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 2014

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 2014 together with comparative figures for the corresponding period in 2013.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**1,722,042**	1,302,942
Cost of sales		**(847,419)**	(630,957)
Gross profit		**874,623**	671,985
Other income and financial income		**40,787**	27,505
Selling and distribution expenses		**(410,907)**	(307,875)
Administrative expenses		**(331,533)**	(215,322)
Loss on fair value changes in financial assets at fair value through profit or loss, net		**(343)**	(16,714)
Dividend income from available-for-sale financial assets		**–**	30,965
Gain on disposal of available-for-sale financial assets	*11*	**163,542**	327,763
Gain on disposal of a subsidiary	*12.2*	**15,859**	–
Gain on fair value changes in derivative financial instruments		**12,001**	1,625
Share of profit of associates		**6,551**	6,433
Finance costs	*6*	**(20,560)**	(14,660)
Profit before income tax	*7*	**350,020**	511,705
Income tax expense	*8*	**(76,400)**	(89,860)
Profit for the period		**273,620**	421,845

	Notes	Six months ended 30 June 2014 HK$'000 (Unaudited)	2013 HK$'000 (Unaudited)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
– Exchange gain on translation of financial statements of foreign operations		**3,740**	15,982
– Release of exchange fluctuation reserve to profit or loss on disposal of a subsidiary	*12.2*	**(2,015)**	–
– Release of investment revaluation reserve upon disposal	*11*	**(163,542)**	(327,763)
– Changes in fair value of available-for-sale financial assets		**(126,935)**	301,391
Other comprehensive income for the period		**(288,752)**	(10,390)
Total comprehensive income for the period		**(15,132)**	411,455
Profit for the period attributable to:			
Owners of the Company		**254,485**	403,386
Non-controlling interests		**19,135**	18,459
		273,620	421,845
Total comprehensive income for the period attributable to:			
Owners of the Company		**(34,676)**	391,364
Non-controlling interests		**19,544**	20,091
		(15,132)	411,455
Earnings per share attributable to owners of the Company during the period	*10*		
– Basic		**HK 5.56 cents**	HK 9.35 cents
– Diluted		**HK 5.55 cents**	HK 9.32 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	**30 June 2014 HK$'000 (Unaudited)**	31 December 2013 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**588,770**	553,193
Investment properties		**109,097**	109,097
Prepaid land lease payments		**38,397**	38,921
Goodwill	*13*	**791,031**	670,777
Interests in associates		**76,754**	70,203
Available-for-sale financial assets		**192,803**	699,408
Intangible assets		**394,841**	278,263
Prepayments and deposits		**21,969**	26,771
Deferred tax assets		**1,344**	1,344
		2,215,006	2,447,977
Current assets			
Inventories		**2,080,084**	1,987,473
Trade receivables	*14*	**776,374**	633,269
Prepaid land lease payments		**935**	935
Prepayments, deposits and other receivables		**416,377**	250,782
Financial assets at fair value through profit or loss		**214,093**	214,302
Short-term investments		**–**	55,696
Cash and cash equivalents		**809,515**	471,621
		4,297,378	3,614,078
Assets of a disposal group classified as held for sale	*12.1*	**–**	211,576
		4,297,378	3,825,654

	Notes	**30 June 2014 HK$'000 (Unaudited)**	31 December 2013 HK$'000 (Audited)
Current liabilities			
Trade payables	*15*	**391,089**	400,456
Other payables and accruals		**618,470**	368,546
Dividend payables		**453**	453
Tax payables		**45,028**	60,373
Borrowings		**375,243**	231,011
Derivative financial instruments		**31,339**	49,450
Due to associates		**9,122**	92,545
Due to related companies		**12,821**	12,821
		1,483,565	1,215,655
Liabilities of a disposal group classified as held for sale	*12.1*	**–**	55,523
		1,483,565	1,271,178
Net current assets		**2,813,813**	2,554,476
Total assets less current liabilities		**5,028,819**	5,002,453
Non-current liabilities			
Other payables		**43,718**	48,937
Borrowings		**693,418**	366,779
Deferred tax liabilities		**48,890**	24,693
		786,026	440,409
Net assets		**4,242,793**	4,562,044

	30 June 2014	31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
EQUITY		
Equity attributable to owners of the Company		
Share capital	**440,610**	472,840
Reserves	**3,584,568**	3,842,239
	4,025,178	4,315,079
Non-controlling interests	**217,615**	246,965
Total equity	**4,242,793**	4,562,044

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2014

1. GENERAL INFORMATION

Pursuant to the passing of a special resolution at the Annual General Meeting held on 21 May 2014, the English name of the Company was changed from "CHINA HAIDIAN HOLDINGS LIMITED" to "CITYCHAMP WATCH & JEWELLERY GROUP LIMITED" and the Chinese name of the Company was changed from "中國海澱集團有限公司" to "冠城鐘錶珠寶有限公司". The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies of the Cayman Islands on 26 May 2014.

As disclosed in note 1 to the annual financial statements of the Group for the year ended 31 December 2013 (the "2013 Annual Financial Statements"), on 23 September 2013, the Group entered into an agreement with third parties to sell its 51% equity interest in Ruihuang (Chongqing) Watch Company Limited ("Ruihuang") together with the assignment of the loans from the group companies, unpaid dividend and selling and distribution networks at the total consideration of RMB100,523,000 (equivalent to approximately HK$127,245,000). The Group completed the disposal of its 51% equity in Ruihuang on 17 June 2014.

