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 2017

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 2017 together with comparative figures for the corresponding period in 2016.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2017

	Notes	Six months ended 30 June 2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited) (Re-presented)
Interest income from banking business		**56,948**	–
Interest expenses from banking business		**(21,594)**	–
Net interest income from banking business	*5a*	**35,354**	–
Service fees and commission income from banking business		**145,034**	–
Service fees and commission expenses from banking business		**(43,249)**	–
Net service fees and commission income from banking business	*5b*	**101,785**	–
Trading income from banking business	*5c*	**24,600**	–
Net service fees and commission income from financial business	*5d*	**6,207**	–
Net interest income from financial business	*5d*	**47**	–
Sales of goods from non-banking and financial businesses	*5e*	**1,263,191**	1,398,311
Rental income from non-banking and financial businesses	*5e*	**9,951**	10,406
Total revenue		**1,441,135**	1,408,717
Cost of sales from non-banking and financial businesses		**(570,431)**	(605,076)
Other ordinary income and other net gains or losses	*6*	**3,637**	96,019
Selling and distribution expenses		**(365,045)**	(370,647)
Administrative expenses		**(388,990)**	(323,145)
Share of profit of associates		**8,400**	7,670
Finance costs	*7*	**(33,991)**	(34,370)
Profit before income tax	*8*	**94,715**	179,168
Income tax expense	*9*	**(50,452)**	(43,941)
Profit for the period		**44,263**	135,227

	Notes	Six months ended 30 June 2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited) (Re-presented)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
– Exchange differences on translation to presentation currency		**57,887**	(77,496)
– Release of exchange reserve to profit or loss upon on disposal of subsidiaries		**–**	4,701
– Changes in fair value of available-for-sale financial assets	*15*	**(2,516)**	(61,269)
Other comprehensive income for the period		**55,371**	(134,064)
Total comprehensive income for the period		**99,634**	1,163
Profit for the period attributable to:			
Owners of the Company		**27,615**	124,294
Non-controlling interests		**16,648**	10,933
		44,263	135,227
Total comprehensive income for the period attributable to:			
Owners of the Company		**68,666**	(384)
Non-controlling interests		**30,968**	1,547
		99,634	1,163
Earnings per share attributable to owners of the Company for the period	*11*		
– Basic		**HK 0.63 cent**	HK 2.83 cents
– Diluted		**HK 0.63 cent**	HK 2.83 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	**30 June 2017 HK$'000 (Unaudited)**	31 December 2016 HK$'000 (Audited)
Assets			
Cash and deposits		**5,446,870**	5,066,901
Due from clients		**760,747**	627,809
Due from banks		**6,627,867**	5,295,369
Trading portfolio investments		**152,892**	197,089
Income tax recoverable		**9,023**	9,693
Derivative financial assets		**8,573**	2,338
Trade receivables	*12*	**528,233**	461,585
Inventories	*13*	**2,062,680**	1,996,187
Assets of a disposal group classified as held for sale	*14*	**254,438**	–
Available-for-sale financial assets	*15*	**347,338**	351,352
Held-to-maturity investments		**553,415**	338,709
Short-term investments		**60,697**	112,969
Interests in associates		**97,241**	88,841
Property, plant and equipment		**962,373**	948,022
Investment properties		**107,779**	107,779
Prepaid land lease payments		**49,828**	59,042
Intangible assets		**127,329**	124,904
Goodwill		**902,767**	862,834
Deferred tax assets		**6,325**	10,741
Other assets		**637,228**	593,656
Total assets		**19,703,643**	17,255,820

	Notes	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Liabilities			
Due to banks		**4,242**	3,007
Due to clients		**12,071,958**	10,393,047
Derivative financial liabilities		**12,422**	2,050
Trade payables	*16*	**379,894**	349,837
Corporate bonds		**743,873**	692,127
Income tax payables		**90,878**	87,654
Borrowings	*17*	**1,027,494**	1,190,340
Provisions		**571**	532
Subordinated debt		**89,442**	83,345
Liabilities of a disposal group classified as held of sale	*14*	**2,716**	–
Deferred tax liabilities		**32,965**	33,196
Other liabilities		**796,085**	567,995
Total liabilities		**15,252,540**	13,403,130
EQUITY			
Equity attributable to owners of the Company			
Share capital		**435,032**	434,682
Reserves		**3,602,399**	3,198,199
		4,037,431	3,632,881
Non-controlling interests		**413,672**	219,809
Total equity		**4,451,103**	3,852,690
Total liabilities and equity		**19,703,643**	17,255,820

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2017

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 2017 was approved for issue by the board of directors on 30 August 2017.

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 2016 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 2016 Annual Financial Statements.

3. PRESENTATION OF THE UNAUDITED INTERIM FINANCIAL INFORMATION

During the year ended 31 December 2016, the Group has acquired 83.22% equity interest in Bendura Bank AG, which principally engaged in banking business. To align with the presentation of the financial information of the banking business, certain reclassifications are made to the comparative figures as presented in the unaudited interim Financial Information of the Group for the six months ended 30 June 2016 to conform to current period's presentation. These reclassifications have no effect on the consolidated financial performance for the period then ended.

3. PRESENTATION OF THE UNAUDITED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2016

Condensed consolidated statement of comprehensive income of the Group for the period ended 30 June 2016 as extracted from the Group's 2016 interim report		**Reclassifications**		**Re-presented condensed consolidated statement of comprehensive income of the Group for the period ended 30 June 2016**
	HK$'000	HK$'000	HK$'000	
Revenue	1,408,717	(10,406)	1,398,311	Sales of goods from non-banking and financial businesses
		10,406	10,406	Rental income from non-banking and financial businesses
			1,408,717	**Total revenue**
Cost of sales	(605,076)	–	(605,076)	Cost of sales from non-banking and financial businesses
Gross profit	**803,641**			
Other income	53,367	42,652	96,019	Other ordinary income and other net gains or losses
Selling and distribution expenses	(370,647)	–	(370,647)	Selling and distribution expenses
Administrative expenses	(323,145)	–	(323,145)	Administrative expenses
Gain on fair value changes in equity investments held for trading, net	65,767	(65,767)	–	
Gain on fair value changes in derivative financial instruments	7,260	(7,260)	–	
Loss on fair value changes in the conversion option of the convertible bond investment	(1,676)	1,676	–	
Loss on disposal of a subsidiary	(28,699)	28,699	–	
Share of profit of associates	7,670	–	7,670	Share of profit of associates
Finance costs	(34,370)	–	(34,370)	Finance costs
Profit before income tax	**179,168**		**179,168**	**Profit before income tax**
Income tax expense	(43,941)	–	(43,941)	Income tax expense
Profit for the period	**135,227**		**135,227**	**Profit for the period**

