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)
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號：256

INTERIM REPORT 2017 中期報告

TOGETHER WE ARE STRONG
團結共進

Corporate Information

Board of Directors

EXECUTIVE DIRECTORS
HON Kwok Lung BBS *(Chairman)*
SHANG Jianguang *(Chief Executive Officer)*
SHI Tao
LAM Toi Man
BI Bo
SIT Lai Hei
HON Hau Wong
TAO Li

INDEPENDENT NON-EXECUTIVE DIRECTORS
FUNG Tze Wa
KWONG Chun Wai, Michael
LI Qiang[1]
ZHANG Bin
Rudolf Heinrich ESCHER[2]

Audit Committee

FUNG Tze Wa
KWONG Chun Wai, Michael
LI Qiang[1]
ZHANG Bin
Rudolf Heinrich ESCHER[2]

Remuneration Committee

FUNG Tze Wa
KWONG Chun Wai, Michael
LI Qiang[1]
ZHANG Bin
HON Kwok Lung
SHANG Jianguang
Rudolf Heinrich ESCHER[2]

Nomination Committee

HON Kwok Lung
SHANG Jianguang
FUNG Tze Wa
KWONG Chun Wai, Michael
LI Qiang[1]
ZHANG Bin
Rudolf Heinrich ESCHER[2]

1 resigned with effect from 20 January 2017
2 appointed with effect from 20 January 2017

Risk Management Committee

SIT Lai Hei
SHI Tao
LAM Toi Man
BI Bo

Qualified Accountant & Company Secretary

FONG Chi Wah

Auditor

BDO Limited

Principal Bankers

Bank of China (Hong Kong) Limited
China Merchants Bank Co., Ltd.
Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
UBS AG
China CITIC Bank International Limited

Hong Kong Branch Share Registrar

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Registered Office

P.O. Box 309
Ugland House
South Church Street
Grand Cayman
Cayman Islands

Principal Office

Units 1902 – 04, Level 19
International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Websites

www.irasia.com/listco/hk/citychamp
www.citychampwj.com

Management Discussion and Analysis

Operating Results

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

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

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

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

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

Strategic Update

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

Strategic Update (Continued)

CONTINUOUS DEVELOPMENT OF THE LOCAL PROPRIETARY BRANDS

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

CONTINUOUS DEVELOPMENT OF THE FOREIGN PROPRIETARY BRANDS

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

FURTHER DEVELOPMENT OF BANKING AND FINANCIAL BUSINESSES

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

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

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

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

Strategic Update (Continued)

DISPOSAL OF NON-CORE ASSETS

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

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

We present our discussion and analysis by the following segments.

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

II. Banking and financial businesses

III. Various investments

Business Review

I.A. WATCHES AND TIMEPIECES – LOCAL PROPRIETARY BRANDS

Rossini

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

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

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

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

Business Review (Continued)

I.A. WATCHES AND TIMEPIECES – LOCAL PROPRIETARY BRANDS (Continued)

Rossini (Continued)

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

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

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

EBOHR Group

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

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

Business Review (Continued)

I.A. WATCHES AND TIMEPIECES – LOCAL PROPRIETARY BRANDS (Continued)

EBOHR Group (Continued)

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

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

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

Business Review (Continued)

I.B. WATCHES AND TIMEPIECES – FOREIGN PROPRIETARY BRANDS

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

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

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

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

Business Review (Continued)

I.C. WATCHES AND TIMEPIECES – NON-PROPRIETARY BRANDS

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

Owing to the currently lower economic growth in Mainland China and the anti-extravagance policies adopted by the PRC Central Government, the demand for the imported mid-range and high-end watches was weakened in the Mainland China market, which affected the revenue and performance of the distribution companies.

I.D. WATCHES AND TIMEPIECES – PRODUCTION AND OTHERS

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

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

II. BANKING AND FINANCIAL BUSINESSES

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

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

(1) Asset management;

(2) Investment advice; and

(3) Transaction banking.

