFRSs – effective 1 January 2014

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) 21	Levies

Except as explained below, the adoption of the new/revised standards and interpretations has no significant impact on the Group's financial statements.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2012) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 "Consolidated Financial Statements" and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

The adoption of the amendments has no impact on these financial statements as the Company is not an investment entity.

Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The amendments provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not apply hedge accounting.

HK (IFRIC) 21 – Levies

HK (IFRIC) 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation has been applied retrospectively.

The adoption of HK (IFRIC) 21 has no impact on these financial statements as the interpretation is consistent with the Group's previous application of its accounting policies on provisions.

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

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

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
HKFRS 9 (2014)	Financial Instruments[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 15	Revenue from Contracts with Customers[4]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2018

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

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

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

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

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) – Financial Instruments

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

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

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

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

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

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

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

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

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

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements.

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

4. SEGMENT INFORMATION

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

(a) manufacture and distribution of watches and timepieces;

(b) property investments; and

(c) distribution of yachts.

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

2014

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

2013

	Watches and timepiece HK$'000	Property investment HK$'000	Yacht HK$'000	Total HK$'000
Segment revenue and income:				
Sales to external customers	3,152,966	16,957	6,500	3,176,423
Other income and financial income	59,630	4,239	1,000	64,869
Total	3,212,596	21,196	7,500	3,241,292
Segment results	392,288	9,983	(1,618)	400,653
Unallocated corporate income and expenses, net				(74,400)
				326,253
Gain on disposal of available-for-sale financial assets				456,023
Share of profit of associates				12,134
Finance costs				(36,554)
Profit before income tax				757,856
Income tax expense				(157,246)
Profit for the year				600,610
Segment assets	3,893,191	166,317	46,061	4,105,569
Goodwill				670,777
Interests in associates				70,203
Available-for-sale financial assets				699,408
Financial assets at fair value through profit or loss				214,302
Short-term investments				55,696
Assets of a disposal group classified as held for sale				211,576
Unallocated corporate assets				246,100
				6,273,631
Segment liabilities	771,594	42,289	–	813,883
Borrowings				597,790
Due to associates				92,545
Due to related companies				12,821
Derivative financial instruments				49,450
Liabilities of a disposal group classified as held for sale				55,523
Unallocated corporate liabilities				89,575
				1,711,587
Other segment information				
Interest income	11,752	229	–	11,981
Provision for impairment loss on trade receivables	2,380	–	–	2,380
Depreciation and amortisation	77,957	5,076	1	83,034
Additions to non-current assets	219,070	–	–	219,070
Net surplus on revaluation of investment properties	–	8,185	–	8,185

Unallocated corporate income and expenses mainly comprised dividend income from financial assets at fair value through profit or loss and available-for-sale financial assets, gain or loss on fair value changes in financial assets at fair value through profit or loss and other corporate income and expenses of the Group's headquarter which are not directly attributable to the business activities of any operating segment.

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

Unallocated corporate liabilities mainly comprised the promissory notes issued to the vendors for the repurchase of the Company's ordinary shares and other corporate liabilities of the Group's headquarter which are not directly attributable to the business activities of any operating segment.

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

	Revenue from external customers		**Non-current assets**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (domicile)	**48,627**	44,495	**83,477**	101,515
PRC	**2,809,125**	2,747,379	**1,158,518**	1,140,972
Switzerland	**60,192**	45,763	**272,248**	501,550
Germany	**11,423**	35,491	**887**	679
United Kingdom	**252,475**	–	**260,686**	–
Singapore	**40,218**	32,441	**–**	–
Others	**266,493**	270,854	**2,392**	2,509
	3,488,553	3,176,423	**1,778,208**	1,747,225

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

The Group has a large number of customers and there is no significant revenue derived from specific external customers for the years ended 31 December 2014 and 2013.

5. REVENUE

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

	2014	2013
	HK$'000	HK$'000
Sales of goods	**3,470,665**	3,159,466
Gross rental income	**17,888**	16,957
	3,488,553	3,176,423

6. GAIN ON DISPOSAL OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

(a) During the year, the Group has completed the disposal of 55,000,000 Shares (2013: 88,600,000 shares) of Citychamp Dartong Company Limited (referred to as "Dartong Shares") at a cash consideration of RMB302,104,000 (equivalent to HK$379,671,000) (2013: RMB637,100,000 (equivalent to HK$804,189,000)). The related cumulative gain previously recognised in other comprehensive income of HK$163,542,000 (2013: HK$456,023,000) was reclassified from the investment revaluation reserve to profit or loss for the year.

(b) During the year, the decrease in fair value of Dartong Shares of HK$11,533,000 (2013: increase in fair value of HK$94,418,000) has been dealt with in other comprehensive income and the investment revaluation reserve.

7. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest charged on corporate bonds	**13,661**	–
Interest charged on bank and other borrowings	**51,290**	36,554
Interest charged on finance leases	**104**	–
	65,055	36,554

8. PROFIT BEFORE INCOME TAX

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

	2014 HK$'000	2013 HK$'000
Cost of inventories recognised as expense	**1,797,911**	1,697,584
Depreciation	**103,824**	65,879
Amortisation of prepaid land lease payments	**1,028**	1,015
Amortisation of intangible assets	**14,037**	17,297
Amortisation of issuance cost of corporate bonds	**2,001**	–
Minimum lease payments under operating leases in respect of land and buildings	**50,128**	40,920
Auditor's remuneration	**2,380**	2,100
Gross rental income	**(17,888)**	(16,957)
Less: direct operating expenses	**3,498**	3,033
Net rental income	**(14,390)**	(13,924)
Exchange losses	**41,276**	18,880
(Gain)/loss on disposal of property, plant and equipment	**(1,067)**	317
Provision for impairment loss on trade receivables	**61,145**	2,380
Reversal of impairment loss on trade receivables	**(321)**	–
Research and development expenses	**74,449**	73,166

9. INCOME TAX EXPENSE

For both the years ended 31 December 2014 and 2013, no provision for Hong Kong profit tax has been made as the Group has no assessable profits arising in Hong Kong. The subsidiaries established in the PRC are subject to income taxes at tax rates ranging between 15% and 25% (2013: 15% and 25%). Overseas tax is calculated at the rates applicable in the respective jurisdictions.

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

	2014 **HK$'000**	2013 HK$'000
Current tax for the year		
PRC	**146,064**	158,816
Switzerland	**270**	99
United Kindgom	**4,271**	–
Over-provision in respect of prior years		
PRC	**(728)**	(1,669)
Deferred tax for the year	**(28,850)**	–
Total income tax expense	**121,027**	157,246

10. DIVIDENDS

Dividend attributable to the year

	2014 **HK$'000**	2013 HK$'000
Interim dividend: HK3.6 cents per share (2013: Nil)	**158,721**	–

The directors do not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

11. EARNINGS PER SHARE

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

Earnings	**2014** **HK$'000**	2013 HK$'000
Profit attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	**132,005**	565,434

Number of shares	**2014** **Number of shares** **'000**	2013 Number of shares '000
Weighted average number of shares for the purpose of calculating basic earnings per share	**4,491,328**	4,522,925
Effect of dilutive potential shares:		
– share options issued by the Company	**10,595**	11,045
Weighted average number of shares for the purpose of calculating diluted earnings per share	**4,501,923**	4,533,970

12. GOODWILL

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

	2014	2013
	HK$'000	HK$'000
Year ended 31 December		
Opening carrying amount	**670,777**	621,382
Acquisition of subsidiaries	**120,254**	49,395
Impairment loss	**(49,395)**	–
Net carrying amount	**741,636**	670,777

The recoverable amount of cash-generating unit ("CGU") of Montres Corum Sàrl and its subsidiaries (together as "Corum Group") is determined based on a value-in-use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, followed by an extrapolation of expected cash flow at the growth rate of 3% which do not exceed the long-term growth rate for the business in which the CGU operates, and a discount rate of 19.56%. The discount rate used are pre-tax and reflect specific risks relating to the CGU.

Corum Group incurred significant loss for the year ended 31 December 2014 and the revenue growth is not achieved as previously expected. The directors of the Company considered the goodwill and intangible assets arising from the acquisition of Corum Group should be impaired. As the recoverable amount of the CGU of Corum Group of HK$158,611,000 is lower than its carrying amount, an impairment loss on the goodwill of HK$49,395,000 (2013: Nil) was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2014.

13. IMPAIRMENT LOSS ON INTANGIBLE ASSETS

Intangible assets with indefinite useful lives amounted to HK$98,441,000 (2013: HK$109,365,000) and intangible assets with definite useful lives amounted to HK$5,055,000 (2013: HK$6,065,000) are attributable to the CGU of Corum Group. As the recoverable amount of the CGU of Corum Group is lower than its carrying amount, an impairment loss on the intangible assets of HK$75,417,000 (2013: Nil) was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2014. Details of the impairment assessment of the CGU of Corum Group are set out in note 12.

Intangible assets with indefinite useful lives amounted to HK$33,034,000 (2013: HK$36,700,000) and intangible assets with definite useful lives amounted to HK$24,715,000 (2013:HK$27,458,000) are attributable to the CGU of Eterna AG Uhrenfabrik and its subsidiaries (together as "Eterna Group"). The recoverable amount of CGU of Eterna Group has been determined from value-in-use calculation. In the opinion of the directors of the Company, the revenue growth of Eterna Group is not achieved as previously expected and it is uncertain that those intangible assets could generate economic benefit to Eterna Group. As such, the recoverable amount of the intangible assets would be minimal. An impairment loss on the intangible assets of HK$57,749,000 (2013: Nil) was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2014.

14. 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 (2013: 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a wide range of customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	2014	2013
	HK$'000	HK$'000
1 to 3 months	**612,274**	471,195
4 to 6 months	**110,593**	84,981
Over 6 months	**69,972**	77,093
	792,839	633,269

15. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE/GAIN ON DISPOSAL OF A SUBSIDIARY

15.1 The Group's management committed to dispose of its 51% equity interest in Ruihuang. In accordance with HKFRS 5, the Group reclassified the assets and liabilities of Ruihuang (the "Disposal Group") as at 31 December 2013 as assets and liabilities of a disposal group classified as held for sale in the Group's consolidated statement of financial position. The disposal of Ruihuang was completed on 17 June 2014. Details of the Group's gain on disposal of a subsidiary was set out in note 15.2.