3. PRESENTATION OF THE UNUADITED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

Condensed consolidated statement of comprehensive income of the Group for the period ended 30 June 2016 as extracted from the Group's 2016 interim report		**Reclassifications**		**Re-presented condensed consolidated statement of comprehensive income of the Group for the period ended 30 June 2016**
	HK$'000	HK$'000	HK$'000	
Other comprehensive income				**Other comprehensive income**
Items that may be subsequently reclassified to profit or loss				Items that may be subsequently reclassified to profit or loss
– Exchange loss on transaction of financial statements of foreign operations	(77,496)	–	(77,496)	– Exchange different on transaction to presentation currency
– Release of exchange fluctuation reserve to profit or loss on disposal of subsidiaries	4,701	–	4,701	– Release of exchange reserve to profit or loss upon disposal of subsidiaries
– Changes in fair value of available-for-sale financial assets	(61,269)	–	(61,269)	– Changes in fair value of available-for-sale financial assets
Other comprehensive income for the period	**(134,064)**		**(134,064)**	**Other comprehensive income for the period**
Total comprehensive income for the period	**1,163**		**1,163**	**Total comprehensive income for the period**

3. PRESENTATION OF THE UNUADITED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

Condensed consolidated statement of comprehensive income of the Group for the period ended 30 June 2016 as extracted from the Group's 2016 interim report		Reclassifications		Re-presented condensed consolidated statement of comprehensive income of the Group for the period ended 30 June 2016
	HK$'000	HK$'000	HK$'000	
Profit for the period attributable to:				**Profit for the period attributable to:**
Owners of the Company	124,294	–	124,294	Owners of the Company
Non-controlling interests	10,933	–	10,933	Non-controlling interests
	135,227		**135,227**	
Total comprehensive income for the period attributable to:				**Total comprehensive income for the period attributable to:**
Owners of the Company	(384)	–	(384)	Owners of the Company
Non-controlling interests	1,547	–	1,547	Non-controlling interests
	1,163		**1,163**	

4. SEGMENT INFORMATION

For the six months ended 30 June 2017, the Group has reorganised its internal reporting structure by simplifying the segmental classification based on revenue contribution from its product and service lines so as to enhance operational efficiency. Accordingly, the comparative segment information has been re-presented to conform to current period's presentation.

The chief operating decision-maker is identified as executive directors. The executive directors have re-organised 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) banking and financial businesses.

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

4. SEGMENT INFORMATION *(CONTINUED)*

	Six months ended 30 June 2017			
	Watches and timepieces HK$'000 (Unaudited)	Property investments HK$'000 (Unaudited)	Banking and financial businesses HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Segment revenue:				
Net interest income from banking business	–	–	35,354	35,354
Net service fees and commission income from banking business	–	–	101,785	101,785
Trading income from banking business	–	–	24,600	24,600
Net service fees and commission income from financial business	–	–	6,207	6,207
Net interest income from financial business	–	–	47	47
Sales of goods from non-banking and financial businesses	1,263,191	–	–	1,263,191
Rental income from non-banking and financial businesses	–	9,951	–	9,951
Total revenue	1,263,191	9,951	167,993	1,441,135
Segment results	146,496	17,483	54,858	218,837
Unallocated corporate income and expenses, net				(98,531)
Share of profit of associates				8,400
Finance costs				(33,991)
Profit before income tax				94,715
Income tax expense				(50,452)
Profit for the period				44,263

4. SEGMENT INFORMATION *(CONTINUED)*

	Six months ended 30 June 2016		
	Watches and timepieces HK$'000 (Unaudited) (Re-presented)	Property investments HK$'000 (Unaudited) (Re-presented)	Total HK$'000 (Unaudited) (Re-presented)
Segment revenue:			
Sales of goods from non-banking and financial businesses	1,398,311	–	1,398,311
Rental income from non-banking and financial businesses	–	10,406	10,406
Total revenue	1,398,311	10,406	1,408,717
Segment results	160,432	6,513	166,945
Unallocated corporate income and expenses, net			38,923
Share of profit of associates			7,670
Finance costs			(34,370)
Profit before income tax			179,168
Income tax expense			(43,941)
Profit for the period			135,227

5. REVENUE

The Group is principally engaging in manufacture and distribution of watches and timepieces, property investments and banking and financial businesses.

For banking and financial businesses, revenue mainly comprises net interest income, net service fees and commission income and trading income. For non-banking and financial businesses, revenue mainly represents the net invoiced value of goods sold, after allowance for returns and trade discounts and rental income received and receivables.

5. REVENUE (*CONTINUED*)

Revenue recognised during the period is as follows:

(a) Net interest income from banking business

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest income from banking business arising from:		
Interest income – due from banks	**31,542**	–
Interest income – due from clients	**21,162**	–
Interest income from trading portfolio investments	**94**	–
Interest income from mortgage loans	**1,770**	–
Interest income from available-for-sale financial assets	**668**	–
Interest income from held-to-maturity investments	**2,219**	–
Interest income from money market papers	**5**	–
Negative interest expense on due to clients	**(512)**	–
	56,948	–
Interest expenses from banking business arising from:		
Interest expense on due to banks	**(9,152)**	–
Interest expense on due to clients	**(842)**	–
Interest expense for issued debt instruments	**(1,683)**	–
Negative interest income on due from banks and clients	**(9,917)**	–
	(21,594)	–
Net interest income from banking business	**35,354**	–

5. REVENUE (*CONTINUED*)

(b) Net service fees and commission income from banking business

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Service fees and commission income from banking business arising from:		
Commission income from loans	**1,221**	–
Brokerage fees	**21,633**	–
Custody account fees	**12,973**	–
Commission on investment advice and asset management	**42,346**	–
Commission income from service fees	**37,851**	–
Commission income from fiduciary fees	**383**	–
Commission income from retrocession	**1,995**	–
Other commission income	**26,632**	–
	145,034	–
Service fees and commission expenses from banking business	**(43,249)**	–
Net service fees and commission income from banking business	**101,785**	–