Business Review (Continued)

II. BANKING AND FINANCIAL BUSINESSES (Continued)

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

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

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

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

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

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

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

Business Review (Continued)

II. BANKING AND FINANCIAL BUSINESSES (Continued)

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

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

III. VARIOUS INVESTMENTS

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

The factory complex in Dongguan, the property on Yan He South Road, Luohu District, Shenzhen, three shop units on Xianghua Road, Zhuhai, in Guangdong Province of Mainland China, and one apartment in Hong Kong owned by the Group have been leased out, with stable rental returns to the Group for the period under review. During the period, these investment properties generated rental income of HK$9,951,000 (Six months ended 30 June 2016: HK$10,406,000).

Financial Position

(1) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

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

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

(2) CHARGE ON ASSETS

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

Financial Position (Continued)

(3) CAPITAL COMMITMENTS

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

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

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

3. Purchase of property, plant and equipment.

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

Financial Review

(1) TOTAL ASSETS

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

Cash and deposits

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

Financial Review (Continued)

(1) TOTAL ASSETS (Continued)

Due from banks

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

(2) TOTAL LIABILITIES

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

Due to clients

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

(3) GROSS PROFIT FROM NON-BANKING AND FINANCIAL BUSINESSES

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

Financial Review (Continued)

(4) EBITDA

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

(5) SELLING AND DISTRIBUTION EXPENSES

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

(6) ADMINISTRATIVE EXPENSES

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

(7) GAIN ON FAIR VALUE CHANGES IN TRADING PORTFOLIO INVESTMENTS

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

(8) FINANCIAL COSTS

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

(9) NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

(10) INVENTORY

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

Environmental, Social And Governance Performance

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

Governance and the Board

The Board remains focused on improving its effectiveness and the efficiency of the governance processes. We believe that an appropriate mix of skills, experience and perspectives within the Board helps strengthen its effectiveness.

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

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

Outlook

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

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

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

Outlook (Continued)

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

We remain positive and hold an optimistic long-term view about the future of the Group. We will keep investing in building the brand and the channels of distribution for the watch business and investing in the growth of banking and financial businesses to confront the challenges of the years ahead.

Employees and Remuneration Policy

Our sustained success would not be possible without the high levels of expertise, professionalism and commitment shown by our employees.

As at 30 June 2017, the Group employed approximately 5,000 full-time staff in Hong Kong and Mainland China and approximately 330 staff in Europe. The remuneration packages offered to the employees were determined and reviewed on an arm's length basis with reference to the market condition and individual performance. The Group also provides other benefits to its employees, including year-end double pay, medical insurance and retirement benefits, and incentive bonus are offered with reference to the Group's operating results and employees' individual performance. All employees of the Group in Hong Kong have joined the provident fund schemes. Employees of Group's subsidiaries in Mainland China also participate in social insurance scheme administrated and operated by local authorities and contributions are made according to the local laws and regulations.

Dividend

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

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

Risk Management

The Board has the overall responsibility for overseeing the Group's risk management and internal control systems and reviewing their effectiveness on an annual basis. The Board is committed to implementing effective and sound internal control system to safeguard shareholders' investment and the Group's assets. The Board has delegated to the relevant board committees and senior management the implementation of the internal control system and the review of all relevant financial, operational, compliance control and risk management functions. Relevant board committees and senior management will report to the Board on their material findings.

Risk management is one of the important pillars in the establishment of good corporate governance, thus the Group always implements prudent principle and maintain high awareness in the operations. It is also an integral part in decision making process.

The Board, as assisted by the Risk Management Committee, oversees the Group's risk management system, and conducts periodic reviews of such system to minimize potential risks that may occur and ultimately ensure good corporate governance practice.

In accordance with the Group's development strategy, we have established a risk management system covering all business segments to assess and manage various risks in the Group's business activities.

RISK ASSESSMENT

Risk assessment is the process of identifying and evaluating risks and determining how to manage these risks. At every level within the Group are both internal and external risks that could prevent the accomplishment of established objectives. Ideally, management should seek to prevent these risks. However, sometimes we cannot prevent the risk from occurring. In such cases, we decide whether to accept the risk, reduce the risk to acceptable levels, or avoid the risk. To have reasonable assurance that the Group will achieve its objectives, we ensure each risk is assessed and handled properly.

