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CITYCHAMP WATCH & JEWELLERY GROUP LIMITED

冠城鐘錶珠寶集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 256)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

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 2019 together with comparative figures for the corresponding period in 2018.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Interest income from banking business		112,844	105,333
Interest expenses from banking business		(18,181)	(20,167)
Net interest income from banking business	4a	94,663	85,166
Service fees and commission income from banking business		149,352	161,110
Service fees and commission expenses from banking business		(39,182)	(44,042)
Net service fees and commission income from banking business	4b	110,170	117,068
Trading income from banking business	4c	28,608	36,185
Service fees and commission income from financial business	4d	858	1,752
Interest income from financial business	4d	102	104
Sales of goods from non-banking and financial businesses	4e	1,182,778	1,234,892
Rental income from non-banking and financial businesses	4e	5,145	2,640
Total revenue		1,422,324	1,477,807
Cost of sales from non-banking and financial businesses		(499,558)	(494,253)
Other ordinary income and other net gains or losses	5	45,272	62,927
Selling and distribution expenses		(382,556)	(417,715)
Administrative expenses		(400,138)	(361,102)
Share of loss of joint ventures		(1,345)	(1,433)
Share of profit of associates		6,756	5,278
Finance costs	6	(40,882)	(27,313)
Profit before income tax	7	149,873	244,196
Income tax expense	8	(39,884)	(50,619)
Profit for the period		109,989	193,577

		Six months ended 30 June	
		2019	2018
<i>Notes</i>		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
	– Change in fair value of financial assets at fair value through other comprehensive income	12 (74,790)	(156,087)
	– Remeasurement of net defined benefit obligation	(1,316)	–
		<u>(76,106)</u>	<u>(156,087)</u>
Item that may be subsequently reclassified to profit or loss			
	– Exchange differences on translation to presentation currency	(4,266)	(54,593)
		<u>(80,372)</u>	<u>(210,680)</u>
Other comprehensive income for the period		<u>(80,372)</u>	<u>(210,680)</u>
Total comprehensive income for the period		<u>29,617</u>	<u>(17,103)</u>
Profit for the period attributable to:			
	Owners of the Company	88,608	167,100
	Non-controlling interests	21,381	26,477
		<u>109,989</u>	<u>193,577</u>
Total comprehensive income for the period attributable to:			
	Owners of the Company	8,765	(33,504)
	Non-controlling interests	20,852	16,401
		<u>29,617</u>	<u>(17,103)</u>
Earnings per share attributable to owners of the Company for the period			
	– Basic	10 <u>HK2.04 cents</u>	<u>HK3.84 cents</u>
	– Diluted	<u>HK2.04 cents</u>	<u>HK3.84 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		30 June 2019	31 December 2018
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Assets			
Cash and deposits		6,529,741	7,701,743
Due from clients		1,805,195	1,575,438
Due from banks		3,538,406	3,387,836
Trading portfolio investments	11	162,628	123,606
Financial assets at fair value through other comprehensive income	12	552,410	627,200
Derivative financial assets		4,370	7,694
Trade receivables	13	541,661	571,424
Other financial assets at amortised cost	14	1,254,621	1,034,773
Inventories	15	2,264,078	2,314,545
Income tax recoverable		18,235	13,269
Interests in joint ventures		1,094	2,439
Interests in associates		109,675	102,919
Property, plant and equipment		1,158,815	1,036,736
Investment properties		179,133	179,133
Prepaid land lease payments		–	47,605
Intangible assets	16	52,706	53,310
Goodwill	17	1,071,576	1,071,552
Deferred tax assets		12,394	9,437
Other assets		597,866	397,570
		19,854,604	20,258,229
Total assets		19,854,604	20,258,229

		30 June	31 December
		2019	2018
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Liabilities			
Due to banks		1,670	4,181
Due to clients		11,886,077	12,504,591
Derivative financial liabilities		33,554	20,866
Trade payables	18	388,498	324,106
Contract liabilities		12,742	30,918
Corporate bonds		767,966	760,244
Income tax payables		78,512	73,867
Borrowings	19	1,046,407	1,047,189
Provisions		478	476
Lease liabilities		104,938	–
Deferred tax liabilities		60,118	60,369
Due to a shareholder		–	73,000
Other liabilities		539,161	548,931
		<hr/>	<hr/>
Total liabilities		14,920,121	15,448,738
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital		435,189	435,189
Reserves		4,077,346	4,004,602
		<hr/>	<hr/>
		4,512,535	4,439,791
Non-controlling interests		421,948	369,700
		<hr/>	<hr/>
Total equity		4,934,483	4,809,491
		<hr/>	<hr/>
Total liabilities and equity		19,854,604	20,258,229
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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

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 2019 was approved for issue by the board of directors on 29 August 2019.

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 2018 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 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 2018 Annual Financial Statements.

This is the first set of the Group’s financial statements in which HKFRS 16 has been adopted. The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group’s accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases (“HKAS 17”), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee’s perspective, almost all leases are recognised in the condensed consolidated statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor’s perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group’s accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated statement of financial position immediately before 1 January 2019. There were no onerous lease contracts that would have required a significant adjustment to the right-of-use assets at the date of initial application on 1 January 2019. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impact of the adoption of HKFRS 16 (Continued)

The following table summarises the impact of the adoption of HKFRS 16 on the Group's condensed consolidated statement of financial position as at 1 January 2019.

	As at 31 December 2018 <i>HK\$'000</i>	HKFRS 16 Reclassification <i>HK\$'000</i>	HKFRS 16 Contract Capitalisation <i>HK\$'000</i>	As at 1 January 2019 <i>HK\$'000</i>
Assets:				
Property, plant and equipment	1,036,736	47,605	90,627	1,174,968
Prepaid land lease payments	47,605	(47,605)	–	–
Liabilities:				
Lease liabilities	–	–	(90,627)	(90,627)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the condensed consolidated statement of financial position as at 1 January 2019:

Reconciliation of operating lease commitment to lease liabilities

	<i>HK\$'000</i>
Operating lease commitment as at 31 December 2018	112,456
Less: short term leases for which lease terms end within 31 December 2019	(12,866)
Less: future interest expenses	(8,963)
Total lease liabilities as of 1 January 2019	<u>90,627</u>

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the condensed consolidated statement of financial position as at 1 January 2019 is 5%.

Prepaid land lease payments in respect of the land use right in the PRC are currently recognised as right-of-use assets under HKFRS 16.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the condensed consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the condensed consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-to-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Accounting as a lessee (Continued)

Right-of-use asset (Continued)

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at cost, less any accumulated depreciation and any impairment losses. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g. a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The Group has leased out its investment property to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these condensed consolidated interim financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated statement of financial position immediately before 1 January 2019. There were no onerous lease contracts that would have required a significant adjustment to the right-of-use assets at the date of initial application on 1 January 2019. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases.

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 as follows:

- (a) manufacture and distribution of watches and timepieces;
- (b) property investments; and
- (c) banking and financial businesses.

3. SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June 2019				
	Watches and timepieces <i>HK\$'000</i> (Unaudited)	Property investments <i>HK\$'000</i> (Unaudited)	Banking and financial businesses <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue:					
Net interest income from banking business	-	-	94,663	-	94,663
Net service fees and commission income from banking business	-	-	110,170	-	110,170
Trading income from banking business	-	-	28,608	-	28,608
Service fees and commission income from financial business	-	-	858	-	858
Interest income from financial business	-	-	102	-	102
Sales of goods from non-banking and financial businesses	1,182,778	-	-	-	1,182,778
Rental income from non-banking and financial businesses	-	5,145	-	-	5,145
Total revenue	1,182,778	5,145	234,401	-	1,422,324
Segment results					
Unallocated corporate income and expenses, net	131,011	3,942	102,540	-	237,493
Share of loss of joint ventures	-	-	-	(52,149)	(52,149)
Share of profit of associates	-	-	-	(1,345)	(1,345)
Finance costs	-	-	-	6,756	6,756
	(12,788)	-	(427)	(27,667)	(40,882)
Profit before income tax	118,223	3,942	102,113	(74,405)	149,873
Income tax expense	(27,036)	(227)	(12,621)	-	(39,884)
Profit for the period	91,187	3,715	89,492	(74,405)	109,989

3. SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2018				
	Watches and timepieces <i>HK\$'000</i> (Unaudited)	Property investments <i>HK\$'000</i> (Unaudited)	Banking and financial businesses <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue:					
Net interest income from banking business	–	–	85,166	–	85,166
Net service fees and commission income from banking business	–	–	117,068	–	117,068
Trading income from banking business	–	–	36,185	–	36,185
Service fees and commission income from financial business	–	–	1,752	–	1,752
Interest income from financial business	–	–	104	–	104
Sales of goods from non-banking and financial businesses	1,234,892	–	–	–	1,234,892
Rental income from non-banking and financial businesses	–	2,640	–	–	2,640
Total revenue	1,234,892	2,640	240,275	–	1,477,807
Segment results					
Unallocated corporate income and expenses, net	177,233	1,914	109,162	–	288,309
Share of loss of joint ventures	–	–	–	(20,751)	(20,751)
Share of profit of associates	–	–	–	(1,433)	(1,433)
Finance costs	–	–	–	5,278	5,278
	(5,887)	–	(106)	(21,214)	(27,207)
Profit before income tax	171,346	1,914	109,056	(38,120)	244,196
Income tax expense	(36,999)	–	(13,620)	–	(50,619)
Profit for the period	134,347	1,914	95,436	(38,120)	193,577

4. 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 net 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.

Revenue recognised during the period is as follows:

(a) Net interest income from banking business

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income from banking business arising from:		
Interest income – due from banks	79,983	79,918
Interest income – due from clients	14,092	14,170
Interest income from trading portfolio investments	3	63
Interest income from mortgage loans	6,998	3,009
Interest income from debt instruments	11,794	5,319
Interest income from money market papers	–	2,906
Negative interest expense on due to clients	(26)	(52)
	112,844	105,333
Interest expenses from banking business arising from:		
Interest expense on due to banks	(17,611)	(18,229)
Interest expense on due to clients	(500)	(149)
Interest expense for issued debt instruments	–	(1,665)
Negative interest income on due from banks and clients	(70)	(124)
	(18,181)	(20,167)
Net interest income from banking business	94,663	85,166

4. REVENUE (CONTINUED)

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

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Service fees and commission income from banking business arising from:		
Commission income from loans	4,666	1,431
Brokerage fees	16,123	18,833
Custody account fees	13,523	12,915
Commission on investment advice and asset management	46,423	55,264
Commission income from service fees	36,656	44,665
Commission income from fiduciary fees	296	356
Commission income from retrocession	3,043	1,893
Other commission income	28,622	25,753
	<u>149,352</u>	<u>161,110</u>
Service fees and commission expenses from banking business	<u>(39,182)</u>	<u>(44,042)</u>
Net service fees and commission income from banking business	<u>110,170</u>	<u>117,068</u>

(c) Trading income from banking business

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Debt instruments	(55)	74
Securities	–	5
Forex and precious metals	27,929	36,146
Funds	734	(40)
	<u>28,608</u>	<u>36,185</u>
Trading income from banking business	<u>28,608</u>	<u>36,185</u>

(d) Revenue from financial business

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Service fees and commission income	858	1,752
Interest income	102	104
	<u>960</u>	<u>1,856</u>
Revenue from financial business	<u>960</u>	<u>1,856</u>

4. REVENUE (CONTINUED)

(e) Revenue from non-banking and financial businesses

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Sale of goods	1,182,778	1,234,892
Rental income	5,145	2,640
Revenue from non-banking and financial businesses	1,187,923	1,237,532

5. OTHER ORDINARY INCOME AND OTHER NET GAINS OR LOSSES

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Gain on fair value changes in trading portfolio investments, net	4,375	15,655
Bank and other interest income from non-banking and financial business	1,775	6,281
Dividend income from trading portfolio investments	400	1,111
Dividend income from financial asset at FVOCI	12,262	11,481
Gain/(loss) on disposal of property, plant and equipment	22	(34)
Government subsidies	15,365	19,039
Other sundry income	11,073	9,394
	45,272	62,927

6. FINANCE COSTS

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interests on lease liabilities	2,564	–
Interests charged on corporate bonds	14,222	12,424
Interests charged on bank borrowings and bank overdrafts	23,748	14,783
Margin loan interest	348	106
	40,882	27,313

7. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Depreciation of property, plant and equipment	66,836	51,469
Amortisation of prepaid land lease payments	–	630
Amortisation of intangible assets	888	936
	<u>67,724</u>	<u>53,035</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Current tax for the period		
PRC	26,522	39,034
Liechtenstein	13,148	13,574
Switzerland	749	602
Under-provision in respect of prior periods		
PRC	–	851
Deferred tax for the period	(535)	(3,442)
Total income tax expense	<u>39,884</u>	<u>50,619</u>

For both the six months ended 30 June 2019 and 2018, 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 2018: 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 2019 (Six months ended 30 June 2018: Nil).

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

	Six months ended 30 June	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Final dividend in respect to previous financial year (six months ended 30 June 2018: HK6 cents per share)	–	261,113
	<u>–</u>	<u>261,113</u>

The dividend payable for 2017 final dividend as at 30 June 2018 was HK\$261,113,000. During the six months ended 30 June 2018, 1,575,000 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 29 June 2018. As such, ordinary shares newly issued during the six months ended 30 June 2018 were entitled to the 2017 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	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Profit attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	<u>88,608</u>	<u>167,100</u>

10. EARNINGS PER SHARE (CONTINUED)

	Number of shares	
	Six months ended 30 June	
	2019	2018
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of shares for the purpose of calculating basic earnings per share	4,351,888	4,350,844
Effect of dilutive potential shares:		
– share options issued by the Company	–*	5,291
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u>4,351,888</u>	<u>4,356,135</u>

* There was no potential dilutive ordinary share in existence for the six months ended 30 June 2019.

11. TRADING PORTFOLIO INVESTMENTS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Equity instruments		
Listed equity instruments in Hong Kong at market value	35,570	42,793
Listed equity instruments outside Hong Kong at market value	<u>68,472</u>	<u>35,429</u>
Total equity instruments	<u>104,042</u>	<u>78,222</u>
Debt instruments		
Debt instruments of financial institutions listed outside Hong Kong	–	603
Unlisted debt instruments of financial institutions	<u>5,673</u>	<u>12,890</u>
Total debt instruments	<u>5,673</u>	<u>13,493</u>
Investment fund units		
Investment fund units listed outside Hong Kong	–	793
Unlisted investments fund units	<u>46,855</u>	<u>7,851</u>
Total investment fund units	<u>46,855</u>	<u>8,644</u>
Investments in other financial products	<u>6,058</u>	<u>23,247</u>
Total trading portfolio investments	<u>162,628</u>	<u>123,606</u>

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2019	31 December 2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Listed equity instruments in Hong Kong (<i>note (a)</i>)	384,334	492,759
Listed equity instruments outside Hong Kong (<i>note (b)</i>)	162,386	128,730
Unlisted equity investments	5,690	5,711
Total	552,410	627,200

Notes:

- (a) As at 30 June 2019 and 31 December 2018, the listed equity investments in Hong Kong represented 14.76% equity interest in Min Xin Holdings Limited (“Min Xin Shares”). As at 30 June 2019 and 31 December 2018, the Group held 88,150,000 Min Xin Shares.
- (b) As at 30 June 2019 and 31 December 2018, the listed equity investments outside Hong Kong represented 2.04% equity interest in Citychamp Dartong Company Limited (“Citychamp Dartong Shares”) listed in Shanghai Stock Exchange in the PRC. As at 30 June 2019 and 31 December 2018, the Group held 30,389,058 Citychamp Dartong Shares.

During the six months ended 30 June 2019, the decrease in fair value of financial assets at fair value through other comprehensive income of HK\$74,790,000 (Six months ended 30 June 2018: HK\$156,087,000) has been dealt with in other comprehensive income and FVOCI reserve.

13. TRADE RECEIVABLES

As at 30 June 2019, the Group’s trade receivables is amounted to HK\$541,661,000 (31 December 2018: HK\$571,424,000), in which HK\$539,549,000 (31 December 2018: HK\$562,674,000) is arising from watches and timepieces businesses and HK\$2,112,000 (31 December 2018: HK\$8,750,000) is arising from financial business.