5. REVENUE *(CONTINUED)*

(c) Trading income from banking business

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Debt instruments	**269**	–
Securities	**113**	–
Forex and precious metals	**24,103**	–
Funds	**115**	–
Trading income from banking business	**24,600**	–

(d) Revenue from financial business

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net service fees and commission income from financial business	**6,207**	–
Net interest income from financial business	**47**	–
Revenue from financial business	**6,254**	–

5. REVENUE *(CONTINUED)*

(e) Revenue from non-banking and financial businesses

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Sale of goods	**1,263,191**	1,398,311
Rental income	**9,951**	10,406
Revenue from non-banking and financial businesses	**1,273,142**	1,408,717

6. OTHER ORDINARY INCOME AND OTHER NET GAINS OR LOSSES

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
(Loss)/Gain on fair value changes in trading portfolio investments	**(44,056)**	65,767
Gain on fair value changes in derivative financial instruments, net	**3,522**	5,584
Loss on disposal of subsidiaries	**–**	(28,699)
Bank and other interest income from non-banking business	**1,133**	7,457
Dividend income from available-for-sale financial assets	**3,436**	3,558
Gain on disposal of property, plant and equipment	**12,816**	–
Exchange gains	**–**	13,740
Government subsidies	**20,591**	16,735
Sundry income	**6,195**	11,877
	3,637	96,019

7. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interests charged on corporate bonds	**14,248**	14,496
Interests charged on bank borrowings and bank overdrafts	**19,743**	19,874
	33,991	34,370

8. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Depreciation	**46,904**	41,871
Amortisation of prepaid land lease payments	**475**	262
Amortisation of intangible assets	**1,725**	5,055

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax for the period		
The People's Republic of China (the "PRC")	**47,953**	48,049
Liechtenstein	**6,455**	–
Switzerland	**241**	464
Over-provision in respect of prior periods		
PRC	**7**	–
Deferred tax for the period	**(4,204)**	(4,572)
Total income tax expense	**50,452**	43,941

For both the six months ended 30 June 2017 and 2016, 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 2016: 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.

10. DIVIDENDS

10.1 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 2017 (Six months ended 30 June 2016: Nil).

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

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
2016 final dividend of Nil (2015 final dividend: HK 2.5 cents per share)	**–**	108,654

10.3 Special dividend approved during the period were as follows:

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Special dividend of HK5 cents per share (2016: Nil)	**217,516***	–

* The dividend payable for special dividend as at 30 June 2017 was HK$217,516,000. During the six months ended 30 June 2017, 3,500,000 ordinary shares were issued due to exercise of share options. The aforementioned issuance of ordinary shares were completed before the closure of members' register on 5 June 2017. As such, ordinary shares newly issued during the six months ended 30 June 2017 were entitled to the special dividend.

11. 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	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	**27,615**	124,294

	Number of shares	
	Six months ended 30 June	
	2017	2016
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**4,350,313**	4,388,217
Effect of dilutive potential ordinary shares: – share options issued by the Company	**5,722**	9,470
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**4,356,035**	4,397,687

12. TRADE RECEIVABLES

The Group's trading terms with its customers from non-banking and financial businesses 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 2016: 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 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
1 to 3 months	**407,247**	364,628
4 to 6 months	**40,581**	39,784
Over 6 months	**80,405**	57,173
	528,233	461,585

13. INVENTORIES

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Raw materials	**318,526**	253,366
Work-in-progress	**389,669**	417,192
Finished goods and merchandise	**1,354,485**	1,325,629
	2,062,680	1,996,187

14. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

For the six months ended 30 June 2017, the Group committed to dispose of its 100% equity interest in Seti Timber Industry (Shenzhen) Co., Ltd. ("Seti Timber") and completed the first phase of the equity transfer of 45.2% equity interest in Seti Timber. In accordance with HKFRS 5, the Group has reclassified the assets and liabilities of Seti Timber as at 30 June 2017 as assets and liabilities of a disposal group classified as held for sale in the Group's condensed consolidated statement of financial position.

An analysis of the assets and liabilities of the Disposal Group classified as held for sale as at the 30 June 2017 is as follows:

	30 June 2017 HK$'000 (Unaudited)
Assets of a disposal group classified as held for sale:	
Property, plant and equipment	**6,765**
Prepaid land lease payments	**11,476**
Other assets	**65,051**
Cash and deposits	**171,146**
	254,438
Liabilities of a disposal group classified as held for sale:	
Other liabilities	**2,716**
	2,716

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Listed equity investment, at fair value *(note a)*	**240,439**	243,058
Listed debt instruments, at fair value *(note b)*	**95,263**	96,840
Unlisted investment, at fair value		
– Insurance policy	**5,579**	5,579
Unlisted equity investments, at cost		
– Others	**6,057**	5,875
Total	**347,338**	351,352

Notes:

(a) As at 30 June 2017, the listed equity investment in the PRC represented 2.04% (31 December 2016: 2.04%) equity interest in Citychamp Dartong Company Limited ("Citychamp Dartong Shares"). As at 30 June 2017, the Group held 30,389,058 Citychamp Dartong Shares (31 December 2016: 30,389,058 Citychamp Dartong Shares). A dividend income totalling HK$3,436,000 (Six months ended 30 June 2016: HK$3,558,000) was recognised by the Group in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2017.

During the period, the decrease in fair value of available-for-sale financial assets of HK$2,619,000 (Six months ended 30 June 2016: HK$61,269,000) has been dealt with in other comprehensive income and investment revaluation reserve.

(b) The listed debt instruments represented the investment in listed debt instruments mainly issued by financial institutions and corporations in Europe.

The fair value of the debt instruments held as available-for-sale financial assets has been determined directly with reference to published price quotation in active market. During the period, the increase in fair value of the debt instruments of HK$103,000 (Six months ended 30 June 2016: Nil) has been dealt with in other comprehensive income and the investment revaluation reserve.

16. TRADE PAYABLES

Ageing analysis of trade payables from non-banking and financial businesses as at the reporting dates, based on invoice dates, is as follows:

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
1 to 3 months	**222,492**	268,591
4 to 6 months	**73,486**	21,771
Over 6 months	**83,916**	59,475
	379,894	349,837

17. BORROWINGS

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Bank overdrafts	**126,279**	117,713
Bank borrowings	**901,215**	1,072,627
Carrying amount as the end of period/year	**1,027,494**	1,190,340

As at 30 June 2017, the amount of the Group's borrowing repayable within one year or on demand is HK$1,010,864,000 (31 December 2016: HK$1,174,367,000). The remaining borrowings are repayable over one year.