Other than the aforementioned disposal of Ruihuang and the acquisition of The Dreyfuss Group Limited and its subsidiaries (collectively referred to as "Dreyfuss") as disclosed in note 16 to the unaudited condensed interim financial information (the "Unaudited Interim Financial Information"), there were no other significant changes in the Group's operations during the period.

2. BASIS OF PREPARATION

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 Statements 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 2014 was approved for issue by the board of directors on 29 August 2014.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Unaudited Interim Financial Information has been prepared in accordance with the accounting policies and method of computation used in the 2013 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 2013 Annual Financial Statements.

4. SEGMENT INFORMATION

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

(a) manufacture and distribution of watches and timepieces;

(b) property investment; and

(c) distribution of yacht.

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

4. SEGMENT INFORMATION *(CONTINUED)*

	Six months ended 30 June 2014			
	Watches and timepiece	**Property investment**	**Yacht**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Segment revenue and income:				
Sales to external customers	**1,704,274**	**7,968**	**9,800**	**1,722,042**
Other income and financial income	**36,783**	**688**	**–**	**37,471**
Total	**1,741,057**	**8,656**	**9,800**	**1,759,513**
Segment results	**232,592**	**(792)**	**(1,561)**	**230,239**
Unallocated corporate income and expenses, net				**(45,611)**
Share of profit of associates				**6,551**
Gain on disposal of available-for-sale financial assets				**163,542**
Gain on disposal of a subsidiary				**15,859**
Finance costs				**(20,560)**
Profit before income tax				**350,020**
Income tax expense				**(76,400)**
Profit for the period				**273,620**

4. SEGMENT INFORMATION *(CONTINUED)*

	Six months ended 30 June 2013			
	Watches and timepiece	Property investment	Yacht	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue and income:				
Sales to external customers	1,294,828	8,114	–	1,302,942
Other income and financial income	24,614	1,794	–	26,408
Total	1,319,442	9,908	–	1,329,350
Segment results	229,303	1,071	(1,135)	229,239
Unallocated corporate income and expenses, net				(37,070)
Share of profit of associates				6,433
Gain on disposal of available-for-sale financial assets				327,763
Finance costs				(14,660)
Profit before income tax				511,705
Income tax expense				(89,860)
Profit for the period				421,845

5. REVENUE

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sale of goods	**1,714,074**	1,294,828
Gross rental income	**7,968**	8,114
	1,722,042	1,302,942

6. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interests charged on bank borrowings	**20,560**	14,660

7. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation	**35,516**	19,720
Amortisation of prepaid land lease payments	**524**	370
Amortisation of intangible assets	**8,778**	6,532

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Current tax for the period		
PRC	**75,821**	89,762
Switzerland	**579**	98
Total income tax expense	**76,400**	89,860

Hong Kong profit tax was provided at the rate of 16.5% on the estimated assessable profit arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for both the six months ended 30 June 2014 and 2013.

The subsidiaries established in the PRC are subject to income taxes at tax rates ranging between 15% and 25% (Six months ended 30 June 2013: between 15% and 25%). Overseas tax is calculated at the rates applicable in the respective jurisdictions.

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

9. DIVIDENDS

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim dividends of HK3.6 cents per ordinary share (six months ended 30 June 2013: Nil)	**158,620**	–

At the board meeting held on 29 August 2014, the directors have declared the payment of an interim dividend of HK3.6 cents per ordinary share (six months ended 30 June 2013: Nil). No liability is recorded in the Unaudited Interim Financial Information in respect of this dividend for the six months ended 30 June 2014.

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	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share:	**254,485**	403,386

	Number of shares Six months ended 30 June	
	2014	2013
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**4,575,310**	4,315,844
Effect of dilutive potential ordinary shares:		
– share options issued by the Company	**10,676**	11,727
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**4,585,986**	4,327,571

11 GAIN ON DISPOSAL OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

On 13 June 2014, the Group completed the disposal of 55,000,000 shares of Citychamp Dartong Company Limited (referred to as the "Citychamp Dartong Shares") (six months ended 30 June 2013: 58,600,000 Citychamp Dartong Shares) at a cash consideration of RMB302,104,000 (equivalent to HK$379,671,000) (six months ended 30 June 2013: RMB441,487,000, equivalent to HK$558,040,000). Details of the completion of the disposal of Citychamp Dartong Shares are set out in the Company's announcement dated 13 June 2014. The related cumulative gain previously recognised in other comprehensive income of HK$163,542,000 (six months ended 30 June 2013: HK$327,763,000) was reclassified from the investment revaluation reserve to profit or loss for the period.

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

12.1 Assets or liabilities of a disposal of group classified as held for sale

As mentioned in note 1, the Group entered into an agreement with third parties to sell its 51% equity interest in Ruihuang on 23 September 2013. The assets and liabilities of Ruihuang were presented under assets or liabilities of a disposal group classified as held for sale as at 31 December 2013.

The disposal of Ruihuang was completed on 17 June 2014. Details of the Group's gain on disposal of a subsidiary was set out in note 12.2.