The Group’s trading terms with its customers of watches and timepieces 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 2018: 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 industry practice together with consideration of their creditability. Trade receivables are non-interest bearing.

Ageing analysis of trade receivables arising from watches and timepieces businesses as at the reporting dates, based on invoice date, and net of provisions, is as follows:

	30 June 2019	31 December 2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
1 to 3 months	456,413	401,115
4 to 6 months	5,100	73,448
Over 6 months	78,036	88,111
	539,549	562,674

14. OTHER FINANCIAL ASSETS AT AMORTISED COST

	30 June 2019	31 December 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Listed debt instruments, at amortised cost	1,254,621	1,034,773
Issued by:		
Governments and public sector	43,711	7,822
Financial institutions	816,820	716,747
Corporations	394,090	310,204
	1,254,621	1,034,773

15. INVENTORIES

	30 June 2019	31 December 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Raw materials	392,893	584,342
Work-in-progress	539,756	359,015
Finished goods and merchandise	1,331,429	1,371,188
	2,264,078	2,314,545

16. INTANGIBLE ASSETS

	Supplier and distribution networks <i>HK\$'000</i>	Brand names <i>HK\$'000</i>	Trading rights <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2019				
(Unaudited)				
Opening carrying amount	3,935	42,129	7,246	53,310
Amortisation	(888)	–	–	(888)
Exchange realignment	(24)	308	–	284
Closing carrying amount	3,023	42,437	7,246	52,706
Year ended 31 December 2018				
(Audited)				
Opening carrying amount	5,585	305	7,246	13,136
Acquisition of subsidiaries	–	42,000	–	42,000
Amortisation	(1,718)	(76)	–	(1,794)
Exchange realignment	68	(100)	–	(32)
Closing carrying amount	3,935	42,129	7,246	53,310

As at 30 June 2019, intangible assets of HK\$45,460,000 (31 December 2018: HK\$46,064,000) are attributable to watches and timepieces businesses while intangible assets of HK\$7,246,000 (31 December 2018: HK\$7,246,000) are attributable to financial business.

17. GOODWILL

	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
Balance at the beginning of period/year	1,071,552	906,036
Acquisition of subsidiaries	–	201,454
Exchange realignment	24	(35,938)
Balance at the end of period/year	1,071,576	1,071,552

As at 30 June 2019, goodwill of HK\$823,027,000 (31 December 2018: HK\$824,280,000) are attributable to watches and timepieces businesses while goodwill of HK\$248,549,000 (31 December 2018: HK\$247,272,000) are attributable to banking and financial businesses.

18. TRADE PAYABLES

As at 30 June 2019, the Group's trade payables is amounted to HK\$388,498,000 (31 December 2018: HK\$324,106,000), in which HK\$272,482,000 (31 December 2018: HK\$280,567,000) is arising from watches and timepieces business and HK\$116,016,000 (31 December 2018: HK\$43,539,000) is arising from financial business.

Ageing analysis of trade payables arising from watches and timepieces business as at the reporting dates, based on invoice dates, is as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
1 to 3 months	202,414	215,854
4 to 6 months	7,509	25,151
Over 6 months	62,559	39,562
	272,482	280,567

19. BORROWINGS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Bank overdrafts	62	14,822
Bank borrowings	1,034,742	1,030,774
Margin loan payable	11,603	1,593
	1,046,407	1,047,189

As at 30 June 2019, the amount of the Group's bank overdrafts and bank borrowing repayable within one year or on demand is HK\$879,936,000 (31 December 2018: HK\$823,493,000). The remaining balances are repayable over one year.

20. EVENTS AFTER REPORTING PERIOD

(a) Entering into a facility agreements

On 16 July 2019, the Company has entered into a facility agreement with a syndicate of financial institutions in respect of a 3-year term loan facility in the amount up to US\$150,000,000. Details of the transactions are set out in the Company's announcement dated 16 July 2019.

(b) Redemption of corporate bonds

On 24 July 2019, Citychamp Watch and Jewellery SwissCo AG, a wholly-owned subsidiary of the Company, has redeemed and repaid all of the outstanding corporate bonds at the principal amount of CHF100,000,000. Details of the transactions are set out in the Company's announcement dated 24 July 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

OUR STRATEGY

The Group takes a long-term perspective in formulating our corporate strategy. We engage capital and people where we identify opportunities to generate returns which exceed our cost of capital over the long term and invest in the existing and new businesses. It is our intention to remain a conglomerate with different businesses capable of generating sustainable long-term growth.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Variation %
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	
Total revenue	1,422,324	1,477,807	-3.8%
Operating expenses	782,694	778,817	0.5%
Gross profit generated from non-banking and financial businesses	688,365	743,279	-7.4%
Gross profit generated from banking and financial businesses	234,401	240,275	-2.4%
EBITDA	258,479	324,544	-20.4%
Profit before tax	149,873	244,196	-38.6%
Net profit after tax	109,989	193,577	-43.2%
Earnings per share attributable to owners of the Company for the period			
– Basic	HK2.04 cents	HK3.84 cents	-46.9%
– Diluted	HK2.04 cents	HK3.84 cents	-46.9%
	30 June	31 December	
	2019	2018	Variation
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Total assets	19,854,604	20,258,229	-2.0%
Total liabilities	14,920,121	15,448,738	-3.4%
Total equity	4,934,483	4,809,491	2.6%

OPERATING RESULTS

For the six months ended 30 June 2019, the Group recorded total revenue of approximately HK\$1,422,324,000 (Six months ended 30 June 2018: HK\$1,477,807,000), a decrease of HK\$55,483,000 or 3.8% over the corresponding period last year.

Operating expenses (including selling and distribution expenses and administrative expenses) for the six months ended 30 June 2019 was approximately HK\$782,694,000 (Six months ended 30 June 2018: HK\$778,817,000), an increase of HK\$3,877,000 or 0.5% over the corresponding period last year.

Gross profit generated from non-banking and financial businesses for the six months ended 30 June 2019 was approximately HK\$688,365,000 (Six months ended 30 June 2018: HK\$743,279,000), a decrease of HK\$54,914,000 or 7.4% over the corresponding period last year.

Gross profit generated from banking and financial businesses for the six months ended 30 June 2019 was approximately HK\$234,401,000 (Six months ended 30 June 2018: HK\$240,275,000), a decrease of HK\$5,874,000 or 2.4% over the corresponding period last year.

The EBITDA for the six months ended 30 June 2019 was approximately HK\$258,479,000 (30 June 2018: HK\$324,544,000), a decrease of HK\$66,065,000 or 20.4% over the corresponding period last year.

Net profit after tax for the six months ended 30 June 2019 was approximately HK\$109,989,000 (Six months ended 30 June 2018: HK\$193,577,000), a decrease of HK\$83,588,000 or 43.2% over the corresponding period last year.

PERFORMANCE

The first half year performance was delivered against a challenging external environment as the continued trade tensions between the US and Mainland China, which have significantly impacted market confidence.

Notwithstanding the challenging environment, we have collectively made progress towards our strategic goals. Our Group comprises three key divisions – watches and timepieces businesses, banking and financial businesses, and various investment businesses. These divisions are described in more details in the following review.

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

- II. Banking and financial businesses
 - II.A – Bendura Bank AG
 - II.B – Shun Heng Finance Holding (Hong Kong) Limited

- III. Various investment business
 - III.A – listed equity investment
 - III.B – property investment
 - III.C – other marketable securities

I.A Watches and timepieces businesses – Local proprietary brands

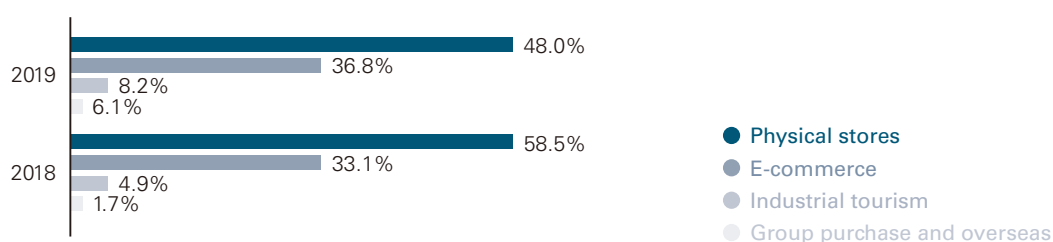
Zhuhai Rossini Watch Industry Limited

For the six months ended 30 June 2019, Zhuhai Rossini Watch Industry Limited (“Rossini”), a 91% subsidiary of the Group, recorded revenue of HK\$544,719,000, a decrease of HK\$28,374,000 or 5.0%, from HK\$573,093,000 for the same period last year. Net profit after tax attributable to owners of the Company for the period under review was HK\$136,644,000, representing a decrease of HK\$12,545,000 or 8.4%, from HK\$149,189,000 in the same period last year.