18. ACQUISITION OF SUBSIDIARIES

(a) Acquisition on Shun Heng Securities Limited ("Shun Heng")

In February 2017, the Group acquired the entire interest of Shun Heng, a company licensed to conduct Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (the "SFO"). Following the acquisition, the Group obtained the control over the Shun Heng through the Company's right to nominate all the members of Shun Heng's board of directors, and Shun Hung became a subsidiary of the Company. The acquisition provides an opportunity for the Group to participate in the securities trading industry in Hong Kong and allow the Group to broaden the revenue and income stream.

Details of the net assets acquired as at the acquisition date are as follows:

	HK$'000 (Unaudited)
Cash consideration	24,800
Less: Fair value of net assets acquired	(23,999)
Goodwill	801

The goodwill of HK$801,000, which is not deductible for tax purposes, comprises the acquired workforce and the expected future growth of the financial business to diversify the revenue stream of the existing business of the Group.

18. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition on Shun Heng Securities Limited ("Shun Heng") *(Continued)*

The fair values of the identifiable assets and liabilities arising from the acquisition of Shun Heng as at the date of acquisition are as follows:

	Fair value HK$'000 (Unaudited)
Intangible asset	2,850
Cash and deposits	88,924
Property, plant and equipment	108
Other assets	17,036
Deferred tax liabilities	(256)
Other liabilities	(84,663)
Fair value of net assets acquired	23,999

Shun Heng contributed revenue of approximately HK$6,254,000 and net profit of approximately HK$4,903,000 to the Group from the date of acquisition to 30 June 2017.

Had the business combination taken place on 1 January 2017, revenue and net profit of the Group for the six months ended 30 June 2017 would have been increased by approximately HK$6,316,000 and HK$4,664,000 respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition of the Shun Heng been completed on 1 January 2017 nor are they intended to be a projection of future results.

18. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

(b) Acquisition on Hong Kong Metasequoia Capital Management Limited ("Metasequoia Capital")

In February 2017, the Group acquired the entire interest of Metasequoia Capital, a licensed company to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. Following the acquisition, the Group obtained the control over the Metasequoia Capital through the Company's right to nominate all the members of Metasequoia Capital's board of directors, and Metasequoia Capital became a subsidiary of the Company.

Details of the net assets acquired as at the acquisition date are as follows:

	HK$'000 (Unaudited)
Cash consideration	6,000
Less: Fair value of net assets acquired	(3,721)
Goodwill	2,279

The goodwill of HK$2,279,000, which is not deductible for tax purposes, comprises the acquired workforce and the expected future growth of the financial business to diversify the revenue stream of the existing business of the Group.

18. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition on Hong Kong Metasequoia Capital Management Limited ("Metasequoia Capital") *(Continued)*

The fair values of the identifiable assets and liabilities arising from the acquisition of Metasequoia Capital as at the date of acquisition are as follows:

	Fair value HK$'000 (Unaudited)
Intangible asset	4,396
Cash and deposits	171
Other assets	21
Deferred tax liabilities	(725)
Other liabilities	(142)
Fair value of net assets acquired	3,721

No revenue has been generated by Metasequoia Capital from 1 January 2017 to 30 June 2017. Metasequoia Capital contributed net loss of approximately HK$508,000 to the Group from the date of acquisition to 30 June 2017.

Had the business combination taken place on 1 January 2017, net profit of the Group for the six months ended 30 June 2017 would have been decreased by approximately HK$600,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition of the Metasequoia Capital been completed on 1 January 2017 nor are they intended to be a projection of future results.

19. PARTIAL DISPOSAL OF SUBSIDIARIES WITHOUT LOSS OF CONTROL

The Group has completed the disposal first phase of the equity transfer 45.2% of equity interest in Seti Timber at the consideration of RMB632,800,000 (approximately HK$728,821,000) during the period. The effect of change in ownership interest of Seti Timber is summarised as follows:

	30 June 2017 HK$'000 (Unaudited)
Cash consideration from non-controlling interests	**728,821**
Less: carrying amount of non-controlling interests disposed of	**(176,558)**
Effect on partial disposal recognised in other reserve within equity	**552,263**

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

For the six months ended 30 June 2017, the Group recorded revenue of approximately HK$1,441,135,000 (Six months ended 30 June 2016: HK$1,408,717,000), a slight increase of HK$32,418,000 or 2% over the corresponding period last year.

Gross profit from non-banking and financial businesses for the period was approximately HK$702,711,000 (Six months ended 30 June 2016: HK$803,641,000), a decrease of HK$100,930,000 or 13% over the corresponding period last year.

The EBITDA for the period was approximately HK$177,810,000 (Six months ended 30 June 2016: HK$260,726,000), a decrease of HK$82,916,000 or 32% over the corresponding period last year.

Operating expenses (including selling and distribution expenses and administrative expenses) for the period was approximately HK$754,035,000 (Six months ended 30 June 2016: HK$693,792,000), an increase of HK$60,243,000 or 9% over the corresponding period last year.

Net profit after tax for the period was approximately HK$44,263,000 (Six months ended 30 June 2016: HK$135,227,000) a decrease of HK$90,964,000 or 67% over the corresponding period last year. The decrease in net profit was mainly attributable to (i) a net loss on fair value changes in trading portfolio investments of the Group of approximately HK$44,056,000 for the six months ended 30 June 2017 as compared to a net gain of approximately HK$65,767,000 for the corresponding period last year; and (ii) the less favorable operating environment in the watch market, especially the market in which European brands operate, and the continuously weak retail industry during the first half of 2017. Having set apart the financial impact of the gain of HK$65,767,000 and the loss of HK$44,056,000 on fair value changes in trading portfolio investments for the six months ended 30 June 2016 and 2017, the Group should record net profit after tax of HK$69,460,000 and HK$88,319,000 for the six months ended 30 June 2016 and 2017, respectively, representing an increase of HK$18,859,000 or 27% over the corresponding period for the last year.

STRATEGIC UPDATE

Notwithstanding the difficult environment, we have made good progress towards our strategic goals.

Continuous development of the local proprietary brands

Despite challenging market conditions for the local proprietary brands, the Group continued to invest in products and business structure so as to strengthen the ability to act quickly on new business opportunities and to further leverage the advantages of our leading marketing position and trusted brand.