RISK MANAGEMENT

We provide guidelines to managers throughout the Group to help determine the level of the kinds of risk that are acceptable and not acceptable. Using these guidelines and the risk assessment information, managers should determine whether to accept the risk in a given situation, prevent or reduce the risk or avoid the risk entirely.

Risk Management (Continued)

CONTROL ACTIVITIES

Control activities are tools that help prevent or reduce the risk which may affect accomplishment of the Group's objectives and mission. We establish control activities to effectively and efficiently accomplish the organization's objective and mission. We closely monitor and evaluate control activities to ensure they are function properly and that their effectiveness is not being compromised by such things as managerial override, collusion or careless judgments. The distribution of resources among the control activities should be based on the significance likelihood of the risk they are preventing or reducing.

Once the risk identified and evaluated, the Group will put together a mitigation plan that is aimed to assist in monitoring and reporting the status of action to control each risk. Risk with the highest ratings will be handled with urgency and the highest extent of efforts. In addition, risk mitigation plan can also assist the Group in directing available resources to manage the major risks.

Principal Risks And Uncertainties

The following risks are the principal risks and uncertainties facing the Group and the Board will monitor the situation closely and adopt any necessary risk mitigation measures.

ECONOMY RISK

In respect of the segment of watches and timepieces, the continued growth in revenue is dependent on the growth of consumer spending on watches. Any continued economic slowdown domestically or globally may result in a decrease in consumer spending in watches and may lead to a material adverse effect upon the Group's business and results of operations. Currently, there are numerous challenges for both macro-economic outlook and market conditions, domestically or globally. Our Group will redefine the strategic mix to deal with the ever-changing economy and closely monitor the impact of the recent economic trend.

INDUSTRY RISK

The watch industry is subject to rapidly changing market trends and competition amongst different players domestically or globally. The watch industry is a highly competitive market, and the pricing of and demand for our watches are greatly affected by the intensity of competition we face. Our competitors may have strong competitive edge in terms of financial positions, technology, design, customer relationship etc. In order to maintain our competitiveness, we have to continuously strengthen our products, distributions and our marketing as a whole.

Principal Risks And Uncertainties (Continued)

E-COMMERCE RISK

In respect of the segment of watches and timepieces, e-commerce is increasingly popular and adversely affects the traditional distribution channels for watch and timepieces business. In the last few years, as both offensive and defensive strategy, the Group has been building up our e-commerce segment. The Group recruits quality staff for e-commerce so that they can work closely with the e-commerce platforms, conduct data analysis, improve customers' experience, and ultimately expand the sales generated through e-commerce. We are yet to develop strong social media and mobile marketing. The Group, through its subsidiaries in Mainland China and overseas, will continue to invest in e-commerce and new marketing approaches, such as social media and mobile marketing in the foreseeable future as a way of continuous development of our business. In the first half of 2016 and 2017, e-commerce accounted for approximately 11.67% and 15.80% of the Group's total revenue, respectively, deriving from watch & timepiece business.

INTEREST RATE RISK

Interest rate risk stems from the fluctuation of the fair value or cash flows of a financial instrument due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates primarily to the Group's due from client balance, debt obligations and bank deposits within a floating interest rate. As at 31 December 2016 and 30 June 2017, the interest-bearing loans amount to HK1,190,340,000 and HK$1,027,494,000 respectively. The Group will keep monitoring the trend of interest rate of the global capital markets and readjust the mix of fixed-rate and floating-rate interest-bearing loans accordingly.

In respect of the banking business, interest rate risk is managed by taking into account market conditions and controlled at a reasonable level. Applying the prudent risk appetite and dealing with mainly the repricing risk, Bendura Bank continues to optimise the maturity structure of deposits and take the initiative to manage sensitive gaps in interest rates for the overall objective of achieving steady growth both in net interest income and economic value within a tolerable level of interest rate risk.

EXCHANGE RATE RISK

In respect of the segment of watch and timepieces, most of our sales are dominated in Renminbi and some of our purchases are made in other currencies such as Swiss Francs. As a result, we are subject to foreign exchange rate risks and our profits may be adversely affected should other foreign currencies such as Swiss Francs appreciate against Renminbi.