Although sales from physical stores and e-commerce contributed approximately 84.8% of Rossini’s total revenue in the first half of 2019, their proportion to Rossini’s total revenue dropped compared to the corresponding period last year. On the contrary, sales from industrial tourism and group purchase reached record high and the growth was significant.

Proportions to Rossini’s total revenue by different types of sales

For the six months ended 30 June

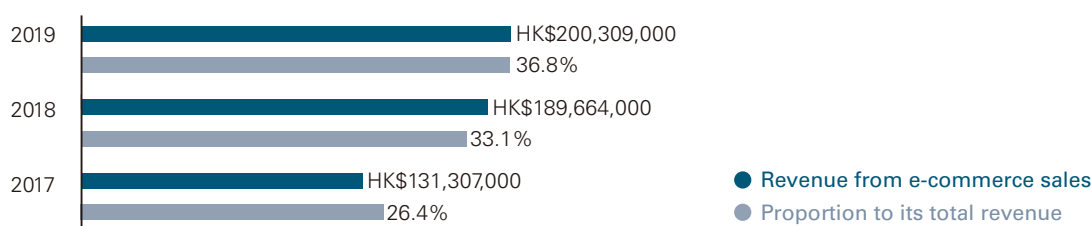


E-commerce sales continued to maintain a stable growth. For the six months ended 30 June 2019, e-commerce sales increased to HK\$200,309,000 from HK\$189,664,000 for the same period last year, representing an increase of 5.6%. In addition to the existing online direct-sale stores, Rossini has also expanded its territory for occupying more market shares by opening online distributor on the leading e-commerce platforms including Taobao, Tmall and JD.

In the past few years, the ever-going e-commerce in Mainland China has brought significant impact and challenges to the traditional retail model which watch industry has been heavily relying on for a long term. Creative exhibition models such as roving pop-up watch museum at shopping malls was attempted to boost physical store sales and enhance the brand awareness.

Rossini’s revenue earned from e-commerce sales

For the six months ended 30 June



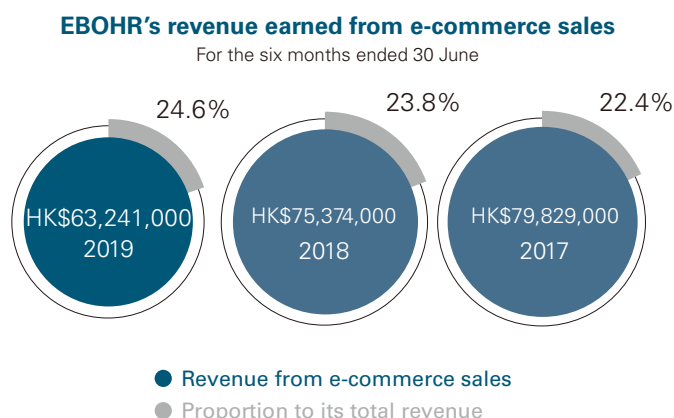
Rossini's industrial tourism hit record highs in terms of tourists' amount and revenue. In the first half of 2019, more than 230,000 tourists visited the watch museum and brought revenue of approximately HK\$44,868,000, representing an increase of approximately 60.3% over the corresponding period of last year.

EBOHR Group

EBOHR Group is composed of EB Brand Limited, EBOHR Luxuries International Limited ("EBOHR") and its subsidiaries (the "EBOHR Group").

Revenue of EBOHR Group for the six months ended 30 June 2019 was HK\$257,632,000 a decrease of HK\$60,455,000 or 19.0%, from HK\$318,087,000 for the same period last year. Net profit after tax for the six months ended 30 June 2019 was HK\$2,903,000, representing a decrease of HK\$32,672,000 or 91.8%, compared with HK\$35,575,000 for the same period last year.

In the first half of 2019, EBOHR recorded a decrease in sales from both physical stores and e-commerce. EBOHR's traditional physical stores kept performing unsatisfactorily, affected by the e-commerce boom in the Mainland China and the frequent opening and closing down of its physical stores. In the first half of 2019, sales from physical stores dropped approximately 17% over the corresponding period in 2018.



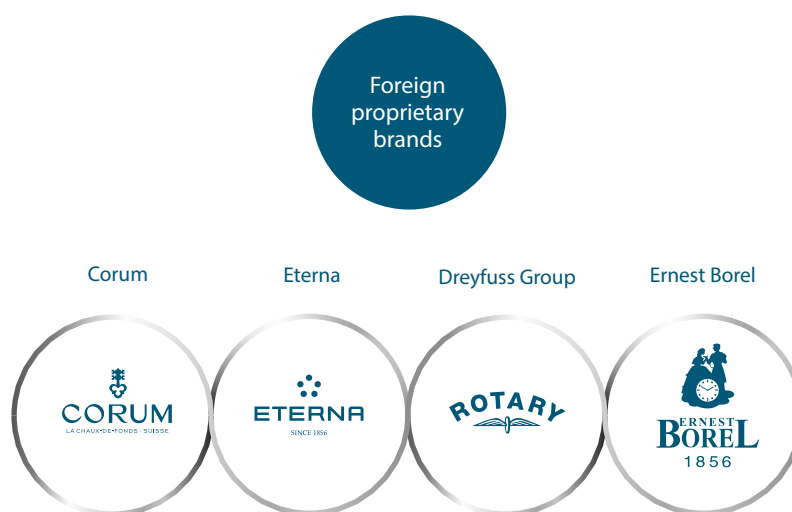
For the first half of 2019, the revenue earned from e-commerce decreased to HK\$63,241,000 from HK\$75,374,000 for the corresponding period last year, representing a decrease of 16.1%. Products distributed on the e-commerce platforms were not optimised in terms of design, popularity and pricing. New strategies and measures have to be implemented for EBOHR's e-commerce to regain its power and back to track, including recruiting experienced e-commerce talents, launching more models with stronger brand DNA, improving marketing and brand publicity, and focusing resources on the key items.

While the revenue was declining, the expenses were not. To boost sales performance, sales and distribution expenses were invested disproportionately. EBOHR's new headquarters which became operational in 2018 continued to incur more expenses relating to the depreciation of property, amortisation of intangible assets and administrative expenses in the first half of 2019, which further adversely affected EBOHR's profitability.

Mainland China is our home and remains the backbone of our business. Rossini and EBOHR Group continued to be the major sources of revenue and accounted for more than 68% of the total revenue from non-banking and financial businesses of the Group (Six months ended 30 June 2018: 72%). Rossini has remained as the major contributor of net profits after tax for the Group.

The rapid growth of digital economy is changing consumer behavior, and Rossini and EBOHR are aggressively implementing strategies to enhance e-commerce. It is believed that the proportion of the e-commerce sales to both companies' revenue and profit will increase.

I.B Watches and timepieces businesses – Foreign proprietary brands



Ernest Borel Group

In September 2018, the Group acquired 58.22% equity interest in Ernest Borel Holdings Limited (stock code: 01856) (“Ernest Borel”) at the consideration of approximately HK\$374 million. The acquisition triggered an unconditional mandatory cash offer. As a result of the offer, the Group held an aggregate of 82.50% equity interest in Ernest Borel as at 31 December 2018. Following the subsequent share placements in the first half of 2019, the Group held an aggregate of 64.08% equity interest in Ernest Borel as at 30 June 2019.

Under its own brand “Ernest Borel”, Ernest Borel (together with its subsidiaries, the “Ernest Borel Group”) is engaged in the design, production, marketing and sale of mechanical and quartz premium watches. Established since 1856 in Switzerland, Ernest Borel has a proud heritage spanning over 160 years. Throughout the course of its history and across its operations, the Ernest Borel Group has focused on producing quality Swiss watches.

Ernest Borel Group recorded revenue and net loss after tax attributable to the owners of the Company for the six months ended 30 June 2019 of HK\$55,734,000 and HK\$23,049,000, respectively.