Continuous development of the foreign proprietary brands

The current trend in the global economy has brought stability to the operating environment. Backed by our competitive strengths and deep understanding of the needs of our customers, we will redeploy our resources to realize gains in efficiency and synergy and will build on the good progress we have made to provide long-term value.

Further development of banking and financial businesses

The Group has embarked on the banking and financial businesses by the acquisition of Bendura Bank AG ("Bendura Bank" or the "Bank"), Shun Heng Securities Limited ("Shun Heng"), and Hong Kong Metasequoia Capital Management Limited ("Metasequoia Capital").

Building on the resilience and growth, Bendura Bank continued to expand the workforce to meet with the demand for providing private banking services and fund management services. In the private banking services, four executives have been added to the Mandarin speaking team so as to cater for the needs of Mandarin speaking clients seeking international private banking services. In the fund management services, another fund management company has been set up to cater for the new business originating from the new clients. Bendura Bank strengthened the management board by adding three more members, precisely, head of risk management, head of accounting and finance and head of business development, to the management board.

The acquisition of Shun Heng was completed in February 2017. Shun Heng has moved into new premises and improved business infrastructure with an aim to grow the business significantly.

The acquisition of Metasequoia Capital was also completed in February 2017. Matasequoia Capital was in the process of establishing a series of funds investing in marketable securities and bonds in Mainland China, Hong Kong and the US.

Disposal of non-core assets

On 23 March 2017, Bright Merit Investments Limited ("Bright Merit"), Pacific Timber Holding Limited ("Pacific Timber") and EB Investments Holdings Limited ("EB Investments"), all being the wholly-owned subsidiaries of the Company, entered into an equity transfer agreement with Shenzhen Kangtian Urban Development Investment Co., Ltd. ("Shenzhen Kangtian"). Pursuant to the agreement, Bright Merit and Pacific Timber agreed to dispose to Shenzhen Kangtian 18.27% and 26.93% equity interests they respectively held in Seti Timber Industry (Shenzhen) Co., Ltd., ("Seti Timber") (the "First Phase of the Equity Transfer"), and EB Investments agreed to dispose to Shenzhen Kangtian 54.80% equity interests it held in Seti Timber (the "Second Phase of the Equity Transfer") (collectively, the "Disposal"). The aggregate consideration for the Disposal amounted to RMB1,400,000,000 (equivalent to approximately HK$1,568,000,000). As at the date of this announcement, the First Phase of the Equity Transfer has been completed and the Company has received RMB632,800,000 (equivalent to approximately HK$728,821,000), representing 45.20% of the aggregate consideration. As of the date of this announcement, as the controlling interest of Seti Timber is still held by the Group, the gain generated by the Group from the First Phase of the Equity Transfer was recognized as reserve opposed to income for the six months ended 30 June 2017. The Company expects that the Second Phase of the Equity Transfer will be completed and the remaining consideration of RMB767,200,000 (equivalent to approximately HK$839,179,000) will be received during the second half of 2017. The Company is expected to record a total gain of approximately HK$1 billion and to receive net proceeds of approximately HK$1.4 billion from the Disposal.

These initiatives are an important part of our strategy to expand our watch, banking and financial businesses.

We present our discussion and analysis by the following segments.

I. Watches and timepieces
   I.A – local proprietary brands
   I.B – foreign proprietary brands
   I.C – non-proprietary brands
   I.D – production and others

II. Banking and financial businesses

III. Various investments

BUSINESS REVIEW

I.A. Watches and timepieces – local proprietary brands

Rossini Group

For the six months ended 30 June 2017, Zhuhai Rossini Watch Industry Limited (together with its subsidiaries, the "Rossini Group"), a 91% subsidiary of the Group, recorded revenue of HK$497,715,000 (approximately RMB440,199,000), a decrease of HK$9,085,000 or 2% (an increase of approximately RMB14,487,000 or 3% in RMB), from HK$506,800,000 (approximately RMB425,712,000) for the same period last year. Net profit after tax attributable to owners of the Company for the period under review was HK$151,136,000 (approximately RMB133,671,000), representing an increase of HK$14,908,000 or 11% (an increase of approximately RMB19,240,000 or 17% in RMB), from HK$136,228,000 (approximately RMB114,431,000) for the same period last year.

	30 June 2015	30 June 2016	**30 June 2017**
No. of distribution outlets	2,948	3,283	**3,763**

Rossini upholds the principle of scientific innovation and management innovation, and strives to build unique competitive advantages for itself. The grand opening of the second phase of Rossini watch cultural and industrial park, a facilities of 24,000 sqm erected on an industrial site of 25,000 sqm, became a highlight in the first half of 2017 and a milestone for the sustainable development of Rossini. Being the second phase of Rossini's facilities, it accommodates a National Certified Enterprise Technology Centre, a National Certified Laboratory, a post-doctoral scientific research station, Guangdong engineering center, global e-commerce centre, R&D center for mechanical movements and smart watches, and a design center which is under application process for national certification. It enables Rossini to move into higher value-added product segments, strengthen its competitive advantages and consequently consolidate its leading position in the domestic watch industry.

In May 2017, Rossini formed a joint venture company named Sino Swiss Clock & Watch Technology Limited with a partner who is specialized and experienced in after-sales services. Rossini owns 70% of the joint venture. Upon putting in place professional service team with top technical expertise and high-edge machine and equipment, Rossini is not only able to provide more efficient and excellent after-sales services in maintaining and repairing movements, offer repair and maintenance services for high-end watches, but also establish an occupational training platform for watch craftsmen and technicians.

Rossini's e-commerce sales recorded approximately HK$131,307,000 in the first half of 2017 from HK$97,191,000 for the corresponding period last year, representing an increase of HK$34,116,000 or 35.1%. The respective portion of Rossini's total revenue reached high to 26% from 22%. Following the establishment of its global e-commerce centre and the expansion of e-commerce sales team, Rossini is well positioned to capture the rapidly growth of e-commerce opportunities and expects stable growth in revenue and profits from e-commerce in the upcoming years.

In the first half of 2017, the watch museum accommodated approximately 118,000 tourists (Six months ended 30 June 2016: 100,000) and the industrial tourism generated revenue of approximately HK$13,373,000 (Six months ended 30 June 2016: HK$14,036,000).