15.2 Gain on disposal of a subsidiary, Ruihuang for the year ended 31 December 2014 was analysed as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	2,459
Intangible assets	7,360
Inventories	163,418
Trade receivables	43,722
Prepayments, deposits and other receivables	5,603
Cash and cash equivalents	6,311
Trade payables	(31,953)
Other payables and accruals	(5,265)
Dividend payable	(42,748)
Amounts due to related companies	(94,067)
	54,840
Non-controlling interests	(24,000)
	30,840
Release of exchange fluctuation reserve upon disposal	(2,015)
	28,825
Add: Amounts due to the Group assigned to the buyer	60,759
Add: Dividend payable to the Group assigned to the buyer	21,802
	111,386
Less: Fair value of consideration receivable	(127,245)
Gain on disposal of Ruihuang	(15,859)

16. TRADE PAYABLES

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

	2014 **HK$'000**	2013 HK$'000
1 to 3 months	**316,213**	385,583
4 to 6 months	**22,046**	13,193
Over 6 months	**20,580**	1,680
	358,839	400,456

Trade payables are non-interest-bearing.

17. CONTINGENT CONSIDERATION PAYABLE

	2014 **HK$'000**	2013 HK$'000
Contingent consideration payable	**10,669**	–

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

As at 31 December 2014, the directors of the Company are of the opinion that Dreyfuss Group cannot achieve the profit target by reference to 2014 actual financial result. The final consideration payable to the vendor should be adjusted from GBP5,000,000 (equivalent to approximately HK$65,180,000) to GBP885,000 (equivalent to approximately HK$10,669,000). The fair value gain of contingent consideration payable of HK$54,511,000 has been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

For the year ended 31 December 2014, the Group recorded revenue of approximately HK$3,488,553,000 (31 December 2013: HK$3,176,423,000), an increase of HK$312,130,000 or 10% over 2013. Gross profit for the year was approximately HK$1,690,642,000 (31 December 2013: HK$1,478,839,000), an increase of HK$211,803,000 or 14% over 2013. Profit after tax of the Group for the year was approximately HK$163,032,000 (31 December 2013: HK$600,610,000), a decrease of HK$437,578,000 or 73% against 2013. Such decrease is mainly due to two reasons. First, an aggregate amount of approximately HK$182,561,000 of impairment losses were made on goodwill and intangible assets related to two Swiss companies acquired in recent years, Eterna AG Uhrenfabrik and Montres Corum Sàrl. Second, gain on disposal of available-for-sale financial assets for the year ended 31 December 2014 decreased by approximately HK$292,481,000 compared to the year ended 31 December 2013.

BUSINESS REVIEW

Rossini and EBOHR continued to be the major sources of revenue and accounted for more than 54% of the total revenue of the Group (2013: 53%). These two brands seize the opportunity to expand their market shares continuously. They focus on offering products with popular design in the Mainland China market. High quality-price ratio, enhanced product quality and after sales services lead to substantial improvement in customers' satisfaction. The market for the brands in Mainland China still appeared promising despite the slower economic growth in 2014. The impressive growth of e-commerce also contributed an increasing proportion of the total revenue of the Group.

Owing to the anti-corruption campaign of the PRC Central Government and the deteriorating consumers' sentiment towards luxury goods, the demand for the imported mid-range and high-end watches was weakened which adversely affected the revenue of the distribution companies of the Group. They collectively accounted for 23% of the total revenue of the Group (2013: 31%). In view of the challenging market situation, the distribution companies had adjusted the product mix skewed towards relatively inexpensive imported watches to minimize the impact.

Through management reorganization and product development, the Group has restructured the foreign subsidiaries and positioned them for strong improvement. The effects were not yet reflected in the 2014 financials due to the challenging external environment, particularly in Mainland China and Hong Kong. The foreign subsidiaries collectively accounted for 19% of the total revenue of the Group in 2014 (2013: 13%). Our branded products had enjoyed a highly favorable market response at the BaselWorld 2014 and are anticipating higher global sales in 2015.

(1) Watches and timepieces – proprietary brands

The Group has built a sophisticated vertically-integrated business model that enables effective and tight control over the entire value chain, from raw materials and component procurement, product design and development, manufacturing of mechanical movement, assembly, inventory management, distribution to marketing in Mainland China and overseas. This integrated model enables us to monitor and control the quality of our products effectively and respond quickly to our customers' needs and preferences. It also provides more operational flexibility, greater product diversity in terms of styles and functionality and increases market penetration. The speed with which the Group can adjust the product mix is a great competitive advantage. This business model sets us apart from our peers, and enables us to further improve our profitability.

Zhuhai Rossini Watch Industry Ltd.

Zhuhai Rossini Watch Industry Ltd. ("Rossini"), a 91% subsidiary of the Group, achieved an extraordinary result in 2014. Revenue in 2014 was HK$1,051,541,000, an increase of HK$147,062,000, or 16%, from HK$904,479,000 for the last year. After share of 91% by the Company, the net profit after tax attributable to owners of the Company in 2014 was HK$341,632,000 compared with HK$271,733,000 for the last year, an increase of HK$69,899,000, or 26%.