12.2 Gain on disposal of a subsidiary, Ruihuang for the six months ended 30 June 2014 is as follows:

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

13. GOODWILL

	30 June 2014 HK$'000 (Unaudited)	31 December 2013 HK$'000 (Audited)
Balance at the beginning of period/year	**670,777**	621,382
Acquisition of subsidiaries *(note 16)*	**120,254**	49,395
Balance at the end of period/year	**791,031**	670,777

14. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for certain customers, where payment in advance is required. The credit period is generally for a period of one to six months (31 December 2013: one to six months) for major customers. Each customer has a maximum credit limit. The credit term for customers is determined by the management according to various market criteria.

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

	30 June 2014 HK$'000 (Unaudited)	31 December 2013 HK$'000 (Audited)
1 to 3 months	**601,602**	471,195
4 to 6 months	**65,262**	84,981
Over 6 months	**109,510**	77,093
	776,374	633,269

15. TRADE PAYABLES

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

	30 June 2014	31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
1 to 3 months	**318,400**	385,583
4 to 6 months	**49,306**	13,193
Over 6 months	**23,383**	1,680
	391,089	400,456

16. ACQUISITION OF SUBSIDIARIES

On 11 April 2014, the Company acquired the entire equity interests of Dreyfuss which is principally engaged in watch design and selling, both to the United Kingdom and overseas markets, and of watch manufacturing and repair. Following the acquisition, the Company owned the entire equity interest in Dreyfuss and obtained the controls over Dreyfuss through the Company's right to nominate all the members of Dreyfuss's board of directors, and Dreyfuss became the wholly-owned subsidiaries of the Company. The acquisition of Dreyfuss was made with the aim to expand the Group's manufacture and distribution of watches and timepieces business.

16. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

	HK$'000 (Unaudited)
Cash consideration paid	208,745
Consideration payable	143,396
Total consideration	352,141
Less: Fair value of net assets acquired	(231,887)
Goodwill	120,254

Total purchase consideration is GBP27,000,000 (equivalent to approximately HK$352,141,000) in which GBP16,000,000 (equivalent to approximately HK$208,745,000) was paid during the six months ended 30 June 2014, GBP6,000,000 (equivalent to approximately HK$78,216,000) will be paid in August 2014 and GBP5,000,000 (equivalent to approximately HK$65,180,000) will be paid in June 2015.

The goodwill of HK$120,254,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

Pursuant to the acquisition agreement, the total consideration would be adjusted if a number of conditions precedent cannot be satisfied by Dreyfuss. Details of the conditions precedent are set out in the sub-section with the heading "Adjustments to the Consideration" in the Company's announcement dated 11 April 2014.

Dreyfuss contributed revenue of approximately HK$62,918,000 and net loss of approximately HK$7,509,000 to the Group for the six months ended 30 June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

The Group achieved significant growth and reached the following remarkable milestones in the first half of 2014.

First, we realised a compound growth rate of revenue at around 40% p.a. over the last 5 years. Second, as facilitated by the continuous economic growth, the growth of Rossini and EBOHR accelerated and they continued to gain market share domestically through product and market development. Third, after the management change and product development, both Eterna and Corum started to regain momentum. Essentially, we have restructured these businesses and positioned them for strong improvement in the medium term. Fourth, we acquired The Dreyfuss Group Limited that distributed its three brands of watches globally. Being strong in the UK markets, their mid-priced watches are considered particularly relevant to the Mainland Chinese markets that our Group can help them generate revenue and profit. Essentially, as evidenced by these milestones achieved, the Group has already travelled along a journey that would provide full benefits of sustainable growth.

For the six months ended 30 June 2014, the Group recorded an unaudited revenue of approximately HK$1,722,042,000 (six months ended 30 June 2013: HK$1,302,942,000), an increase of HK$419,100,000 or 32% compared with the corresponding period last year. Gross profit for the period was approximately HK$874,623,000 (six months ended 30 June 2013: HK$671,985,000), an increase of HK$202,638,000 or 30% compared with the corresponding period last year. Net profit attributable to owners of the Company for the period was approximately HK$254,485,000 (six months ended 30 June 2013: HK$403,386,000), a decrease of HK$148,901,000 or 37% compared with the corresponding period last year. Having set apart the gain on the disposal of shares of Citychamp Dartong Company Limited after tax, the Group should have an increase of net profit attributable to owners of the Company of HK$2,565,000. Net asset value per share was HK$0.96 (31 December 2013: HK$0.96).

BUSINESS REVIEW

(1) Watches and Timepieces – Proprietary Brands

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

Zhuhai Rossini Watch Industry Ltd.

Zhuhai Rossini Watch Industry Ltd. ("Rossini"), a 91%-owned subsidiary of the Group, achieved impressive result in the first half of 2014. Revenue in the first half of 2014 was HK$520,748,000, an increase of HK$73,469,000, or 16%, from HK$447,279,000 for the same period last year. Net profit after tax attributable to owners of the Company (equity interest of 91%) for the first half of 2014 was HK$162,844,000 compared with HK$139,930,000 for the same period last year, an increase of HK$22,914,000, or 16%.

Rossini materially outperformed its peers in Mainland China owing to the continued distribution development and brand elevation.

During the period, Rossini has increased its number of distribution outlets by 156. The total number of distribution outlets as of 30 June 2014 was 2,504 including 1,383 direct-sale stores and consignees, 1,115 authorised dealers and 6 boutiques. Rossini's extensive distribution network of outlets, which is one of the largest among competitors, should drive further revenue and market share in the fragmented watch market of Mainland China. The growth outlook for distribution outlets is promising as Rossini watches offer product diversity in design and style to attract Chinese consumers with different tastes and preference, through which Rossini watches are able to reach a wide range of consumers across different economic and age groups.