The brand value of Rossini has reached record high again. It has been acknowledged, for 14th consecutive years, by the World Brand Laboratory as one of China's 500 Most Valuable Brands with value of approximately RMB12.28 billion, showing an impressive increase of 20% over last year.

EBOHR Group

A decline in the overall watch retail market affected the business performance of EBOHR in the first half of 2017. Revenue of EBOHR Luxuries International Limited and its subsidiaries (the "EBOHR Group") for the first half of 2017 was HK$355,947,000 (approximately RMB314,814,000), a decrease of HK$27,668,000 or 7% (approximately RMB7,422,000 or 2% in RMB) from HK$383,615,000 (approximately RMB322,236,000) for the same period last year. Net profit after tax during the period under review was HK$60,105,000 (approximately RMB53,159,000), a decrease of HK$31,442,000 or 34% (approximately RMB23,740,000 or 31% in RMB), compared with HK$91,547,000 (approximately RMB76,899,000) for the same period last year.

	30 June 2015	30 June 2016	**30 June 2017**
No. of distribution outlets	2,803	3,153	**3,082**

In this challenging environment, EBOHR kept on carrying on various critical measures which have been implemented last year and are believed to improve EBOHR's competitive advantages and performance in the longer term. First, EBOHR's optimization on its sales and after-sales services is ongoing. By successfully increasing the Sales per Customer, imposing reasonable control on selling expenses and speeding up inventory turnover, gross margin was increased. Number of distribution outlets as at 30 June 2017 dropped slightly compared with the same period last year, which was attributed to headquarter's tightened management and control on regional branches and the distribution outlets. Nonperforming distribution outlets are closed and the threshold for approving new outlet opening is implemented, to ensure the commercial viability of the remaining distribution outlets. Second, resources have been invested in enhancing its technical research and development competency and ensuring its product quality. Cooperation program with universities were launched with focus on intellectual precision manufacturing and watch material research. Third, EBOHR has put greater efforts in marketing and promotional activities to enhance brand awareness. EBOHR has seized the opportunities of the increased popularity of its brand ambassador, Mr. Lu Yi, in the nationwide attributable to his performance in a famous television series that broke the television rating record in Mainland China. Commercial advertisements featuring the brand ambassador are produced and published to the market winning brand power and marketing penetration. As such, the achievements of the marketing and promotional activities are apparent. Fourth, the construction of EBOHR's new facilities has been completed and the interior decoration is in process with full speed. In addition, nearly hundreds of various collections have been collected for the watch museum inside the new facilities. It is expected that the new facilities will be fully in operation in the second half of 2017.

Contrary to the challenging environment that physical distribution outlets are facing, the increasingly strong penetration of e-commerce in Mainland China continues to contribute favorably to EBOHR. EBOHR's e-commerce sales recorded approximately HK$68,230,000 in the first half of 2017 from HK$65,991,000 in the corresponding period last year, representing an increase of HK$2,239,000 or 3.4%. The respective portion of EBOHR's total revenue reached high to 19% from 17%. To boost the e-commerce sales, EBOHR will put stronger efforts in internet marketing and launch more promotional events on the e-commerce platforms.

EBOHR has been acknowledged, for 14th consecutive years, by the World Brand Laboratory as one of China's 500 Most Valuable Brands with value of approximately RMB9 billion, showing an increase of 24% over last year.

I.B. Watches and timepieces – foreign proprietary brands

Collectively, foreign proprietary brands contributed revenue and net loss after tax for the period of HK$239,473,000 (Six months ended 30 June 2016: HK$301,200,000) and HK$108,452,000 (Six months ended 30 June 2016: HK$54,018,000) respectively.

During the period, the major operations of Eterna AG was relocated from Grenchen to La Chaux de Fonds, sharing the premises of Corum, in order to improve efficiency and generate synergy. Eterna has engaged Mr. Fabio Scherer as new ambassador to regenerate the brand and attract younger generations. As a teenager, Mr. Fabio Scherer won the Swiss national KF3 race in 2013 and 2014 and X30 in 2015 and he was awarded as "Swiss Young Driver of the Year" in 2017.

During the first half of 2017, in spite of challenging market conditions, Corum managed to generate higher revenue from markets in Hong Kong, Singapore and the US. Besides, Corum attracts customization of the popular models such as Bubble and Admiral. It also attracts special engraving and setting for models such as Bridge, Romulus and Billionaire. The performance in the second half of 2017 is expected to be optimistic due to the good response from Baselworld 2017.

The UK is still Dreyfuss' largest single market, representing 81% of turnover. The drop in consumer confidence in the UK, both before and after the Brexit result, means that the UK watch market continues to be soft, particularly at retail prices below GBP500. The key strategy for the UK market is to increase the profitability of trade with the major customers, by providing desirable watches at compelling price points that deliver the targeted profitability. While the international market covers trade in many countries, much of that is at early stages of development due to low brand awareness outsider the UK. The strategy is to focus resources on profitable sales growth opportunities.

I.C. Watches and timepieces – non-proprietary brands

Currently, the Group held 4 distribution companies. Collectively, distribution companies contributed revenue and net loss after tax attributable to owners of the Company for the period of HK$110,658,000 (Six months ended 30 June 2016: HK$161,833,000) and HK$693,000 (Six months ended 30 June 2016: HK$10,605,000) respectively.

Owing to the currently lower economic growth in Mainland China and the 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.

I.D. Watches and timepieces – production and others

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.

Collectively, production companies contributed revenue and net loss after tax attributable to owners of the Company for the period of HK$58,855,000 (Six months ended 30 June 2016: HK$35,518,000) and HK$3,658,000 (Six months ended 30 June 2016: HK$2,720,000) respectively.

II. Banking and financial businesses

Bendura Bank aims to accompany its clients from one generation to the next and to provide long-term wealth creation and protection. That our highly qualified employees are multilingual (German, England, Italian, Turkish, Russian, Polish, Czech, Slovak, Serbian, Croatian, Slovenian, Hungarian and Mandarin) with the necessary cultural understanding enables efficient market access internationally. That business segments based on language regions enabling efficient market access is considered to be the key success factor.

The range of private banking is comprehensive, focusing on, among others, following areas:

(1) Asset management;

(2) Investment advice; and

(3) Transaction banking.

Following the further acquisition of 1.47% equity interest owned by Bendura Bank's employees in June 2017, the Group currently owns 84.69% equity interest. Revenue for the first half of 2017 was HK$161,739,000. Net profit after tax attributable to owners of the company for the period was HK$37,198,000.