The extensive distribution network of the Ernest Borel Group covers retail markets in Mainland China, Hong Kong, Macau and South Asian countries. The PRC remains the major market of the Ernest Borel Group. As at 30 June 2019, Ernest Borel Group had 808 POS, comprising 635 POS in Mainland China and 125 POS in Hong Kong, Macau and South Asian countries.

For the period, the revenue from e-commerce was HK\$6,397,000. Greater efforts such as exploring more e-commerce platforms would be put into e-commerce in the second half of the year.

The top priority of Ernest Borel is to improve revenue by working closely with distribution outlets on sales policies and promotional activities, and reduce the inventory through special promotion events on e-commerce platforms and in the distribution outlets.

Other foreign proprietary brands

Collectively, Corum, Eterna and The Dreyfuss Group Limited (the “Dreyfuss Group”) contributed revenue and net loss after tax for the period ended 30 June 2019 of HK\$184,499,000 (Six months ended 30 June 2018: HK\$205,686,000) and HK\$27,431,000 (Six months ended 30 June 2018: HK\$52,916,000), respectively.

The general outlook remains positive in the Asia market, Corum’s largest market contributing approximately 65% to its total revenue in the first half of 2019, witnessed a modest growth compared to the first half of 2018. Among others, the South East Asia market showed a strong reception to the 2019 novelties and confirmed orders have been doubled compared to the corresponding period last year. The positive growth is a reflection of Corum’s efforts into the Asia specifically the South East Asia markets with strong potential. On the contrary, proportion of sales from Europe market dropped from 18% for the first half of 2018 to 13% this year, mainly due to the European political situation and lower level of marketing exposure. Some actions have been taken such as, taking into account the decreasing sales from the Europe market, adapting the business structure to the current level of sales leading to reduce the level of operating expense and launching the new marketing strategy to meet the trend of globalisation and the drastically changing marketing means such as digitalization and social media.

The operation and management of Corum and Eterna has been integrated since 2017. 2019 is a year of transition since many operational and managerial projects have been or will be launched. The first change would be a new management model, shifting from the former structure with a CEO to a team management of four pillars, Operations, Sales and Marketing, Finance and Human Resources. Another change that is closely followed

is the level of account receivables with an aim to increase Corum and Eterna's ability to collect the cash and enhance the liquidity of Corum and Eterna. Therefore, both Corum and Eterna also monitor their inventories globally in order to increase the rotation of the stocks as well as to accelerate the transformation of stocks into cash inflows. All the strategical initiatives were made with the focus of turning Corum and Eterna into a sales-oriented company with improved financial results.

In the first half of 2019, Eterna Movement still faced big challenges including loss and corresponding liquidity problems. To improve the profitability, Eterna Movement has to increase the sales volume, increase the sale prices but to an extent acceptable by the markets and reduce the production costs. However, Eterna Movement still relied heavily on the intercompany orders from Corum and Eterna, whereas orders from third party customers were only a small proportion to its whole sales volume.

As UK is the Dreyfuss Group's largest single market, representing approximately 81% of its total turnover in the first half of 2019, the economic factors affecting its marketplace also heavily influence the Dreyfuss Group's overall performance. The ongoing political uncertainty over Brexit has contributed to a crisis of confidence in the UK watch market. The Dreyfuss Group's key strategy for the UK market is to increase the profitability of trade with the major customers. The Dreyfuss Group will continue to focus on building the relationships with major customers, with the objective of maximising the sales opportunities and establishing a sound basis for sales growth going forward. The development of international market is now a strategic priority for the Dreyfuss Group given its over reliance on the UK market. In the first half of 2019, with a primary focus on Germany, the European team continued to achieve modest growth by planting and developing distributor business in other countries including Scandinavia, Central and Eastern Europe. Sales to Asia and Europe markets fell below budget but sales to North America were higher than expectation. In the first half of 2019, gross profit was reduced due to the need to reduce the inventory level by 16% compared to the corresponding period in 2018. To mitigate the negative impact on the gross profit, the Dreyfuss Group has been aggressively managing its selling expenses and administrative expenses, streamlining the operational structure and increasing internal efficiencies.

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.

I.C Watches and timepieces businesses – Non-proprietary brands

Currently, the Group held four distribution companies. Collectively, distribution companies contributed revenue and net profit after tax attributable to owners of the Company for the period ended 30 June 2019 of HK\$125,449,000 (Six months ended 30 June 2018: HK\$120,873,000) and HK\$2,451,000 (Six months ended 30 June 2018: HK\$4,677,000) respectively.

I.D Watches and timepieces businesses – Others

Other non-major subsidiaries of the Group are also engaged in other non-major categories of watches and timepieces businesses, which collectively contributed revenue and net loss after tax for the six months ended 30 June 2019 of HK\$14,744,000 and HK\$4,192,000, respectively.

II.A Bendura Bank AG

Bendura Bank aims to accompany its clients from one generation to the next and to provide long-term wealth creation and protection. The range of private banking is comprehensive, focusing on, among others, following areas:

- (1) Asset management and investment advice;
- (2) Transaction banking; and
- (3) Security issuance and investment funds.

Assets under management slightly reduced to CHF3.7 billion as of 30 June 2019 (30 June 2018: CHF3.8 billion) as a result of refraining from cooperating with businesses that have a dubious reputation or arm manufacturing, arm trading, adult entertainment or online betting services. Specifically, it does not work with companies related to cryptocurrencies as it can not control the source of funds for cryptocurrencies. During the period, there was an outflow of CHF298 million (Six months ended 30 June 2018: inflow of CHF3 million).

Despite a challenging market environment, Bendura Bank has succeeded in consistently pursuing the path it has taken in previous years and in continuing the satisfactory results of previous years. Revenue for the period ended 30 June 2019 was HK\$233,441,000, a decrease of HK\$4,978,000 or 2.1%, from HK\$238,419,000 over the same period last year. Net profit after tax attributable to owners of the Company for the period ended 30 June 2019 was HK\$66,508,000 compared with HK\$86,489,000 over the same period last year, a decrease of HK\$19,981,000 or 23.1%.

The decrease in net profit was attributable firstly to the reduced assets under management, secondly to the decrease in brokerage activities and thirdly to the increase in personnel and general expenses.

Particularly, the increase in interest income was contributed by the higher income from USD interbank deposits and foreign exchange swaps and the expansion of the loan portfolio. Net income from interest and dividends increased strongly by approximately CHF1.5 million or 15% compared with the same period last year. Net income from commission and service fees amounted to CHF14 million, a decrease of 3% over the same period last year mainly due to lower commission income from payment operation services. Brokerage revenue fell short of the previous period's level despite the volatile stock market environment. The result from trading income amounted to approximately CHF3.6 million and it was 18% lower compared to the same period last year, as a result of lower number of customers.

Operating expense amounted to CHF17 million in the first half of 2019 and hence increased 19% compared to the same period last year. On one hand, this was because of higher personnel costs, which increased due to the increase of employees. On the other hand, general and administrative expenses increased by CHF1.9 million or 24% compared to the same period last year.

The net profit generated in the first half of 2019 enables Bendura Bank to maintain sound capital base and capital ratios.

Bendura Bank has stepped up training to build a more flexible and productive workforce. That our highly qualified employees are multilingual, collectively catering to over 20 languages with the necessary cultural understanding, enables efficient market access internationally. The international and multicultural approach is considered to be one of the key success factors.

Bendura Bank continues to invest in the Mandarin speaking team so as to work on opportunities for Mandarin speaking clients. The representative office in Hong Kong provides personal touch and direct communication as well as strengthens trust and professionalism.

Bendura Bank is working on the expansion of premises in Bendern, Liechtenstein. The space would be able to accommodate additional 150 employees with improved facilities. The construction work has begun and the target date of completion is in 2021.

It is the objective of Bendura Bank to focus primarily on the commissions and fees income by providing quality services. It continues to provide loans to selective clients on secured basis but maintains a broad extent of diversification.

Bendura Bank is optimistic on the long-term prospects. It has continued to plant the seeds that will deliver better performance over time to make the Bank a better organization. Bendura Bank is fully committed to providing bespoke financial services to our customers and realize our vision to be the bank serving their needs. We believe that this commitment, combined with our unique resources built over the past decades, will propel the Group's growth in the businesses of banking and financial businesses and contributed to delivering steady return to our shareholders in spite of comprehensive regulatory and legal innovations as well as increasingly strict Liechtenstein and international requirements.