Year	**2012**	**2013**	**2014**
No. of distribution outlets	1,911	2,348	2,681

Rossini has set up online stores on 16 e-commerce platforms. Internet sales increased to HK$135,000,000 in 2014 from HK$65,513,000 in 2013 and its respective proportion of total sales to 12.8% from 7.2%. Unique product lines, unavailable in the physical distribution outlets, have been developed for Internet sales and accounted for more than 60% of the Internet sales in 2014. While Internet sales form a powerful tool to extend the customer reach targeting the group of younger customers aged 18 to 25, such sales are considered complementary to the sales from physical distribution outlets and expected to grow significantly. The customer consumption data and feedback from Internet sales also provides useful insights on how to generate revenue from physical distribution outlets.

The watch museum in the headquarters has attracted a tremendous number of tourists amounting to more than 170,000 in 2014 (2013: 40,000) and generated revenue of over HK$40,000,000 (2013: HK$6,325,000). Rossini is putting stronger efforts into developing industrial tourism and hence boosting brand awareness. It has been approved by the China National Tourism Administration as a AAAA National Tourist Attraction, the first industrial tourism program in Zhuhai to gain such recognition.

Rossini launched an array of marketing activities to promote the brand nationwide in 2014. The first official brand ambassador attended functions and shooting of advertisements and television commercials, successfully leveraged a celebrity effect in building up the brand awareness and image. Additionally, Rossini participated in the leading watch exhibitions held in Shanghai, Shenzhen and Hong Kong. Following the successful exhibitions, Rossini has taken its first step in developing overseas markets such as Australia, Bangladesh, Italy, Macau and Vietnam in 2014 and would further explore emerging markets such as India in the coming years.

Rossini considers product quality as the key to sustain a competitive position in the market. Following the 2013 Guangdong government Quality Prize, Rossini was awarded "The 14th China Quality Encouragement Award" by the China Association for Quality in 2014.

Partnering with Jilin University, Beijing Normal University and Guangdong Institute of Science and Technology, Rossini provides training and development to its staff so as to maintain a team of educated, professional and technical employees for continuous development. The research centre for eco-watches, intelligent watches and related movements has been established with the objective of developing another revenue driver as both an offensive and defensive strategy for Rossini.

Rossini has been selected as one of China's 500 Most Valuable Brands of the Year 2014 with a brand value of approximately RMB6.7 billion and as one of Asia's 500 Most Influential Brands in 2014 both by the World Brand Laboratory. Rossini is the only watch company from Mainland China that has obtained the latter award for the last seven years and its brand value is the highest among all the watch brands in Mainland China.

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

EBOHR Group

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

Revenue of EBOHR for 2014 was HK$822,457,000, an increase of HK$57,506,000, or 8%, from HK$764,951,000 for the last year. Net profit after tax in 2014 was HK$131,038,000, a decrease of HK$68,298,000, or 34% from HK$199,336,000 in 2013.

Year	**2012**	**2013**	**2014**
No. of distribution outlets	1,722	2,095	2,493

Internet sales through the online stores at the major E-commerce platforms in Mainland China increased to HK$81,725,000 in 2014 from HK$59,077,000 in 2013 and its respective proportion of total revenue to 9.9% from 7.7%. EBOHR has dedicated efforts to develop brand awareness among Internet users by expanding the online presence through popular E-commerce platforms and hence generated increasingly strong Internet sales. More resources were allocated to Internet sales with the objective to produce a relatively higher proportion of total sales.

During 2014, EBOHR has introduced a number of new product lines and new editions of existing lines to both the physical distribution outlets and e-commerce markets to cater to the different needs of a wide range of customers. Those products are widely recognized and well-accepted by the markets.

EBOHR has officially appointed a famous Chinese artist as its brand spokesman in 2014, to better promote the brand image and convey the brand philosophy of "Engineered Elegance".

EBOHR has been acknowledged as one of China's 500 Most Valuable Brands of the Year 2014 by the World Brand Laboratory with a brand value of approximately RMB4.5 billion. EBOHR has also received various provincial and city awards for its brand and achievements.

Eterna Group

Eterna Group comprises Eterna AG Uhrenfabrik ("Eterna AG"), Eterna (Asia) Limited ("Eterna (Asia)"), Eterna Movement AG ("Eterna Movement") and Eterna Uhren GmbH, Kronberg. Eterna AG focuses on manufacturing and distribution of Eterna watches in countries outside Asia, while Eterna (Asia) focuses on distribution of Eterna watches in Asia.

The year 2014 was still a period of transition for Eterna AG and Eterna Movement. Eterna AG underwent restructuring with changes in business strategies, operation and management teams. The brand was essentially repositioned and their average price levels were adjusted so as to cater to the mass markets. Eterna has experienced the short-term difficulty which has been countered with a view to enhance brand equity and to increase its margins in the medium term.

As of 31 December 2014, there were 232 distribution outlets for Eterna outside of Asia (31 December 2013: 235), of which 194, 10 and 28 were in Europe, America and Middle East respectively.