Internet sales, through the online stores on major E-commerce platform in Mainland China, increased to HK$54,145,000 from HK$26,401,000 in the same period last year representing substantial increase of its respective proportion of total revenue from 6% to 10%. Unique product lines, that are different than those available in the physical distribution outlets, are developed for Internet sales. While the Internet sale is a powerful tool to extend the customer reach targeting the group of younger customers aged 18 to 25, it is considered complementary to the sales from physical distribution outlets and expected to grow significantly. The customer consumption data and feedback from the Internet sale is also useful for planning strategy and generating revenue from physical distribution outlets. Given the current growth momentum, we expect that the proportion of Internet sales would continue to increase in the next few years.

The watch museum at the headquarters attracted an increasing number of tourists. During the period, around 35,000 tourists visited the watch museum and the in-house distribution outlets at the headquarters; they contributed.revenue of more than HK$4,430,000. Rossini will devote stronger efforts to attracting tourists and generating revenue.

In order to promote the brand awareness and image, Rossini has partnered with a well-known Chinese artist as its brand ambassador, who attended various marketing functions and participated in advertisement and television commercial.

Rossini has established a post-doctoral innovation and practice institute in cooperation with an university that invited post-doctoral researchers in conducting different researches on certain components and materials. Results of those studies, representing frontiers of technology for watch, were applied to product development that helped elevate the Rossini brand. During the period, 30 new models have been developed.

Rossini has been awarded China's 500 most valuable brands of the year 2014, with brand value exceeding RMB6.6 billion ranking the 1st in the watch industry of Mainland China by the World Brand Laboratory.

Rossini continues to be a successful company with well-articulated strategy centred on distribution development and brand elevation. It offers a business model with products present in all price segments, strong pricing power and with continued expansion all over Mainland China.

EBOHR Group

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

Revenue for the first half of 2014 was HK$377,139,000, an increase of HK$42,491,000, or 13%, from HK$334,648,000 for the same period last year. Net profit after tax for the first half of 2014 was HK$99,583,000, compared with HK$83,089,000 for the same period in 2013, an increase of HK$16,494,000, or 20%.

During the period, there was an net increase of 109 distribution outlets. The total number of distribution outlets as of 30 June 2014 was 2,204 including 1,533 direct-sale stores and consignees and 671 authorised dealers. Increase in distribution outlets was primarily in second- and third-tier cities. Such expansion would be particularly relevant to meet the increased demand for EBOHR watch in those cities.

In order to increase the number of authorized dealers, EBOHR not only improved the communication but also provided them with more incentives and support such as supply of products and provision of marketing materials.

Internet sales was HK$42,125,000 for the first half of 2014 (six months ended 30 June 2013: HK$26,462,000) and respective proportion of total revenue increased from 8% for the same period last year to 11% this year. EBOHR put efforts in developing brand awareness among Internet users by expanding the online presence through popular social media and hence generated strong Internet sale. Through its own marketing information and market research, EBOHR supplies the appropriate products for the Internet sales to maximize the extent of Internet sales. Most importantly, EBOHR has recruited experienced professionals to handle the increasingly important Internet sales.

Creative, attractive and stylish product design is one of the core competencies of EBOHR. The design team is keeping track on customers' tastes and the fast-changing trends in Mainland China. With additional product lines introduced, EBOHR streamlined the existing product lines so that it could focus on the performing product lines and thus more effectively monitor the inventory level. In addition to the product lines for the mass market, EBOHR focused a few product lines such as watches with gold case, exclusive mechanical movement, and Nano-coating, watches focusing on business women and big watches for gentlemen.

There were two reasons for the increase in inventory. Firstly, there was a significant increase in number of directly managed distribution outlets. Secondly, in order to activate the development and production of new products, relatively more watches were produced but had not been sold to ultimate customers yet. EBOHR provided over 1,000 i-pad to enhance sales efficiency at distribution outlet level, improve overall inventory management with more rapid information exchange between the distribution outlet, the regional sale office and the headquarters. Besides, EBOHR put increasingly strong efforts to clear old inventory and hence, it is expected that the level of inventory would be gradually in line with revenue generated in the medium term.

EBOHR has been awarded China's 500 most valuable brands of the year 2014, with the brand value exceeding RMB4.4 billions, by the World Brand Laboratory. EBOHR also received various provincial and city awards for its brand and achievement.

Swiss Chronometric AG, a subsidiary 100% owned by the Group through EBOHR, manufactures and distributes Codex watches in Switzerland. Codex is now gaining increasingly strong recognition in Lucerne and Mainland China. Revenue increased but administrative expenses decreased for the period as Swiss Chronometric further streamlined the Swiss operation. Loss for the period was HK$361,000 compared with HK$3,583,000 for the same period last year.

Eterna Group

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

The first half of 2014 was still a period of transition for Eterna and Eterna Movement. Eterna underwent restructuring with changes in business strategies and the management teams. The brand was essentially repositioned and their average price levels were reduced so as to cater for the mass markets. Eterna went through the short-term difficulty with a view to enhance brand equity and to expand margin in the medium term. Eterna Movement commenced production of the first batch of 5,000 pieces of Calibre 39.