II.B Shun Heng Finance Holding (Hong Kong) Limited

The Group currently conducts securities and asset management businesses under the umbrella of Shun Heng Finance Holding (Hong Kong) Limited (“Shun Heng Finance Holding”), which is 60% owned by the Group. It comprises Shun Heng Securities Limited and Hong Kong Metasequoia Capital Management Limited as subsidiaries.

For the period ended 30 June 2019, Shun Heng Finance Holding contributed revenue and net profit after tax attributable to owners of the Company of HK\$960,000 and HK\$5,464,000 respectively (Six months ended 30 June 2018: HK\$1,856,000 and net loss after tax of HK\$2,384,000 respectively).

Shun Heng Securities Limited (“Shun Heng Securities”)

Shun Heng Securities, a corporate licensed to conduct Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (the “SFO”), is mainly engaged in securities brokerage and margin businesses. Following Shun Heng Securities upgrading its online trading system which provides higher security and better user experience, the account opening numbers has continued to increase in the first half of 2019.

In addition to the traditional brokerage business, Shun Heng Securities continues to expand the underwriting business for overseas bonds issued by Chinese enterprises.

Hong Kong Metasequoia Capital Management Limited (“Metasequoia Capital”)

Metasequoia Capital, a corporate licensed to conduct Type 4 (advisory on securities) and Type 9 (asset management) regulated activities under the SFO, is mainly engaged in asset management business.

Metasequoia Capital has launched two funds, namely Global Opportunities Fund and Stable Growth Fund. Global Opportunities Fund invests mainly in securities markets in Hong Kong and the US, with asset under management increased from US\$10.24 million initially to US\$11.66 million now. The Stable Growth Fund invests in domestic CNY bond and reached asset under management of approximately US\$5 million as at 30 June 2019. As at 30 June 2019, the asset under management of Metasequoia Capital was approximately USD16.66 million (year ended 31 December 2018: USD10.41 million).

III.A Listed Equity Investment

(1) *Citychamp Dartong Company Limited*

As at 30 June 2019, financial assets at fair value through other comprehensive income of the Group was HK\$552,410,000. HK\$162,386,000 was related to the listed equity investment in the equity share of Citychamp Dartong Company Limited (“Citychamp Dartong”). Citychamp Dartong is a company listed on the Shanghai Stock Exchange (Stock code: 600067) and engaged in real estate, enameled wire, banking and new energy. As at 30 June 2019, the Group owned 30,389,058 shares of Citychamp Dartong at the market price of RMB4.71 per share (equivalent to HK\$5.344 per share) with the fair value of HK\$162,386,000. The shares held by the Group accounted for 2.04% of the total issued share capital of Citychamp Dartong as at 30 June 2019. Such fair value accounted for 0.8% of the Group’s total assets.

The Group incurred a net gain on fair value change through other comprehensive income in investment in Citychamp Dartong of HK\$33,656,000 for the period ended 30 June 2019, as a result of increase in the share price of Citychamp Dartong from RMB3.72 (equivalent to HK\$4.236) as at 31 December 2018 to RMB4.71 (equivalent to HK\$5.344) as at 30 June 2019. The Group recognized dividend receivable of HK\$3,447,000 from Citychamp Dartong for the six months ended 30 June 2019.

This is the Group’s long-term investment due to its dividend yield and long-term share price appreciation. Given its substantial land bank for development and profitability of certain business segments, we are optimistic about the future prospects of the Citychamp Dartong.

(2) *Min Xin Holdings Limited*

Investment in Min Xin Holdings Limited (“Min Xin”) (Stock code: 222) was measured at fair value through other comprehensive income. The Company intends to hold the investment on a long-term basis.

Min Xin is a company engaged in financial services, securities trading, real estate development, toll road and manufacturing. As at 30 June 2019, the investment in Min Xin was HK\$384,334,000, i.e. 88,150,000 shares at the market price of HK\$4.36 per share as at 30 June 2019. Such fair value of the investment accounted for 1.9% of the Group’s total assets. The shares held by the Company accounted for 14.76% of the total issued share capital of Min Xin as at 30 June 2019.

The Company incurred a net loss on fair value change in Min Xin's investment of HK\$108,425,000 for the period ended 30 June 2019 (Six months ended 30 June 2018: net loss of HK\$60,824,000), as a result of decrease in the share price of Min Xin from HK\$5.59 as at 1 January 2019 to HK\$4.36 as at 30 June 2019. For the six months ended 30 June 2019, the Company's dividend receivable from Min Xin was HK\$8,815,000.

III.B Property Investment

The properties in Mainland China and Hong Kong owned by the Group have been leased out, with stable rental returns to the Group. During the period, these investment properties generated rental income of HK\$5,145,000 (Six months ended 30 June 2018: HK\$2,640,000). Net profit after tax from the property investment business for the six months ended 30 June 2019 was HK\$3,715,000, representing an increase of HK\$1,801,000 or 94.1%, compared with HK\$1,914,000 for the same period last year.

III.C Other Marketable Securities

The Group has acted as the founder investor and invested USD5.12 million in "Metasequoia Investment Fund SPC – Global Opportunities Fund SP" (the "Fund") since 15 August 2017 in order to facilitate establishing the fund management business with an initial capital of USD10.24 million and the rest of the fund was subscribed by other investors with the capital of USD5.12 million. As of 30 June 2019, the total net asset value of the Fund was USD11.66 million, which composed by USD5.84 million and USD5.82 million for the Group and other inventors respectively. The composition of investments in the Fund were approximately 20% in consumer staples sector, 20% in financials sector, 15% in communication services sector, 13% in information technology sector, 8% in consumer discretionary sector, 7% in health care sector and the rest 17% in other sectors. Geographically, the Fund invested in companies of origin were approximately 54% in Mainland China, 27% in the US, 1% in Hong Kong and the remaining 18% in other countries. For the six months ended 30 June 2019, the unrealized gain on fair value of the investment was approximately USD636,000.

Headquarter and others

Losses from administrative expenses, finance costs and income tax of the headquarter and other non-major subsidiaries and/or non-major categories of businesses for the six months ended 30 June 2019 was HK\$74,405,000.

FINANCIAL POSITION

(1) Liquidity, financial resources and capital structure

As at 30 June 2019, the Group had non-pledged cash and bank balances of approximately HK\$6,529,741,000 (31 December 2018: HK\$7,701,743,000). Based on the bank borrowings of HK\$1,046,407,000 (31 December 2018: HK\$1,047,189,000), the corporate bonds of approximately HK\$767,966,000 (31 December 2018: HK\$760,244,000), due to a shareholder of Nil (31 December 2018: HK\$73,000,000) and shareholders' equity of HK\$4,512,535,000 (31 December 2018: HK\$4,439,791,000), the Group's gearing ratio (being borrowings plus corporate bonds divided by shareholders' equity) was 40% (31 December 2018: 42%).

As at 30 June 2019, the Group's borrowings amounting to HK\$891,539,000 (31 December 2018: HK\$825,086,000) were repayable within one year, representing 85% (31 December 2018: 79%).

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

Currency	Nature of interest rate	Duration	Duration
		Within 1 year	More than 1 year
		HK\$'000	HK\$'000
CHF	Fixed/Floating	63,845	–
GBP	Floating	6,393	–
HKD	Floating	531,955	154,868
RMB	Floating	277,743	–
USD	Floating	11,603	–
		<u>891,539</u>	<u>154,868</u>

(2) Charge on assets

As at 30 June 2019, banking facilities of the Company were secured by the Group's trade receivables of HK\$11,570,000 and land and buildings in Switzerland with net book values of HK\$135,362,000, totaling HK\$146,932,000 (31 December 2018: HK\$135,350,000).

(3) Capital commitment

Capital commitments as at 30 June 2019 were HK\$270,000,000 in total (31 December 2018: HK\$270,000,000) for investment in an associate-Citychamp Allied International Limited.

Except for the above, the Group had no other material capital commitments as at 30 June 2019.

FINANCIAL REVIEW

(1) Total assets

Total assets decreased to HK\$19,854,604,000 as at 30 June 2019 from HK\$20,258,229,000 as at 31 December 2018, mainly attributable to a decrease in cash and deposits.

