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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 256)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

INTERIM RESULTS

The board of directors (the "Board") of Citychamp Watch & Jewellery Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2016 together with comparative figures for the corresponding period in 2015.

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	*4*	**1,408,717**	1,715,716
Cost of sales		**(605,076)**	(743,326)
Gross profit		**803,641**	972,390
Other income	*5*	**53,367**	98,872
Selling and distribution expenses		**(370,647)**	(418,748)
Administrative expenses		**(323,145)**	(355,050)
Gain on fair value changes in equity investments held for trading, net		**65,767**	12,033
Gain on fair value changes in derivative financial instruments		**7,260**	16,696
Loss on fair value changes in the conversion option of the convertible bond investment		**(1,676)**	–
(Loss)/Gain on disposal of a subsidiary		**(28,699)**	9,517
Share of profit of associates		**7,670**	5,103
Finance costs	*6*	**(34,370)**	(36,709)
Profit before income tax	*7*	**179,168**	304,104
Income tax expense	*8*	**(43,941)**	(77,556)
Profit for the period		**135,227**	226,548
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
– Exchange loss on translation of financial statements of foreign operations		**(77,496)**	(43,886)
– Release of exchange fluctuation reserve to profit or loss on disposal of subsidiaries		**4,701**	256
– Changes in fair value of available-for-sale financial assets	*11.1*	**(61,269)**	74,284
Other comprehensive income for the period		**(134,064)**	30,654
Total comprehensive income for the period		**1,163**	257,202

	Note	Six months ended 30 June 2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Profit for the period attributable to:			
Owners of the Company		**124,294**	209,169
Non-controlling interests		**10,933**	17,379
		135,227	226,548
Total comprehensive income for the period attributable to:			
Owners of the Company		**(384)**	241,277
Non-controlling interests		**1,547**	15,925
		1,163	257,202
Earnings per share attributable to owners of the Company during the period	*10*		
– Basic		**HK 2.83 cents**	HK 4.74 cents
– Diluted		**HK 2.83 cents**	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)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**756,444**	730,799
Investment properties		**111,676**	111,676
Prepaid land lease payments		**43,451**	45,242
Goodwill		**741,636**	741,636
Interests in associates		**73,498**	65,828
Available-for-sale financial assets	*11*	**262,163**	317,250
Convertible bond investment		**7,122**	8,327
Intangible assets		**144,826**	172,270
Prepayments and deposits		**21,637**	21,887
Deferred tax assets		**11,182**	7,641
		2,173,635	2,222,556
Current assets			
Inventories	*12*	**1,957,068**	2,042,892
Trade receivables	*13*	**609,871**	693,868
Prepaid land lease payments		**944**	966
Prepayments, deposits and other receivables		**653,714**	522,128
Tax recoverable		**8,789**	9,248
Equity investments held for trading		**542,925**	367,471
Short-term investments		**47,953**	143,362
Cash and cash equivalents		**531,748**	836,065
		4,353,012	4,616,000

	Notes	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
Current liabilities			
Trade payables	*14*	**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	*15*	**796,389**	766,654
Derivative financial liabilities		**–**	7,260
Due to related companies		**–**	181
		1,673,978	1,635,840
Net current assets		**2,679,034**	2,980,160
Total assets less current liabilities		**4,852,669**	5,202,716
Non-current liabilities			
Other payables		**45,520**	60,031
Borrowings	*15*	**86,646**	171,878
Corporate bonds		**719,676**	708,834
Deferred tax liabilities		**27,241**	27,486
		879,083	968,229
Net assets		**3,973,586**	4,234,487
EQUITY			
Equity attributable to owners of the Company			
Share capital		**434,616**	440,938
Reserves		**3,425,065**	3,602,315
		3,859,681	4,043,253
Non-controlling interests		**113,905**	191,234
Total equity		**3,973,586**	4,234,487

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2016

1. BASIS OF PREPARATION

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

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

The Unaudited Interim Financial Information for the six months ended 30 June 2016 was approved for issue by the board of directors on 30 August 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. SEGMENT INFORMATION

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

(a) manufacture and distribution of watches and timepieces;

(b) property investment; and

(c) distribution of yacht.

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

	Six months ended 30 June 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	**1,398,311**	**10,406**	**–**	**1,408,717**
Other income	**31,080**	**104**	**–**	**31,184**
Total	**1,429,391**	**10,510**	**–**	**1,439,901**
Segment results	**160,432**	**6,513**	**(390)**	**166,555**
Unallocated corporate income and expenses, net				**(26,454)**
Share of profit of associates				**7,670**
Gain on fair value changes in equity investments held for trading, net				**65,767**
Finance costs				**(34,370)**
Profit before income tax				**179,168**
Income tax expense				**(43,941)**
Profit for the period				**135,227**

3. 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
Total	1,753,586	9,930	–	1,763,516
Segment results	307,145	6,193	(602)	312,736
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)
Profit before income tax				304,104
Income tax expense				(77,556)
Profit for the period				226,548

4. REVENUE

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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sale of goods	**1,398,311**	1,705,878
Rental income	**10,406**	9,838
	1,408,717	1,715,716

5. OTHER INCOME

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

6. FINANCE COSTS

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

7. 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	**41,871**	44,757
Amortisation of prepaid land lease payments	**262**	362
Amortisation of intangible assets	**5,055**	7,195

8. INCOME TAX EXPENSE

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

9. DIVIDENDS

9.1 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).

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

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

* 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.

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	**124,294**	209,169

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

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2016 *HK$'000* **(Unaudited)**	31 December 2015 *HK$'000* (Audited)
Listed equity investment in the PRC, at fair value *(note 11.1)*	**255,904**	317,173
Unlisted equity investments, at cost *(note 11.2)*	**6,259**	77
	262,163	317,250

11.1 As at 30 June 2016, the listed equity investment in the PRC represented 2.05% (31 December 2015: 2.05%) 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.

11.2 In previous years, the Group owned 51% equity interests in Henan Jinjue Enterprise Company Limited ("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 interests 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.

12. INVENTORIES

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

13. 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:

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

14. TRADE PAYABLES

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

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

15. BORROWINGS

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

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").

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.

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	**30 June 2016**
No. of distribution Outlets	2,504	2,948	**3,283**

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.

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	**30 June 2016**
No. of distribution Outlets	2,204	2,803	**3,153**

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.

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.

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.

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.

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.

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, Sir 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.

(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 the 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.

(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, these investment 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.

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.

		Duration	
Currency	**Nature of interest rate**	**Within 1 year**	**More than 1 year**
		HKD'000	*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.

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.

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.

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).

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.

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.

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**	**Total paid**
			HK$	*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.

PUBLICATION OF 2016 INTERIM RESULTS AND 2016 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The 2016 interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.irasia.com/listco/hk/citychamp and www.citychampwj.com), and the 2016 Interim Report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

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

Hong Kong, 30 August 2016

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