As of 30 June 2014, there were 264 distribution outlets for Eterna (31 December 2013: 235), of which 232, 8, 20 and 4 were in Europe, America, Middle East and Africa respectively.

Eterna (Asia) continued to build brand awareness by increasing visibility in the Asian markets and upgrading brand image through integrated marketing campaigns. Subsidiaries in Beijing and Shanghai were fully operational to cater for the increasing demand for Swiss-made watches there. Leading department stores in the prime locations or the first-tier cities were the priorities for development. Besides, the long term value of teaming up with strategic partners was also considered. As of 30 June 2014, there were 49 distribution outlets (31 December 2013: 31), of which 13, 35 and 1 were in Hong Kong and Macau, Mainland China and Taiwan respectively.

Eterna watch focuses on three product segments, namely: mechanical watches with Eterna movement, mechanical watches with purchased movement and quartz watches. New products from those three segments have been developed and presented to the market during the Baselworld 2014. In additions, new marketing campaigns for branding and strategic marketing including sponsorships, joint promotions and exhibitions have been launched in 2014 in Europe, Hong Kong and Mainland China. Eterna was confident it could regain market share in the central European markets and re-establish itself as a powerful brand in that region.

Eterna Group contributed revenue and net loss after tax of approximately HK$34,979,000 (six months ended 30 June 2013: HK$26,281,000) and HK$30,922,000 (six months ended 30 June 2013: HK$80,002,000) respectively. The loss in the first half of 2014 was reduced significantly. The net loss was due to the new product development cost, new market development cost, and in particular promotional and advertising cost incurred for the branding and strategic marketing activities conducted in Mainland China and Hong Kong. Given the increasingly strong revenue being generated from Hong Kong, Mainland China and overseas, Eterna is expected to achieve breakeven in one or two years.

Montres Corum Sàrl

Montres Corum Sàrl ("the Corum Group") is principally engaged in the development, manufacture and sale of Swiss luxury timepieces through its global distribution network with its history dating back to its origin in 1924. It owns a renowned Swiss elite luxury watch brand, Corum, together with a proprietary portfolio of innovative and technical movements. Its technical craftsmanship and non-traditional designs are especially well reflected in its original and unique in-line baguette shaped movements, which are housed in four-sided transparent cases to highlight the innovative mechanisms. It sells its watches through an exclusive global distribution network of five premier branded boutiques and approximately 600 high-end, independent specialty retailers in over 90 countries.

The Corum Group was led by a team of executives from Switzerland and the holding company. The new management team worked to revitalize its business model through product development, production, brand position, distribution, team building and management.

Marketing campaigns, based on products with its original DNA, were primarily focused on the USA, Asia and travel retail with Asian, Russian and Arab clienteles. Brand collaborations would also priorities as they were considered cost-effective in promoting the brand image and generating immediate revenue.

Following the investments in the global infrastructure, people, and process, the Corum Group began to show improved results both in revenue generation and cost reduction in 2014.

Corum Group contributed revenue and net loss after tax of approximately HK$173,508,000 and HK$83,297,000 respectively. Leveraging on the Group's existing expertise and resources of extensive distribution channels in Mainland China, Corum is expected to be able quickly build its own distribution channels in Mainland China and benefit from the enormous potential of Mainland China's unique watch market.

The Dreyfuss Group Limited

On 11 April 2014, the Group acquired 100% interest in The Dreyfuss Group Limited (the "Dreyfuss Group") at a total consideration of GBP27,000,000 (equivalent to HK$352,141,000). The Dreyfuss Group was founded in 1895 and is principally engaged in watch design and selling, both to the United Kingdom and overseas markets, and watch manufacturing and repair. Its brand portfolio includes Swiss mid-market Rotary brand, Swiss premium Dreyfuss & Co. brand and English premium J & T Windmills brand. Their watches are distributed over 45 countries through a mix of approximately 4,550 regional retailers and third party distributors. Rotary is the No. 1 Swiss watch brand by sales value in the mid-market sector in the United Kingdom, through high street watch and jewellery chains, independent stores and other specialty channels such as catalogues, mail order, television channels, cruise ships, airport shops and airlines. Dreyfus Group was awarded the UK's most prestigious accolade for businesses headquartered in the UK, the Queen's Award for Enterprise: International Trade in April 2014 by Queen Elizabeth II, reflecting its substantial growth in overseas markets and its largest single market in the UK.

There is huge untapped demand among Asian mid-market consumers for their affordable Swiss made range of timepieces backed up by over 118 years of Swiss watch making heritage and credentials. The strategy lies behind Rotary's recent signing of a four year sponsorship deal with a Chelsea Football Club as its Global Official Timekeeper, which has a huge, highly engaged and fast-growing aspirational Asian fan base which will, by association, fuel high levels of brand awareness for Rotary in this all important region.

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

While being the No. 1 Swiss watch brand in England in terms of sales volume, the Dreyfuss Group was very keen on the development of the overseas markets. In the first half of 2014, its markets were extended as far as Saudi Arabia and Israel. E-commerce websites for the UK and US markets would be fully operational in the second half of 2014.

Dreyfuss Group contributed revenue and net loss after tax of approximately HK$62,918,000 and HK$7,509,000. The net loss was due to the promotional and advertising cost incurred for the branding and strategic marketing activities conducted in England and selected countries. It is the objective of the Dreyfuss Group to expand the distribution network significantly within a couple of years.