Eterna (Asia) has continued to build brand awareness by increasing visibility in the Asian markets and has upgraded its brand image through integrated marketing campaigns. It has developed its own sales networks through subsidiaries in Beijing and Shanghai. They focus on developing business in Northeastern China, Xinjiang and Shandong, and leading department stores in prime locations within the first-tier cities. Eterna intends to work with partners in Hong Kong and Mainland China which offer long term strategic value. The number of distribution outlets has been substantially expanded in Mainland China. As of 31 December 2014, there were 90 distribution outlets (31 December 2013: 18), of which 15, 74 and 1 were in Hong Kong and Macau, Mainland China and Taiwan respectively.

There were integrated marketing campaigns such as the distribution of brochures in four-and five-star hotels in Hong Kong, advertising in trade magazines, watch supplements, commercial magazines and newspapers and websites, and promotion on outdoor billboards, POS billboards and tourist coaches. Collectively, these campaigns would re-establish Eterna as a powerful brand in the region.

During the year under review, Eterna Group generated revenue and net loss after tax of approximately HK$83,049,000 (31 December 2013: HK$53,272,000) and HK$87,023,000 (31 December 2013: HK$183,228,000) respectively. The net loss was attributable to the new product development cost, new market development cost, incremental operating cost, development cost for mechanical movement, and in particular promotional and advertising cost incurred for the branding and strategic marketing activities conducted in Mainland China, Hong Kong and overseas. The net loss after tax didn't include an aggregate amount of HK$57,749,000 of impairment loss made on the intangible assets of Eterna AG. Given the increasingly strong revenue being generated from Hong Kong, Mainland China and overseas, Eterna is expected to achieve breakeven shortly.

Montres Corum Sàrl

Montres Corum Sàrl and its subsidiaries (the "Corum Group"), founded in 1955, is principally engaged in the development, manufacture and sale of Swiss luxury timepieces. It owns a renowned Swiss elite luxury watch brand, "Corum", together with a proprietary portfolio of innovative and technical movements. Its technical craftsmanship and non-traditional designs are embedded in the three collection pillars, namely, Bridges, Admiral's Cup and Heritage, and categorical horizontal positioning within each pillars including Entry-Level, Core-Range and High-End. As at 31 December 2014, the Corum Group held 11 subsidiaries each responsible for the distribution in a specific region and sold its watches through an exclusive global distribution network of 7 premier boutiques and approximately 620 high-end, independent specialty retailers in more than 90 countries.

The Corum Group was led by a Management Executive Committee and headed by senior executives from the holding company. In 2014, the Committee worked to revitalize the business model of the Corum Group through production development, production, brand positioning, distribution, team building and management practises. The strategy of extending the product life-cycle and increasing marketing efforts will allow the Corum Group to focus its efforts on providing a more competitive pricing of its products and to increase the contribution of the current best-selling products as well. Although Corum Group encountered a decrease in Europe, its traditional market, in 2014 due to decrease in number of tourists, Asia and Americas saw a substantial growth. Collaboration with strategic retail partners was a priority as it was considered cost-effective in promoting the brand image and generating immediate revenue. Following the investments in the global products, people, and processes, the Corum Group began to show improved results both in revenue generation and cost reduction.

The Corum Group generated revenue and net loss after tax of approximately HK$328,732,000 (31 December 2013: HK$351,289,000) and HK$169,156,000 (31 December 2013: HK$61,141,000) respectively. (Note: the comparative figures in 2013 were for the period from 9 July 2013, the completion date of acquisition, to 31 December 2013). The net loss after tax didn't exclude an aggregate amount of HK$124,812,000 of impairment loss made on the goodwill and intangible assets of Corum Group.

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

In the medium term, the luxury watch industry is expected to improve substantially with the increasing number of high-net-worth individuals globally and especially in Mainland China.

Going forward, the Corum Group will continue strengthening its strategic initiatives with a core focus on positioning itself as a sales-oriented brand, expanding the distribution network, streamlining and strengthening the quality of the product references and improving the operational efficiency of the brand, with the ultimate purpose of ensuring the long-term profitability.

Dreyfuss Group

On 11 April 2014, the Group acquired 100% interest in The Dreyfuss Group Limited and its subsidiaries (the "Dreyfuss Group") at a total consideration of GBP27,000,000 (equivalent of HK$352,141,000). The Dreyfuss Group was founded in 1895 and is principally engaged in watch design and distribution, both to the United Kingdom ("UK") and overseas markets, and of watch manufacturing and repair. Its brand portfolio includes the Swiss mid-market Rotary brand, the Swiss premium Dreyfuss & Co. brand and the English premium J & T Windmills brand. Their watches are distributed across 45 countries through a mix of regional retailers and third party distributors. Rotary is the No. 1 Swiss watch brand by sales value in the mid-market sector in the UK, through high street watch and jewellery chains, independent stores and other specialty channels such as catalogues, mail order, television channels, cruise ships, airport shops and airlines.