The attractive result was attributable to the growth in interest income and the strict cost management. The recent interest rate increases in the US led to the increase in interest income from the interbank deposits in United States Dollar. More loans granted also contributed to the increase in interest income. The growth in net commission and fee income results from higher levels of trading activities by our clients, and reflects their readiness to generate income in the securities sector. At the same time, Bendura Bank exercised tight cost management. As a result, the cost-income ratio was improved.

As of 30 June 2017, the asset under management (Bendura Bank and its fund management subsidiaries) was CHF3.4 billion. Total assets as at 30 June 2017 amounted to CHF1.6 billion. The momentum of growth in asset under management and total asset is expected to continue in the medium term.

Bolstered by the performance during 2016 and the first half of 2017, Bendura Bank improved the capital base that was well above the adequacy limit required under the Liechtenstein banking law. The strong capital base not only enhances the trust from our clients, but also opens the doors for further existing and new business development.

Bendura Bank continues to pursue a restrained and conservative risk management policy for all business decisions.

In January 2017, Bendura Bank sponsored the Snow Polo World Cup in Kitzbuhel, which was the world's largest snow polo tournament. It was attended by clients and intermediates (including lawyers, tax consultants, trustees and asset managers) and has contributed immensely to new business development.

Bendura Bank continues to invest in the Mandarin speaking team so as to work on opportunities for Mandarin speaking clients. In the fund management services, another fund management company has been set up to cater for the new business originating from the new clients.

Shun Heng has moved into new premise and improved business infrastructure with an aim to grow and diversify the business. In addition to the traditional brokerage business, Shun Heng has established its platform for bond syndication and distribution and launched its capital market business in the second quarter of 2017. Shun Heng's team has rich experience and resources in underwriting bonds issued by state-owned enterprises as well as private placement. Acting as the placing agent, Shun Heng successfully completed a bond issuance transaction with US$150 million in June 2017 for an issuer based in Guizhou, Mainland China. In addition, Shun Heng is upgrading its online trading system to enable a more user-friendly interface, which will be launched in the second half of 2017.

Metasequoia Capital is in the process of establishing a series of funds investing in global equity and bond market with a focus in Hong Kong, US and Mainland China. In the early August, its first Global Opportunities Fund was successfully launched with AUM of US$10 million. A few more pipeline funds targeting the bond market are currently going through legal documentation process and expected to be launched in the third quarter of 2017. Considering the acquisition by the Group completed in February 2017 and holding 60% equity interest, Shun Heng and Metasequoia Capital contributed revenue and net profit after tax attributable to owners of the Company of HK$6,254,000 and HK$2,439,000 respectively.

III. Various investments

As at 30 June 2017, there were 30,389,058 shares of Citychamp Dartong Company Limited ("Citychamp Dartong") with a market value of approximately RMB208,773,000 owned by the Group. During the period under review, Citychamp Dartong declared cash dividend of RMB0.1 for every share and the Group was entitled to receive cash dividend of approximately RMB3,038,000.

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 period under review. During the period, these investment properties generated rental income of HK$9,951,000 (Six months ended 30 June 2016: HK$10,406,000).

FINANCIAL POSITION

(1) Liquidity, financial resources and capital structure

As at 30 June 2017, the Group had non-pledged cash and bank balances of approximately HK$5,446,870,000 (31 December 2016: HK$5,066,901,000). Based on the borrowings of HK$1,027,494,000 (31 December 2016: HK$1,190,340,000), the corporate bonds of approximately HK$743,873,000 (31 December 2016: HK$692,127,000) and shareholders' equity of HK$4,037,431,000 (31 December 2016: HK$3,632,881,000). The Group's gearing ratio (being borrowings plus corporate bonds divided by Shareholders' equity) was 44% (31 December 2016: 52%).

As at 30 June 2017, the Group's borrowings amounting to HK$1,010,864,000 (31 December 2016: HK$1,174,367,000) were repayable within one year or on demand, representing 98% (31 December 2016: 99%).

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

List of borrowings by currencies and by nature of interest rate and by duration

Currency	**Nature of interest rate**	**Duration** **Within 1 year or on demand** HK$'000	**More than 1 year** HK$'000
CHF	Fixed/Floating	113,736	16,630
GBP	Floating	55,657	–
HKD	Fixed/Floating	531,150	–
RMB	Fixed	115,174	–
USD	Floating	195,147	–
		1,010,864	16,630

(2) Charge on assets

As at 30 June 2017, banking facilities of the Company were secured by the Group's trade receivables of HK$26,421,000, investment properties in Hong Kong of HK$24,100,000 and land and buildings in Switzerland with net book values of HK$122,813,000, totaling HK$173,334,000 (31 December 2016: HK$185,263,000).

(3) Capital commitments

Capital commitments as at 30 June 2017 were approximately HK$481,320,000 in total (31 December 2016: HK$381,684,000), included the following:

1. Investment in an associate – Citychamp Allied International Limited;

2. Investment in an associate – Corum Investment Management Limited;

3. Purchase of property, plant and equipment.

Except for the above, the Group had no other material capital commitments as at 30 June 2017.

FINANCIAL REVIEW

(1) Total assets

Total asset increased from HK$17,255,820,000 as at 31 December 2016 to HK$19,703,643,000 as at 30 June 2017, mainly attributable to an increase in cash and deposits and due from banks.

Cash and deposits

			Increase/(decrease)	
	30 June 2017 HK$'000	**31 December 2016 HK$'000**	**Amount HK$'000**	**%**
Cash and bank balances	801,917	428,823	373,094	87%
Sight deposits with central banks	4,644,953	4,638,078	6,875	0%
	5,446,870	5,066,901	379,969	7%

Due from banks

	30 June 2017 HK$'000	31 December 2016 HK$'000	Increase/(decrease) Amount HK$'000	%
Due from banks on a daily basis	6,290,756	5,197,546	1,093,210	21%
Due from banks other claims	337,297	98,037	239,260	244%
Valuation adjustments for default risk	(186)	(214)	28	13%
	6,627,867	5,295,369	1,332,498	25%

(2) Total liabilities

Total liabilities increased from HK$13,403,130,000 as at 31 December 2016 to HK$15,252,540,000 as at 30 June 2017, mainly attributable to an increase in due to clients of Bendura Bank.