Pursuant to the acquisition agreement, the consideration for acquiring the entire share capital of the Dreyfuss Group was GBP27,000,000. GBP16,000,000 has been paid on the completion of the acquisition, GBP6,000,000 (the "Tranche 1 Deferred Consideration") and GBP5,000,000 (the "Tranche 2 Deferred Consideration") would be deferred and paid on two agreed dates, respectively. The Tranche 1 Deferred Consideration was subject to the actual performance of the Dreyfuss Group and might be deducted by the amount equivalent to the aggregate shortfall if the Dreyfuss Group failed to meet the agreed performance targets. The target consolidated profit after taxation for the year ended 31 December 2013 was GBP2,150,000, but the actual consolidated profit after taxation was approximately GBP2,120,000. Hence the shortfall was GBP30,000. The target consolidated net asset value as at 31 December 2013 was GBP10,200,000 and the actual consolidated net asset value was GBP10,700,000. The target debt less cash as at 28 February 2014 was GBP900,000 and the actual debt less cash was approximately GBP400,000. Consequently, the Tranche 1 Deferred Consideration would be deducted by the aggregate shortfall of GBP30,000 pursuant to the acquisition agreement. The amount of Tranche 2 Deferred Consideration would be subject to the actual performance of the Dreyfuss Group for the year ended 31 December 2014. The target consolidated profit after taxation for the year ended 31 December 2014 is GBP3,000,000 and the target consolidated net assets as at 31 December 2014 is GBP13,200,000.

(2) Watches and Timepieces – Non-Proprietary Brands

After the disposal of Ruihuang (Chongqing) Watch Co., Ltd, the Group now has six distribution companies to develop more market share in distribution of non-proprietary brands in different provinces and cities. Through these watch distribution companies, which have around 200 self-owned brand image retail shops and distribution outlets, the Group distribute over 25 international brands in Beijing, Fujian, Guangdong, Henan, Jilin, Liaoning, Shenyang and other leading cities in Mainland China.

As our management teams of the distribution companies are talented professionals with substantial industry and market knowledge and extensive contacts, these distribution companies are well poised to expand the distribution network in catering to the insatiable demand for luxury branded products in their designated territories.

Except for Permanence, all distribution companies are 51% owned by the Group. These distribution companies are different in the brands they distribute and in the regions they focus on. Collectively, they contributed revenue and net profit after tax for the first half of 2014 of HK$489,192,000 (six months ended 30 June 2013: HK$441,718,000) and HK$4,698,000 (six months ended 30 June 2013: HK$7,930,000) respectively. Revenue increased in line with the expanded brand portfolio and distribution network. Net profit after tax decreased due to the challenging business environment.

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

Pursuant to certain joint venture agreements, PRC partners have guaranteed the targeted profit after tax (the "Guaranteed Profit") of certain distribution companies, and agreed to compensate the Group the shortfall on a dollar-to-dollar basis in the event that the actual profit after tax of those distribution companies is less than the Guaranteed Profit.

Those distribution companies generate revenue from the Mainland China which was adversely affected by the relatively slow economic growth in 2013. Due to such economic situation and the anti-corruption policy adopted by the PRC Central Government, the demand for the imported mid-range and high-end watches was weakened in the Mainland China market and it affected the performance of the distribution companies.

The Guaranteed Profit for the year ended 31 December 2013 guaranteed by Beijing Haina Tianshi Watch Co., Ltd ("Beijing Haina") was RMB26,000,000 but the actual profit after tax for the year was RMB5,464,000. Hence, the shortfall was RMB20,536,000. The PRC partner of Beijing Haina should compensate the Group RMB10,473,000, equivalent to 51% of the shortfall, in accordance to the joint venture agreement. The PRC partner of Beijing Haina has not yet settled the compensation as of the date of this announcement.

The Guaranteed Profit for the year ended 31 December 2013 guaranteed by Henan Jinjue Enterprise Co., Ltd ("Henan Jinjue") was RMB15,600,000 but the actual profit after tax for the year was RMB3,701,000. Hence, the shortfall was RMB11,899,000. The PRC partner of Henan Jinjue should compensate the Group RMB6,068,000, equivalent to 51% of the shortfall, in accordance to the joint venture agreement. The PRC partner of Henan Jinjue has already settled RMB3,500,000 as of the date of this announcement.

The Group has negotiated on the arrangement of compensation with the PRC partners and partial compensation has been received. The Group shall continue to exercise the right to obtain the compensation from PRC partners, and it is expected that it will be completed by the end of 2014.

Our distribution companies continued to expand product lines and widen customer base. However, they performed below its expectation partially due to the currently challenging environment for the imported watches in Mainland China. In the medium term, the revenue is expected to continue to increase due to favorable government policies such as ongoing reduction of import duties, continuous economic growth, rapid urbanization, increased disposable income and most importantly, increasing demand for luxury goods.

(3) Watches and Timepieces – Production

The Group has the capability to produce mechanical movement ranging from basic mechanical movement to tourbillon and fashion watch on OEM basis for leading global brands at competitive cost.