The UK is the largest single market representing 69% of total turnover. Other markets include Germany, the Middle East, North Africa, North America, Canada and Asia Pacific. It is the strategy of the Dreyfuss Group to grow its international division as a percentage of total turnover in order to diversify into overseas markets. The Dreyfuss Group leverages its sponsorship with Chelsea Football Club as a marketing and brand awareness tool to support entry into international and new markets. Recently developed markets include Equatorial Guinea, Ghana, Guyana, Hong Kong, Lithuania, South Korea, the UAE and the United States ("US"). Sales through in-flight catalog is also an increasingly strong source of revenue.

E-commerce websites for the UK and the US markets have been fully operational in the second half of 2014, contributing revenue of more than HK$3,000,000. It is expected that e-commerce, as supported by the sponsorship with Chelsea Football Club, would grow very strongly within a couple of years.

During 2014, the Dreyfuss Group won the Queen's Award for Enterprise: International Trade and the Best Marketing Campaign Award by the DFNI Magazine for their Chelsea Football Club sponsorship.

The Dreyfuss Group generated revenue and net loss after tax of approximately HK$252,347,000 and HK$4,855,000.

The acquisition of the Dreyfuss Group provides an opportunity for the Group to expand its portfolio of brands by adding watch brands with a strong heritage and appeal for consumers. The Group intends to promote the Dreyfuss Group's watch brands internationally and leverage its distribution network in Mainland China to benefit from the enormous potential of Mainland China's imported watch market, in particular in the mid-price segment.

(2) Watches and timepieces – non-proprietary brands

Pursuant to the share transfer agreement signed on 23 September 2013, the Group was to sell 51% of equity interest in Ruihuang (Chongquing) Watch Co., Ltd. ("Ruihuang") together with the assignment of the loans from the Group companies, unpaid dividend and distribution network at a total consideration of RMB100,523,000 (equivalent to approximately HK$127,245,000). The transaction was completed during the year and the Group recorded a net gain of HK$15,859,000.

After the disposal of Ruihuang, the Group has six distribution companies to develop a larger market share in the distribution of non-proprietary brands in different provinces and cities. Through these watch distribution companies, which have around 220 self-owned brand image retail shops and distribution outlets, the Group distributes more than 25 international brands in Beijing, Fujian, Guangdong, Henan, Jilin, Liaoning, Shenyang and other provinces and leading cities in Mainland China.

Owing to the relatively slow economic growth and the anti-corruption policy 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 those distribution companies. Collectively, the distribution companies generated revenue and net loss after tax for 2014 of HK$805,527,000 (31 December 2013: HK$971,265,000) and HK$8,672,000 (31 December 2013 net profit after tax: HK$9,194,000) respectively.

The Guaranteed Profit for the year ended 31 December 2014 guaranteed by Beijing Haina Tianshi Watch Co., Ltd. ("Beijing Haina") was RMB30,800,000 but the actual profit after tax for the year was RMB2,901,000. Hence, the shortfall was RMB30,899,000. The PRC partner of Beijing Haina should compensate the Group RMB15,758,000 equvilent to 51% of the shortfall, in accordance to the joint venture agreement.

The Guaranteed Profit for the year ended 31 December 2014 guaranteed by Henan Jinjue Enterprise Co., Ltd. ("Henan Jinjue") was RMB20,200,000 but the actual profit after tax for the year was RMB5,270,000. Hence, the shortfall was RMB14,930,000. The PRC partner of Henan Jinjue should compensate the Group RMB7,614,000, equivalent to 51% of the shortfall, in accordance to the joint venture agreement.

The Group has negotiated on the arrangement of compensation with the PRC partners and shall continue to exercise the right to obtain the compensation from PRC partners. It is expected that these compensations will be received by the end of 2015.

Distribution companies performed below expectation partially due to the currently changing environment for the imported watches, especially high-end brands, in Mainland China. In the medium term, the revenue is expected to continue to increase due to favorable government policies such as ongoing reduction of import duties, continuous economic growth, rapid urbanization and increased disposable incomes. In order to minimise the impact of the appreciation of the Swiss Franc, the distribution companies would adjust the product portfolio and substitute more expensive watches by relatively less expensive watches.

(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 an OEM basis for leading global brands at competitive cost.

Guangzhou Five Goat Watch Company Limited

Guangzhou Five Goat Watch Company Limited ("Five Goat"), a 78%-owned subsidiary of the Group, is engaged in the manufacture and distribution of mechanical movements and watches and owns two watch brands, namely, Guangzhou and Dixmont. Five Goat contributed revenue, of which 97% is from mechanical movements and 3% from watches, and net profit after tax attributable to the owners of the Company of approximately HK$75,286,000 (31 December 2013: HK$83,632,000) and HK$8,268,000 (31 December 2013: HK$8,043,000) respectively in 2014. During the first half of 2014, revenue from mechanical movements was affected to some extent due to a substantial increase in price. In the second half of 2014, the gradual increase in demand by domestic watch brands for e-commerce was evident, which increased the sales of movements. E-commerce made a more significant contribution to the sales of watches accounting for more than 50% of watch revenue.

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 30 professionals well exposed to changing global consumer behavior. Fair future has product portfolio 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 2014 of HK$13,333,000 (31 December 2013: HK$12,134,000), based on the 25% shareholding owned by the Company. Net profit after tax increased in line with the increased revenue and expanded product range. There was no issue of compensation for Fair Future as the guaranteed profit target for the year ended 31 December 2014 had been duly fulfilled.