Our reporting currency is Hong Kong Dollar. When we prepare our consolidated financial statements, the sales and purchases made in foreign currency are translated into Hong Kong Dollar at average exchange rates of the relevant financial period whereas foreign currency balance sheets are translated in Hong Kong Dollar at the rates at the balance sheet date. Accordingly, the profits we derived in foreign currencies would be lower should there be any appreciation in the exchanges of Hong Kong Dollar against the respective currencies.

Principal Risks And Uncertainties (Continued)

EXCHANGE RATE RISK (Continued)

Fluctuations in exchange rates of foreign currencies may also affect our customers' purchasing power and their wiliness to purchase our watches. Our business and financial position could be adversely affected by fluctuations in exchange rates especially when fluctuations persist.

Exchange rate also affects the value of future cash flows of a financial instrument. The Group's exposure to exchange rate risk also primarily arise from certain financial instruments including various balance sheet items, which are dominated in United States Dollar, Euro, Swiss Franc, British Pound and Renminbi. The Group currently does not have a foreign currency hedging policy but the management continuously monitors the foreign exchange exposure.

LEGAL RISK

Operating internationally, we have to comply with various laws and regulations in the jurisdictions in which we operate our business. Failure to comply with these laws and regulations may result in imposition of conditions on or the suspension of sale or seizure of products, or significant penalties or claims. In the event that the countries in which we operate increase the stringency of such laws and regulations, our operating costs may increase and we may not be able to pass these additional costs onto our customer. Further, in the event that any jurisdiction in which we operate impose any new laws, regulations, restrictions on opening new POS or other barriers to entry, our ability to expand our business may be limited and our growth and development may be adversely affected.

Legal risk is managed by means of internal rules and directives. External legal advisors are engaged to lower the legal risks.

BRAND RISK

Our brands are an integral part of our competitive advantage. In 2017, the total brand value of Rossini and EBOHR amounts to higher than RMB21 billion. The Group continues to provide quality product, distribute products through quality channels and maintain good sale and marketing activities in order to maintain the good standing of the brands.

INTELLECTUAL PROPERTY RIGHTS RISK

Intellectual property rights, embodied in our watch-making technologies, designs and brand names, are also an integral part of our competitive advantage. Our operations are dependent upon the adequate protection of our intellectual property rights including trademarks, patents, design and technological know-how. Intellectual property rights can be protected by means of proper registrations with various government authorities of the different jurisdictions in which we conduct business. However, there are jurisdictions that may not be able to offer sufficient protection. We are dedicated to work with professionals to protect our intellectual property rights all over the world.

Principal Risks And Uncertainties (Continued)

OPERATIONAL RISK

We define operational risk as the potential for loss resulting from impact of external events and/or inadequate or failure in the areas of internal processes, manpower and systems. As operational risk arises from all activities carried out within the Group, the potential for operational risk events occurring across a large and complex international organization is a constant challenge. To address this challenge, we aim to achieve "industrial strength" process and standards for all activities, and benchmark practices against peers, other industries and regulatory requirements.

Operation risk is managed by means of internal control procedures and directives.

CREDIT RISK

In respect of non-banking and financial businesses, the Group's trading terms with a large proportion of customers are mainly on credit. The credit period is generally for a period of one to six months for major customers. The Group trades only with recognized and creditworthy parties in order to minimize the credit risk.

The account receivable is affected by the general economic conditions in the geographies in which the Group operates. As at 31 December 2016 and 30 June 2017, our aggregate trade receivables after allowance for bad and doubtful debts were around HK$462 million and HK$528 million, respectively. The Group sets limits on the exposure to any counterparty, and credit risk is spread over a variety of customers across different markets. As such, there is no significant concentration of credit risk. The Group also follows up the delinquent account receivable based on an established internal system.

In respect of banking business, Bendura Bank's interbank placements are secured or placed with banks that have an external rating of A or higher. Exceptions are individually assessed on a monthly basis and approved subject to a detailed evaluation if necessary.

In line with the Group's lending policy, Bendura Bank only grants collateralized loans generally. Loans are approved and monitored by the relevant managers, the credit committee and ultimately the board of the directors of Bendura Bank. Bendura Bank implements a framework to provide a holistic view of the credit risks, which assess credit risks against key criteria. Credit risk is monitored using also the concept of economic risk capital. Standardized processes are employed to oversee compliance with the risk requirements.