Cash and deposits

	30 June 2019	31 December 2018	Increase/ (decrease) Amount
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balance	395,230	395,444	(214)
Cash held on behalf of clients	126,822	46,932	79,890
Sight deposits with central banks	6,007,689	7,259,367	(1,251,678)

Due from banks

	30 June 2019	31 December 2018	Increase/ (decrease) Amount
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Due from banks on a daily basis	3,325,358	3,205,104	120,254
Due from banks other claims	214,570	185,557	29,013
Valuation adjustments	(1,522)	(2,825)	(1,303)

(2) Investments

The investments as at 30 June 2019 included (a) trading portfolio investments of HK\$162,628,000; (b) derivative financial assets of HK\$4,370,000; (c) other financial assets at amortised cost of HK\$1,254,621,000; and (d) financial assets at fair value through other comprehensive income of HK\$552,410,000 (the “Investments”).

(a) Trading portfolio investments of HK\$162,628,000

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Equity Instruments		
Listed equity instruments in Hong Kong at market value	35,570	42,793
Listed equity instruments outside Hong Kong at market value	68,472	35,429
Total equity instruments	104,042	78,222
Debt instruments		
Debt instruments of financial institutions listed outside Hong Kong	–	603
Unlisted debt instruments of financial institutions	5,673	12,890
Total debt instruments	5,673	13,493
Investment fund units		
Investment fund units listed outside Hong Kong	–	793
Unlisted investment fund units	46,855	7,851
Total investment fund units	46,855	8,644
Investments in other financial products	6,058	23,247
Total trading portfolio investments	162,628	123,606

As of 30 June 2019, Bendura Bank’s trading assets of CHF5.9 million consisted of one single investment in the form of an unlisted investment fund.

It is the objective of the Group to maintain certain level of liquidity in the form of trading portfolio investments for unplanned capital expenditure. The liquidity is usually parked with the listed equities in order to generate short term return.

All unlisted debt instruments of financial institutions invested in Mainland China by a subsidiary in Mainland China. The investment policy of Bendura Bank also includes strict implementation of the investment process and is subject to constant review by the investment committee.

(b) Derivative financial assets of HK\$4,370,000

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Forward and option contracts	<u>4,370</u>	<u>7,694</u>
	<u>4,370</u>	<u>7,694</u>

In the derivative financial assets of HK\$4,370,000, there were forward and option contracts conducted by Bendura Bank.

Bendura Bank offers derivative products including currency forwards and swaps to its clients. These derivative positions were managed through entering back-to-back deals with external parties to ensure that remaining exposures are within acceptable risk levels. First-rate banks serve as counterparties, as is generally the case in trading business. It is not the objective of Bendura Bank to speculate the gain on the change in the price by conducting forward and option contracts without having invested in the underlying assets.

As at 30 June 2019, positive replacement values totaling HK\$4,370,000, whereof approximately HK\$8,000 related to FX swaps entered by Bendura Bank. Based upon risk/return considerations, client deposits denominated in foreign currencies were, in part, no longer invested on the interbank market but were swapped into Swiss francs using currency swaps and deposited with the Swiss National Bank (SNB). Income from the interest component of currency swaps exceeded the expense of SNB negative interest and the reduced level of interest from banks. During the first half of 2019, Bendura Bank recorded CHF4.8 million profits with FX swaps.

(c) *Other financial assets at amortised cost of HK\$1,254,621,000*

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Listed debt instruments, at amortised cost		
Issued by:		
Governments and public sector	43,711	7,822
Financial institutions	816,820	716,747
Corporations	394,090	310,204
	<u>1,254,621</u>	<u>1,034,773</u>

Bendura Bank invested in listed debt instruments issued by government and public sector, financial institutions and corporations amounting to HK\$1,254,621,000. The portfolio was composed of 58 listed debt instruments with different maturity, geography, segment and currency and hence, diversification is ensured. Almost all listed debt instruments were considered upper-medium-grade and are subject to low credit risk. The average remaining term of the held-to-maturity investment is 2.6 years, while the modified duration of the portfolio is only 1.27%. Largest single investments are bonds issued by International Bank for Reconstruction and Development and European Investment Bank. Both issuers are triple-A rated. Risk concentration is analyzed and presented to the senior management on a monthly basis.

Relatively major listed debt instruments as at 30 June 2019 are as follows:

Issuer	Nature of interest rate	Sector	Maturity date	Value (CHF'000)
Mondelez International	Fixed	Corporations	30 March 2020	5,000
Deutsche Bank AG	Floating	Financial Institutions	16 May 2022	7,749
Bank of Nova Scotia	Floating	Financial Institutions	05 October 2022	8,482
ABN AMRO Bank N.V.	Floating	Financial Institutions	19 July 2022	7,808
China Merchants Bank, Lux	Fixed	Financial Institutions	19 June 2022	5,547
European Investment Bank	Floating	Financial Institutions	24 March 2021	11,730
Intl Bk Recon & Develop	Floating	Financial Institutions	18 March 2020	29,268
Others				<u>81,237</u>
Total				<u>156,821</u>
Equivalent to HK\$'000				<u>1,254,621</u>

Relatively major listed debt instruments as at 31 December 2018 are as follows:

Issuer	Nature of interest rate	Sector	Maturity date	Value (CHF'000)
Mondelez International	Fixed	Corporations	30 March 2020	5,000
Deutsche Bank AG	Floating	Financial Institutions	16 May 2022	7,869
Bank of Nova Scotia	Floating	Financial Institutions	05 October 2022	8,566
ABN AMRO Bank N.V.	Floating	Financial Institutions	19 July 2022	7,863
Industrial & Commercial Bank of China, London	Floating	Financial Institutions	14 December 2022	4,914
European Investment Bank	Floating	Financial Institutions	24 March 2021	11,825
Intl Bk Recon & Develop	Floating	Financial Institutions	18 March 2020	19,658
Others				64,323
Total				<u>130,018</u>
Equivalent to HK\$'000				<u><u>1,034,773</u></u>

During the first half of 2019, Bendura Bank generated interest income of CHF1.5 million from those listed debt instruments. Besides, there was no impairment made. The fair value of other financial assets at amortized cost as at 30 June 2019 was CHF156.8 million.

Collectively, listed debt instruments at amortised cost accounted for 6.3% of the Group's total assets.

(d) *Financial assets at fair value through other comprehensive income of HK\$552,410,000*

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Listed equity instruments in Hong Kong	384,334	492,759
Listed equity instruments outside Hong Kong	162,386	128,730
Unlisted equity investments	5,690	5,711
	<u>552,410</u>	<u>627,200</u>

Listed equity instruments of HK\$162,386,000 related to investment in Citychamp Dartong and HK\$384,334,000 related to investment in Min Xin.

(3) Total liabilities

Total liabilities decreased to HK\$14,920,121,000 as at 30 June 2019 from HK\$15,448,738,000 as at 31 December 2018, mainly attributable to a decrease in due to clients of Bendura Bank.

Due to clients

	30 June 2019	31 December 2018	Increase/ (decrease) Amount	%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Due to clients precious metals	67,663	73,950	(6,287)	-8.5%
Other amounts due to clients, mainly bank deposits	11,818,414	12,430,641	(612,227)	-4.9%
	<u>11,886,077</u>	<u>12,504,591</u>	<u>(618,514)</u>	<u>-4.9%</u>

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

Gross profit from non-banking and financial businesses was HK\$688,365,000, a decrease of HK\$54,914,000 or 7.4%.

(5) EBITDA

EBITDA was HK\$258,479,000, a decrease of HK\$66,065,000 or 20.4%.

(6) Selling and distribution expenses

Total selling and distribution expenses was HK\$382,556,000, a decrease of HK\$35,159,000 or 8.4%. Rossini and EBOHR contributed selling and distribution expenses of HK\$161,483,000 and HK\$126,485,000 respectively.

(7) Administrative expenses

Total administrative expenses was HK\$400,138,000, an increase of HK\$39,036,000 or 10.8%. Rossini, EBOHR and Bendura Bank contributed administrative expenses of HK\$43,729,000, HK\$40,828,000 and HK\$141,692,000 respectively.

(8) Share of profit of associates

The share of profit of Fair Future Industrial Limited (“Fair Future”), a 25% owned associate of the Group, was HK\$6,756,000, representing an increase of HK\$1,478,000 or 28.0%. Fair Future is one of the leading OEM quartz watch manufacturers in Mainland China.