Guangzhou Five Goat Watch Company Limited

Guangzhou Five Goat Watch Company Limited ("Five Goat"), a 78% owned subsidiary of the Group, is engaged in the manufacture and distribution of mechanical movement and watch and owns two watch brands, namely, Guangzhou and Dixmont. The turbillon movement was well accepted by the market and hence, among other mechanical movements, over 600 turbillon movements were produced in the first half of 2014. As of 30 June 2014, Five Goat distributed watches through 15 distribution outlets (31 December 2013: 12) and 1 e-commerce platform. Five Goat contributed revenue, of which 90% from mechanical movement and 10% from watch, and net profit after tax of approximately HK$30,309,000 (six months ended 30 June 2013: 37,662,000) and HK$3,503,000 (six months ended 30 June 2013: 3,935,000) respectively in the first half of 2014.

Fair Future Industrial Limited

Fair Future Industrial Limited ("Fair Future"), a 25% owned associate of the Group, is engaged in the manufacture of watches and accessories of watches for a well-known Japanese brand on an OEM basis. Creative and stylish design is one of the core-competence of Fair Future. With a design team in excess of 50 professionals well attuned to the changing consumer behavior around the world, Fair Future has made product portfolios that are well received by the OEM customers. Coupled with good quality and cost control, Fair Future is well positioned for sustainable development.

Fair Future contributed net profit after tax for the first half of 2014 of HK$6,551,000 (six months ended 30 June 2013: HK$6,433,000).

There was no issue of compensation for Fair Future as the guaranteed profit for the year ended 31 December 2013 had been duly fulfilled.

(4) Investment in Citychamp Dartong Company Limited ("Citychamp Dartong")

On 27 February 2014, Citychamp Dartong announced its results under PRC GAAP for the year ended 31 December 2013. Consolidated profit was RMB1,284,801,000, in which RMB1,277,775,000 was attributable to owners of Citychamp Dartong. On 12 June 2014, 55,000,000 shares of Citychamp Dartong were disposed and the Group generated net profit after tax of HK$146,103,000. As at 30 June 2014, there were 30,389,058 shares of Citychanp Dartong with a market value of HK$192,721,000 owned by the Group.

(5) Property Investment

The factory complex in Dongguan, the property on Yan He South Road, Luohu District, Shenzhen, three shop units on Xianghua Road, Zhuhai, in Guangdong Province of Mainland China, and one apartment in Hong Kong owned by the Group have been leased out, with stable rental returns to the Group for the period under review. During the period, these investment properties generated rental income of HK$3,030,000 (six months ended 30 June 2013: HK$2,900,000).

(6) Motor Yacht

Chart Victory Limited ("Chart Victory") will consider terminate the motor yacht distribution business. During the period, Chart Victory incurred net loss after tax of approximately HK$1,561,000 (six months ended 30 June 2013: HK$1,135,000). One motor yacht was sold during the period and the last one was treated as inventory.

Financial Position

(1) Liquidity, Financial Resources and Capital Structure

As at 30 June 2014, the Group had non-pledged cash and cash equivalents of approximately HK$809,515,000 (31 December 2013: HK$471,621,000). Based on the borrowings of HK$1,068,661,000 (31 December 2013: HK$597,790,000) and shareholders' equity of HK$4,025,178,000 (31 December 2013: HK$4,315,079,000), the Group's gearing ratio (being loans divided by Shareholders' equity) was 27% (31 December 2013: 14%). The increase in borrowings was used to provide additional working capital required to finance the continuous expansion and growth of the Group.

As at 30 June 2014, 35% (31 December 2013: 39%) of all borrowings were repayable within one year.

(2) Charge on Assets

As at 30 June 2014, banking facilities of the Company were secured by the Group's trade receivables of HK$140,580,000, investment properties in Hong Kong of HK$22,200,000 and land and buildings in Switzerland with net book values of HK$124,602,000, totaling HK$287,382,000 (31 December 2013: trade receivables of HK$206,834,000, investment properties in Hong Kong of HK$22,200,000 and land and buildings in Switzerland with net book values of HK$144,552,000, totaling HK$373,586,000).

(3) Capital Commitments

The Group had no material capital commitments as at 30 June 2014.

Financial Review

(1) Gross Profit

Gross profit was HK$874,623,000, an increase of 30% from HK$671,985,000 for the same period last year.

(2) Selling and Distribution Expenses

Total selling and distribution expenses was HK$410,907,000, an increase of 33% from HK$307,875,000 last year. Such increase was in line with the increase in revenue. Rossini, EBOHR, Eterna and Corum contributed selling and distribution expenses of HK$135,566,000, HK$121,252,000, HK$13,994,000 and HK$65,830,000 respectively.

(3) Administrative Expenses

Total administrative expenses was HK$331,533,000, an increase of 54% from HK$215,322,000 for the same period last year. Rossini, EBOHR, Eterna and Corum contributed administrative expenses of HK$42,456,000, HK$27,770,000, HK$42,168,000 and HK$74,400,000 respectively.

(4) Net Profit Attributable to Owners of the Company

Net profit attributable to owners of the Company was HK$254,485,000, a decrease of 37% from HK$403,386,000 for the same period last year. Rossini contributed net profit of HK$162,844,000 while EBOHR contributed net profit of HK$99,583,000. Sale of 55,000,000 shares of Citychamp Dartong contributed a gain on disposal after tax of HK$146,103,000.