Principal Risks And Uncertainties (Continued)

LIQUIDITY RISK

Liquidity risk is the risk that we either do not have sufficient financial resources available to meet our obligation as they fall due, or we only access these financial resources at excessive cost. It is our policy to maintain adequate liquidity at all times in all geographic locations and for all currencies, and hence to be in a position to meet obligations as they fall due. We manage liquidity risk both on a short term and structural basis. In the short term, our focus is on ensuring that the cash flow demands can be met when required for periods up to 30 days. In the medium term, the focus is on ensuring that the balance sheet remains structurally sound and is aligned to our strategy. Liquid assets and liquidity coverage ratio against the regulatory requirements are analyzed and presented to the Board and senior management on a monthly basis.

Loans granted by Bendura Bank to its clients usually granted as part of the securities business. Loans are granted prudently and almost exclusively against collateral. Most of the loans are provided to borrowers in Europe and thus the related country risk is limited. In case of interbank transactions, only first-rated counterparties are involved and limits are set.

Liquidity risk of Bendura Bank are monitored and controlled under statutory banking regulatory provisions. The Bank always holds an amount of liquid funds that is above the minimum required by the banking regulatory legislation.

RISK IN TRADING AND IN THE USE OF DERIVATIVES

Derivatives financial instruments by Bendura Bank are used exclusively in client transactions or as hedging transactions. First-rated banks serve as counterparties, as is generally the case in trading business.

EQUITY PRICE RISK

Equity price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of change in its market price, other than those unlisted equity investments held for strategic purposes and those valued at quoted market prices at the end of the reporting period. The Group invests in various listed equity instruments in Hong Kong recognized under trading portfolio investments for trading purpose and is exposed to the equity price risk when the market price of the listed equity instruments decrease. The equity price risk is managed by closely monitoring the price fluctuation of the listed equity instruments and establishing appropriate exit strategies.

INVENTORY RISK

The demand for our watches is highly dependent on the customers' preferences and market trends, which are beyond our control. If the products of our Group fail to meet the changing consumer preferences and market trends, slow-moving inventory will increase. If we can't manage inventory to source or manufacture appropriate products to suit the consumer preference and market trends in the future, the volume of obsolete and slow-moving inventory may increase and we need to either sell off such inventory at a lower price or write off such inventory, in the event of which our performance may be materially and adversely affected. 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 our increasingly strong efforts to clear inventory.

Principal Risks And Uncertainties (Continued)

IMPAIRMENT RISK

Impairment risk is defined as the risk of written-off in respect of the amount by which the asset's carrying amount exceeds its recoverable amount on our individual business cash generation unit. As stated in the accounts as at 31 December 2016 and 30 June 2017, the total amount of goodwill and intangible assets were HK$987,738,000 and HK$1,030,096,000 respectively. They are subject to impairment if the future performance of the related subsidiaries does not meet their expected performance. The Group will keep monitoring the business performance of the related subsidiaries and minimize the extent of impairment, if any.

CONCENTRATION RISK

The bond portfolio of Bendura Bank is composed of bonds with different maturity, geography, segment and currency and hence, diversification is ensured. Risk concentration on assets and liabilities sides are analysed and presented to the Board and senior management on a monthly basis.

RISK RELATED TO POTENTIAL BREACH OF CAPITAL ADEQUACY RATIOS

Bendura Bank seeks to maintain a strong capital base to support the development of its business and to meet regulatory capital and leverage requirements.

The fundamental goal is to generate an operative and suitable risk-adjusted return on invested capital for shareholders. To achieve this goal, we seek to identify advantageous risk-return ratios when managing capital. In doing so, the Group avoids extreme risks that could endanger its risk capacity and thus its health and existence, managing all risks within the risk budget. When managing capital, the group assesses both the required capital (minimum capital amount to cover risks on the basis of supervisory requirements) as well as the available eligible capital (available capital calculated according to the supervisory authorities' criteria) and evaluates the development of both as part of its capital planning.