Due to clients

	30 June 2017 HK$'000	31 December 2016 HK$'000	Increase/(decrease) Amount HK$'000	%
Due to clients precious metals	32,700	27,499	5,201	19%
Other amounts due to clients, mainly bank deposits	12,039,258	10,365,548	1,673,710	16%
	12,071,958	10,393,047	1,678,911	16%

(3) Gross profit from non-banking and financial businesses

Gross profit was HK$702,711,000, a decrease of 13% from HK$803,641,000 for the same period last year. Before making adjustments for intra-group transactions, Rossini contributed a gross profit of HK$346,278,000 and a gross margin of 70% while EBOHR contributed a gross profit of HK$226,626,000 and a gross margin of 64%.

(4) EBITDA

EBITDA was HK$177,810,000, a decrease of 32% from HK$260,726,000 for the same period last year. Decrease in gross profit margin contributed to the decrease of EBITDA.

(5) Selling and distribution expenses

Total selling and distribution expenses was HK$365,045,000, a slight decrease of 2% from HK$370,647,000 for the same period last year.

(6) Administrative expenses

Total administrative expenses was HK$388,990,000, an increase of 20% from HK$323,145,000 for the same period last year.

(7) Gain on fair value changes in trading portfolio investments

There was a gain of HK$65,767,000 and a loss of HK$44,056,000 on fair value changes in trading portfolio investments for the six months ended 30 June 2016 and 2017, respectively. Both the gain and the loss were a result of marking the value of equity investments to prevailing market prices.

(8) Financial costs

Total financial costs were HK$33,991,000, a slight decrease of 1% from HK$34,370,000 for the same period last year.

(9) Net profit attributable to owners of the Company

Net profit attributable to owners of the Company was HK$27,615,000, a decrease of 78% from HK$124,294,000 for the same period last year.

(10) Inventory

Inventory was HK$2,062,680,000, a slight increase of 3% from HK$1,996,187,000 as at 31 December 2016.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

We continually enhance our ESG efforts, our corporate governance and risk management practices with the aim to create and deliver sustainable value to all our stakeholders. During 2017, our risk management committee commences operations effectively and at the same time, we put into extra efforts into ESG, generating increasingly stronger impact on the community.

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.

On 20 January 2017, Mr. Li Qiang resigned as an independent non-executive director and a member of the audit committee, the remuneration committee and the nomination committee of the Company. On the same date, Mr. Rudolf Heinrich Escher was appointed as an independent non-executive director and a member of the audit committee, the remuneration committee and the nomination committee of the Company.

With Mr. Rudolf Heinrich Escher's more than 30 years of experience in the banking industry especially in the private banking business, the Board believes that his background, experience and expertise in the banking industry will be complementary to the existing Board and bring significant benefits to the development of the Group's banking business in Europe.

OUTLOOK

Looking ahead into the rest of 2017, despite the challenges of geopolitical tensions and uncertainties, the major economic regions show sights of improvement. Business investment is rising in the US, confidence is growing within the Eurozone and Mainland China's economic data is showing resilience after a slower period.

While the challenging business environment is likely to continue at least in the short term, with our sound capital position, unique network across Mainland China and overseas and pioneering e-commerce platform, we are in a strong position to adapt to challenging market conditions and capture the growth opportunities ahead.

Backed by our competitive strengths and deep understanding of the needs of our clients, our Bendura Bank will deploy the resources to realize continuous gains in the number of clients and efficiency and build on the good progress we have made to provide long-term value. Both asset under management and total asset are expected to growth in the medium term. To facilitate the sustainable development, Bendura Bank also explores the opportunity of establishing a presence in Hong Kong.

By combining human resources, market opportunities and risk management, and by drawing on the professionalism of its banking and financial employees, a powerful banking and financial business segment with operations in Hong Kong and Europe would gradually be developed.

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 banking and financial businesses to confront the challenges 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 2017, the Group employed approximately 5,000 full-time staff in Hong Kong and Mainland China and approximately 330 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

In view of the execution of agreement to dispose 100% equity interest of Seti Timber at the consideration of RMB1.4 billion (approximately HK$1.568 billion) and relevant deposit of HK$200,000,000 received in March 2017, the Board proposed a special dividend of HK5 cents per share on 31 March 2017. The declaration of special dividend was approved by the shareholders in the annual general meeting held on 26 May 2017 and special dividend was distributed on 31 July 2017.

The Board has resolved not to distribute an interim dividend for the six months ended 30 June 2017 (Six months ended 30 June 2016: Nil).

CORPORATE GOVERNANCE CODE

During the six months period ended 30 June 2017, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "CG 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) CG Code E.1.2

CG Code E.1.2 stipulates that the Chairman of the board of directors should attend the annual general meeting of the Company. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 26 May 2017 (the "AGM 2017") due to other business engagement.

(2) CG Code A.6.7

CG Code A.6.7 stipulates that independent non-executive directors should attend general meetings. One independent non-executive director did not attend the AGM 2017 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 2017.

BOARD COMMITTEES

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 (resigned with effect from 20 January 2017), Mr. Zhang Bin and Mr. Rudolf Heinrich Escher (appointed with effect from 20 January 2017).

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 2017. 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 (resigned with effect from 20 January 2017), Mr. Zhang Bin and Mr. Rudolf Heinrich Escher (appointed with effect from 20 January 2017), 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 (resigned with effect from 20 January 2017), Mr. Zhang Bin and Mr. Rudolf Heinrich Escher (appointed with effect from 20 January 2017), 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.

Risk Management Committee

The risk management committee (the "RMC") comprises Ms. Sit Lai Hei (the Chairman of the Committee), Mr. Shi Tao, Mr. Lam Toi Man and Mr. Bi Bo.

All the RMC members are executive directors. The principal duties of the RMC are to evaluate and determine the risk appetite that the Group is willing to take in achieving its strategic objectives, to oversee the Group's risk management system on an ongoing basis and conduct a review on the effectiveness of the system at least once annually, and to identify significant risks to which the Group is exposed and develop plans and measures to management or mitigate such significant risks.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2017, the Company did not purchase any Company's listed shares (whether on the Stock Exchange or otherwise).

PUBLICATION OF 2017 INTERIM RESULTS AND 2017 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The 2017 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 2017 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.

Hon Kwok Lung
Chairman

Hong Kong, 30 August 2017

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. Zhang Bin and Mr. Rudolf Heinrich Escher as the independent non-executive Directors.