(9) Finance costs

Finance costs was HK\$40,882,000, representing an increase of HK\$13,569,000 or 49.7%. It was mainly composed of the interest charged on bank borrowings and bank overdrafts.

(10) Gearing ratios of non-banking business

As of 30 June 2019, the net debt balance of the non-banking business amounted to HK\$1,034,804,000 (30 June 2018: HK\$1,045,596,000). Net debt to equity ratio was 22.9% (30 June 2018: 23.6%).

(11) Net profit attributable to owners of the Company

Net profit attributable to owners of the Company was HK\$88,608,000, a decrease of HK\$78,492,000 or 47.0%.

(12) Inventories

Inventories was HK\$2,264,078,000, a decrease of 2.2% from HK\$2,314,545,000 as at 31 December 2018. Rossini, EBOHR and Corum contributed inventories of HK\$427,114,000, HK\$467,302,000 and HK\$442,745,000 respectively.

(13) Events after reporting period

On 16 July 2019, the Company entered into a facility agreement with a syndicate of financial institutions in respect of a 3-year term loan facility in the amount up to US\$150,000,000 (the “Loans”). The first withdrawal of the Loans was applied to redeem the CHF100,000,000 3.625% bonds due 24 July 2019 issued by Citychamp Watch and Jewellery SwissCo AG (the “CHF Bonds”).

On 24 July 2019, Citychamp Watch and Jewellery SwissCo AG redeemed and repaid all of the outstanding CHF Bonds at the principal amount of CHF100,000,000. The CHF Bonds are no longer listed and traded on the SIX Swiss Exchange.

REVIEW OF FINANCIAL STATEMENTS

The audit committee has reviewed the Group's unaudited financial statements for the six months ended 30 June 2019. Based on this review and discussions with the management, the audit committee was satisfied that the unaudited financial statements for the six months ended 30 June 2019 were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the six months ended 30 June 2019.

CORPORATE GOVERNANCE

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.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE PERFORMANCE

Good Environmental, Social and Governance, or ESG, practices have always been an integral part of the Group's business strategy and management approach. As a good corporate citizen, the Group contributes to the community that we operate our businesses.

We are committed to integrating sustainability into our core business activities and contributing to our community. We supported a wide range of philanthropic initiatives, with an emphasis on education and social welfare. Supporting our community and helping businesses and individuals realize their potential make what we do truly worthwhile. Specifically, Bendura Bank is working on the disclosure of an ESG rating for all financial instruments and investment solutions for their asset management and investment advice business so as to meet the future regulatory requirements. Besides, the Company participated in a "School-Company-Parent Program" held by the Young Entrepreneur Development Council and through the Program, our colleagues helped secondary school students build positive corporate spirits before they step into their career.

RISK MANAGEMENT

We monitor our risks and uncertainties facing the Group and formulate and adopt appropriate risk management measures against each principal risk and uncertainty. In view of our increasing focus on private banking, fund management and securities trading business, risk management will continue to be of great importance for the Group. To cope with the legal risks of money laundering and tax fraud, Bendura Bank reviews the business models of its customers and their structuring with regard to tax compliance. Customers with active economic activities (production, trade, services, etc.), particularly those domiciled in offshore jurisdictions, must prove that they have adequate assets (premises, infrastructure and qualified personnel). If the proof cannot be provided, Bendura Bank would terminate the business relationship and, if necessary, submit a report to the Financial Intelligence Unit.

OUTLOOK

The current spectre of the US-China trade dispute has contributed to affect the economic growth of Mainland China. In the first half of 2019, the economic growth rate was probably around 6.3%, that was the most sluggish in last decade. While this is in no way detrimental to the economy, it may affect income growth, employment outlook and consumer confidence. Coupled with high and rising levels of existing debt and the preference for individuals to save money amid economic uncertainties were limiting individuals' spending, they are likely to hold back private consumption.

In response to those issues, the central government has taken a series of steps to boost consumption, including cutting personal income taxes by a total of about RMB308 billion last year and offering purchasing subsidies. More target measures are expected to be rolled out in coming months after a new inter-ministerial body was set up recently to coordinate government efforts to support consumption.

In the long run, it is likely that the US-China trade dispute would be dealt with and the market conditions are expected to improve gradually when the consumer confidence is recovered and the demand for watches therefore grows modestly all over Mainland China.

Bendura Bank rank fourth among the 14 Liechtenstein banks in terms of profit after taxes. A total of 41 key employees of Bandura Bank still hold 15% of the shares of the Bank. The rigorous focus on expanding our core markets will be honed further by the opening of our representative office in Hong Kong in particular. Our expertise in the attractive Asian markets is also being continuously enhanced in the asset management, benefiting our clients above all.

The recent interest rate cuts in the US and in Europe are likely to have an adverse effect on the net interest income of Bendura Bank but not our commission related businesses. Given the current momentum of growth, Bendura Bank becomes an increasingly important revenue and profit driver of the Group.

The global economy has continued to grow, but geopolitical uncertainties and the spectre of trade protectionism remain. Undoubtedly, there will be shocks and bumps along the way for the watches and timepieces businesses and the finance and banking businesses. While we are fully aware of the key issues and risks, we believe that the opportunities in our markets remain substantial and the work that we have done in recent years in enhancing our capabilities and strengthening in our resilience puts us now in a better place to capture them. We are confident that as we execute our strategic objectives with discipline and passion, and we will generate sustainable growth and create long-term value for all our stakeholders.

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 2019, the Group had approximately 4,400 full-time staff in Hong Kong and Mainland China and approximately 360 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 bonuses 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 Board has resolved not to distribute an interim dividend for the six months ended 30 June 2019 (Six months ended 30 June 2018: Nil).

CORPORATE GOVERNANCE CODE

During the six months period ended 30 June 2019, 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. The Chairman of the board of director of the Company was unable to attend the annual general meeting of the Company held on 30 May 2019 (the "AGM 2019") 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. Three independent non-executive directors did not attend the AGM 2019 due to other business engagements.

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 2019.

BOARD COMMITTEES

Audit Committee

The audit committee of the Company currently comprises following members:

Independent Non-executive Directors

Fung Tze Wa (*Committee Chairman*)

Kwong Chun Wai, Michael

Zhang Bin

Rudolf Heinrich Escher

During the period under review, the audit committee met with the Company's external auditor, the board of directors and senior management. The audit committee reviewed the financial reporting and other information to shareholders (including a review of the unaudited financial statements for the six months ended 30 June 2019), the accounting system, the system of internal controls and performed other duties set out in the terms of reference. The audit committee also reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the board of directors and senior management of the Company.

Remuneration Committee

The remuneration committee of the Company currently comprises following members:

Independent Non-executive Directors

Fung Tze Wa (*Committee Chairman*)

Kwong Chun Wai, Michael

Zhang Bin

Rudolf Heinrich Escher

Executive Directors

Hon Kwok Lung

Shang Jianguang

The remuneration committee 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 remuneration committee also makes recommendations to the board on the remuneration packages of individual executive directors and senior management. The remuneration committee ensures that no director or any of his/her associates is involved in deciding his/her own remuneration.

Nomination Committee

The nomination committee of the Company currently comprises following members:

Executive Directors

Hon Kwok Lung (*Committee Chairman*)

Shang Jianguang

Independent Non-executive Directors

Fung Tze Wa

Kwong Chun Wai, Michael

Zhang Bin

Rudolf Heinrich Escher

The principal duties of the nomination committee are to review the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, independence from or relationship with other members of the Board, experience (professional or otherwise), skills, knowledge and length of service) 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 nomination committee also develops, maintains and reviews the board diversity policy. The nomination committee is also responsible for assessing the independence of independent non-executive directors.

Risk Management Committee

The risk management committee currently comprises following members:

Executive Directors

Sit Lai Hei (*Committee Chairman*)

Shi Tao

Lam Toi Man

Bi Bo

The principal duties of the risk management committee 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.

BUY-BACK, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2019, the Company did not buy back any Company's listed shares (whether on the Stock Exchange or otherwise).

PUBLICATION OF 2019 INTERIM RESULTS AND 2019 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The 2019 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 2019 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. Our 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, 29 August 2019

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. Teguh Halim 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.