(4) Investment in Citychamp Dartong

A total of 55,000,000 shares of Citychamp Dartong Company Limited ("Citychamp Dartong") were disposed on 12 June 2014, generating a total net gain of HK$163,542,000. As at 31 December 2014, there were 30,389,058 shares of Citychamp Dartong with a market value of HK$308,122,000 owned by the Group.

(5) Property investment

The factory complex in Dongguan, the property on Yan He South Road, Luohu District, Shenzhen, three shop units on Xianghua Road, Zhuhai, in Guangdong Province of Mainland China, and one apartment in Hong Kong owned by the Group have been leased out, generating stable rental returns for the year under review. During the period, the total rental income of the Group was amounted to HK$17,888,000 (31 December 2013: HK$16,957,000).

FINANCIAL POSITION

(1) Liquidity, financial resources and capital structure

As at 31 December 2014, the Group had non-pledged cash and cash equivalents of approximately HK$878,253,000 (31 December 2013: HK$471,621,000). Based on the borrowings of HK$824,677,000 (31 December 2013: HK$597,790,000), the corporate bonds of HK$764,914,000 (31 December 2013: Nil) and shareholders' equity of HK$3,846,524,000 (31 December 2013: HK$4,315,079,000), the Group's gearing ratio (loans plus corporate bonds divided by Shareholders' equity) was 41% (31 December 2013: 14%).

As at 31 December 2014, the Group's bank loans amounting to HK$349,195,000 (42% of all bank loans) were repayable within one year.

(2) Charge on assets

As at 31 December 2014, banking facilities of the Group were secured by the Group's trade receivables of HK$109,760,000, investment properties in Hong Kong of HK$22,800,000, and land and buildings in Switzerland with net book values of HK$132,104,000 totaling HK$264,664,000 (31 December 2013: HK$373,586,000).

(3) Capital commitments

There were capital commitments with an amount of HK$169,024,000 related to the purchase of property, plant and equipment. Except for the above, the Group had no material capital commitments as at 31 December 2014 (31 December 2013: Nil).

FINANCIAL REVIEW

(1) Gross profit

Gross profit for the year was HK$1,690,642,000, an increase of 14% from HK$1,478,839,000 for the same period last year. Before making adjustments for intra-group transactions, Rossini contributed a gross profit of HK$756,730,000 and a gross margin of 72% while EBOHR contributed a gross profit of HK$561,879,000 and a gross margin of 68%.

(2) Selling and distribution expenses

Total selling and distribution expenses was HK$926,387,000, an increase of 28% from HK$724,581,000 last year. Rossini, EBOHR and Corum incurred selling and distribution expenses of HK$268,750,000, HK$298,151,000 and HK$144,216,000 respectively.

(3) Administrative expenses

Total administrative expenses was HK$698,077,000, an increase of 29% from HK$542,743,000 for the same period last year. Rossini, EBOHR, Corum and Eterna incurred administrative expenses of HK$82,693,000, HK$76,696,000, HK$126,418,000 and HK$88,382,000 respectively.

(4) Financial costs

Total financial costs were HK$65,055,000, an increase of 78% from HK$36,554,000 for the same period last year. This increase was due to the increase in the corporate bonds and other bank borrowings in 2014.

(5) Net profit attributable to owners of the Company

Net profit attributable to owners of the Company was HK$132,005,000, an decrease of 77% from HK$565,434,000 for the same period last year. Before making adjustments for intra-group transactions, Rossini contributed a net profit of HK$341,632,000 while EBOHR contributed a net profit of HK$131,038,000.

(6) Inventory

Inventory was HK$2,065,394,000, an increase of 4% from HK$1,987,473,000 for the same period last year. Before making adjustments for intra-group transactions, Rossini, EBOHR, Eterna and Corum contributed inventory of HK$394,115,000 HK$587,173,000, HK$257,464,000 and HK$314,660,000 respectively.

As the Group has initiated measures to enhance sales efficiency at the distribution outlet level, improve overall inventory management with more rapid information exchange among the distribution outlets, the regional sales office and the headquarters, and put increasingly strong efforts to clear old inventory, it is expected that the level of inventory would gradually move in line with revenue generated in the medium term.

OUTLOOK

While the economy in the US is for a consolidation of its recovery, Europe and Japan still face significant challenges. Emerging markets face equally challenging conditions, arising from a stronger US dollar and the prospects of increasing US interest rates. Mainland China continues to try and strike a balance between growth and reform in its economy. In 2015, the world's major central banks' monetary policies are diverging. On one hand, the US Federal Reserve has ended its Quantitative Easing assets purchase program, and both the US Federal Reserve and the Bank of England are expected to increase interest rates. On the other hand, the European Central bank and the Bank of Japan are expected to implement more aggressive expansionary monetary policies in an effort to counteract deflationary forces and stimulate economic growth. In Mainland China, the most important task for the Central Government is to "make efforts to maintain the stabilized growth of the economy." It is clear that the Central Government is ready to loosen fiscal policy, thus the Required Reserve Ratio will be cut and the credit quota will be expanded to stabilize economic growth in 2015. The economy in Mainland China is expected to post a moderate recovery. Such macro-economic developments should have a favorable impact on the performance of the Group, especially for Rossini and EBOHR.