(5) Inventory

As at 30 June 2014, inventory was HK$2,080,084,000, an increase of 5% from HK$1,987,473,000 as at 31 December 2013. Such increase was partially due to the acquisition of the Dreyfuss Group during the period. Rossini, EBOHR, Eterna, Corum and the Dreyfuss Group contributed inventory of HK$355,310,000, HK$545,206,000, HK$280,743,000, HK$388,866,000 and HK$101,423,000 respectively.

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

OUTLOOK

The global economy remains robust in 2014 as the growth rate is gradually picking up. The US is well positioned to regain its pre-crisis position as a driver of global economic growth, as employment picks up and inflation normalizes gradually. The Eurozone is showing signs of a recovery, with economic growth rate strengthening in 2014. In Mainland China, recent economic data raises comfort level about the strength of the economy. It appears that concerns over the domestic financial market seem to have been exaggerated. The strength has calmed fears of a hard landing for the economy in Mainland China. It is a general consensus that the Chinese economy would grow in excess of 7% p.a. at least in the next few years. Notwithstanding the global challenges, Mainland China is more likely to weather any further economic deterioration better than the western countries.

Based on the favorable macroeconomic environment and their growth momentum, Rossini and EBOHR have remained market share winners in the short and medium term.

It is expected that the performance of Eterna and Corum will improve in the future as the market recognition of the high brand value of Eterna and Corum increase following the investments on product development, marketing and advertising strategies and restructuring of its brand building strategy during the previous years. The expected expansion of presence in the Mainland China market will also help Eterna and Corum capture the enormous potential of the Mainland China's imported watch market. Similarly, by capitalizing on the Group's increasingly comprehensive distribution network and its relevant range of products, Rotary would generate increasingly strong revenue from the Mainland China. The Group is prepared to allocate significant amount of various resources to transform those brands into long-term revenue drivers

The Group will remain focused on executing the various initiatives under the strategic plan of developing both proprietary brands and non-proprietary brands. The Group would continue its impressive organic growth through development of its products, markets and distribution, leveraging on our strong balance sheet. These multiple strategic moves to achieve a balanced portfolio in a prudent manner are expected to drive significant growth in the years to come.

Investments we have made are crucial to our long-term competitiveness. With regard to funds, we have successfully issued bonds at the amount of CHF100 million in Switzerland, which have been listed and traded on the SIX Swiss Exchange from 22 July 2014. In the aspect of human resources, we continue to recruit talents for the overseas companies with the aim of improving the corporate management overseas. We are well-prepared with great confidence to overcome any hiccups and perform with great agility so as to bring sustainable returns to our shareholders.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2014, the Group had more than 4,000 full-time staff in Hong Kong and Mainland China and more than 200 full-time 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.

FOREIGN EXCHANGE RISK

The Group incurs a large portion of cost of goods sold in RMB and receives the majority of revenues also in RMB. Certain portions of the Group's sales and purchases and loans are denominated in Swiss Franc. Currently, we may consider to enter into foreign exchange hedging transactions as the foreign exchange risks exist. If we are not engaged in foreign exchange hedging transactions, it may result in adverse effects for our financial condition and performance.

DIVIDEND

The directors have declared the payment of an interim dividend of HK3.6 cents per share for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil). The interim dividend is expected to be paid in Hong Kong dollars on or before 31 October 2014 to those members registered in the Company's register of members as at 8 October 2014.

The Register of members will be closed from 6 October 2014 to 8 October 2014, both days inclusive. In order to be eligible for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 3 October 2014.

CODE OF CORPORATE GOVERNANCE PRACTICES

During the six months period ended 30 June 2014, the Company has complied respectively with all the code provisions of the "Code on Corporate Governance Practices" and "Corporate Governance 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:

Code E.1.2

Code E.1.2 stipulates that the Chairman of the board of directors should attend the annual general meeting of the Company. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 21 May 2014 due to his business trip 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 2014.

AUDIT COMMITTEE

The audit committee (the "AC") comprises the three independent non-executive directors, Mr. Fung Tze Wa (the Chairman of the Committee), Dr. Kwong Chun Wai, Michael and Mr. Li Qiang. 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 2014. 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 three independent non-executive directors, Mr. Fung Tze Wa (the Chairman of the Committee), Dr. Kwong Chun Wai, Michael and Mr. Li Qiang, Executive Director and Chairman of the Board, Mr. Hon Kwok Lung and Executive Director and Chief Executive Officer, 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

On 26 March 2012, the Company established a nomination committee (the "NC"). The NC comprises the three independent non-executive directors, Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael and Mr. Li Qiang, Mr. Hon Kwok Lung and Mr. Shang Jianguang. Mr. Hon Kwok Lung has been appointed as the chairman of the NC. The terms of reference of the NC have been included on the Stock Exchange's website and the Company's website.

The majority of the NC members are independent non-executive directors. The principal duties of the NC are to review the structure, size and composition of the board, identify and nominate individuals suitably qualified to become board members and make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors. The NC is also responsible for assessing the independence of independent non-executive directors.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2014, the Company made the following off-market repurchase of the Company's listed shares:

Date of repurchase	Number of shares repurchased	Consideration per share	Total paid
		HK$	HK$
1 April 2014	340,300,000	0.75	255,225,000

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

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

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

APPRECIATION

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 strong sales and profit growth 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 2014

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 and Mr. Hon Hau Wong as the executive Directors; and Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael and Mr. Li Qiang as the independent non-executive Directors.