The impact of the appreciation of the Swiss Franc on the Group is limited as a majority of revenue is generated from our proprietary brands in Mainland China whose cost is mainly RMB-based. The distribution companies, through substitution, would adjust the product mix emphasizing relatively inexpensive imported watches to minimize the effect of the appreciation of the Swiss Franc. Our own Swiss watch companies would focus on the effective and stricter control over the entire value chain, from raw materials and component procurement, product design and development, manufacturing of mechanical movements, assembly, inventory management and distribution to marketing with the objective of achieving cost reductions and the impact of the appreciation of the Swiss Franc.

The Group would keep on identifying and evaluating opportunities and undertaking mergers, acquisitions and alliances deals that are in the best interests of the Company and the shareholders as a whole. Through the existing portfolio of watch companies, the Group has laid a strong foundation for growth in the years to come.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group had approximately 4,800 full-time staff in Hong Kong and Mainland China and more than 250 staff in Europe. The remuneration packages offered to the employees are determined and reviewed on an arm's length basis with reference to the market condition and individual performance. The Group also provides other benefits to its employees, including year-end double pay, medical insurance and retirement benefits, and incentive bonuses are offered with reference to the Group's operating results and employees' individual performances. All employees of the Group in Hong Kong have joined the Mandatory Provident Fund Scheme. Employees of Group's subsidiaries in Mainland China also participate in social insurance schemes administrated and operated by local authorities and contributions are made according to the local laws and regulations.

FINAL DIVIDEND

The Board has resolved not to recommend to distribute a final dividend for the year ended 31 December 2014 (year ended 31 December 2013: Nil).

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has applied the principles and complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2014, except for the deviations from code provisions E.1.2 of the Code as explained in the Company's interim report for the period ended 30 June 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Having made specific enquiry with all the Company's directors, the Company has ascertained that all of its directors have complied with the required standards set out in the Model Code throughout the accounting year covered by this annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the four Independent Non-executive Directors of the Company, being Mr. Fung Tze Wa (Chairman of the Committee), Dr. Kwong Chun Wai, Michael, Mr. Li Qiang and Mr. Zhang Bin (appointed on 26 November 2014). The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial matters including the review of the audited financial statements for the year ended 31 December 2014.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") on 23 August 2005 in compliance with the Listing Rules, terms of reference of which have been adopted by the Board of the Company are consistent with the requirements of the Code. The Remuneration Committee currently comprises the four Independent Non-executive Directors, Mr. Fung Tze Wa (the Chairman of the Committee), Dr. Kwong Chun Wai, Michael, Mr. Li Qiang and Mr. Zhang Bin (appointed on 26 November 2014), the Chairman of the Board, Mr. Hon Kwok Lung and the Chief Executive Officer, Mr. Shang Jianguang.

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") on 26 March 2012 in compliance with the Listing Rules, terms of reference of which have been adopted by the Board of the Company are consistent with the requirements of the Code. The Remuneration Committee currently comprises the four Independent Non-executive Directors, Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael, Mr. Li Qiang and Mr. Zhang Bin (appointed on 26 November 2014), the Chairman of the Board, Mr. Hon Kwok Lung and the Chief Executive Officer, Mr. Shang Jianguang. Mr. Hon Kwok Lung has been appointed as the chairman of the Nomination Committee.

PURCHASE, SALE OR REDEMPTION OF SHARES

On 13 February 2014, the Company entered into a share buy-back agreement with Severin Participations GmbH and the trustee of Severin Wunderman Family Trust for the benefit of Michael Wunderman as the vendors ("Vendors"), pursuant to which the Company conditionally agreed to purchase and Vendors conditionally agreed to sell 340,300,000 shares (the "Buy-back Shares") of the Company (the "Share Buy-back"), representing approximately 7.17% of the issued capital of the Company as at 13 February 2014. The agreed repurchase price is HK$0.75 and the aggregate consideration is HK$255,225,000. The Buy-back Shares are part of the shares issued by the Company to the Vendors for their then equity interests in Montres Corum Sàrl under the acquisition.

The Share Buy-back was completed on 4 April 2014 and the Buy-back Shares were cancelled on 11 April 2014. The number of shares in issue of the Company following the cancellation of the Buy-back Shares was reduced from 4,746,400,206 to 4,406,100,206.

Saved as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company for the year ended 31 December 2014.

SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The annual results announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's websites at www.irasia.com/listco/hk/citychamp and www.citychampwatchjewellery.com in due course.

APPRECIATION

I would like to thank our Board of Directors and the Directors of our subsidiaries and associated companies for their wise counsel and the diligence and care with which they have performed their duties during the past year. I also extend our grateful thanks and appreciation to our business partners, with whom we look forward to further extending our cooperation in the coming year. I would also like to thank our management team and staff for their commitment and outstanding performance. Lastly, on behalf of my entire team, I thank our shareholders and customers for their long-standing loyalty and confidence in the Group.

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

Hong Kong, 30 March 2015

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