Capital requirements as well as tier 1 and tier 2 capital are set on the basis of the IFRS consolidated financial statements, but with a stricter definition of core capital. The calculations on the total capital ratio, cash reserve ratio and leverage ratio are presented to the senior management and the board of directors on a monthly basis.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2017, the interests or short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(1) ORDINARY SHARES OF HK$0.10 EACH OF THE COMPANY

As at 30 June 2017, certain directors of the Company held long positions in the shares of the Company as follows:

Name of directors	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Hon Kwok Lung	Corporate interests (Note 1)	3,017,389,515	69.36%
	Personal interests	3,500,000	0.08%
	Family interests (Note 2)	1,374,000	0.03%
		3,022,263,515	69.47%
Shang Jianguang	Beneficial owner	5,300,000	0.12%
Shi Tao	Beneficial owner	5,000,000	0.11%
Lam Toi Man	Beneficial owner	2,400,000	0.06%
Fung Tze Wa	Beneficial owner	1,600,000	0.04%
Hon Hau Wong	Beneficial owner	1,750,000	0.04%
	Family interests (Note 3)	200,000,000	4.60%
		201,750,000	4.64%
Tao Li	Beneficial owner	5,000,000	0.11%
Sit Lai Hei	Corporate interests (Note 4)	200,000,000	4.60%

Notes:

1. The 3,017,389,515 shares comprise of 1,640,128,000 shares held by Full Day Limited ("Full Day") and 1,377,261,515 shares held by Sincere View International Limited ("Sincere View").

2. 1,374,000 shares were held by Mr. Hon Kwok Lung's wife, Ms. Lam Suk Ying.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares (Continued)

(1) ORDINARY SHARES OF HK$0.10 EACH OF THE COMPANY (Continued)

Notes: (Continued)

3. Mr. Hon Hau Wong is deemed to have an interest in 200,000,000 shares which are held by Qiangda Limited, a wholly-owned subsidiary of Fengrong Investment (Hong Kong) Company Limited ("Fengrong Hong Kong"). Fengrong Hong Kong is wholly owned by Fujian Fengrong Investment Company Limited ("Fujian Fengrong"), which is owned as to approximately 31.5% by Ms. Lu Xiaojun, the spouse of Mr. Hon Hau Wong.

4. The 200,000,000 shares are held by Qiangda Limited, a wholly-owned subsidiary of Fengrong Hong Kong. Fengrong Hong Kong is wholly owned by Fujian Fengrong, which is owned as to approximately 68.5% by Ms. Sit Lai Hei.

(2) SHARE OPTIONS OF THE COMPANY

Certain directors of the Company personally hold options to subscribe for ordinary shares of the Company. Details of exercise of such options are disclosed under the paragraph "Share Option Scheme" below. These share options were granted pursuant to the terms of the share option scheme adopted by the Company on 30 May 2008.

(3) LONG POSITION IN ROSSINI (NOTE 1)

Name of directors	Nature of interest	Percentage of shareholding
Sit Lai Hei	Corporate (Note 2)	9%
Hon Hau Wong	Corporate (Note 2)	9%

Notes:

1. Rossini is owned as to 91% indirectly by the Company and 9% by Fujian Fengrong. Rossini is an associated corporation of the Company within the meaning of Part XV of the SFO.

2. The interest in Rossini was held by Fujian Fengrong, which is owned as to approximately 68.5% by Ms. Sit Lai Hei, an Executive Director, and 31.5% by Ms. Lu Xiaojun. Both Ms. Sit Lai Hei and Ms. Lu Xiaojun are daughters-in-law of Mr. Hon Kwok Lung, an Executive Director of the Company. Mr. Hon Hau Wong being the husband of Ms. Lu Xiaojun, is also deemed to be interested in the 31.5% interest in Fujian Fengrong.

Save as disclosed above, as at 30 June 2017, no other person had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The following table discloses movements in the Company's share options for the six months ended 30 June 2017:

Name and category of participants	Number of share options At 1 January 2017	Movement during the period	At 30 June 2017
Independent non-executive director			
Li Qiang	3,500,000	(3,500,000)	–
Other eligible employees			
In aggregate	1,575,000	–	1,575,000
Other eligible persons			
In aggregate	5,480,000	–	5,480,000
Total	10,555,000	(3,500,000)	7,055,000

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2017, the following persons hold interests of 5% or more of the issued share capital of the Company, as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

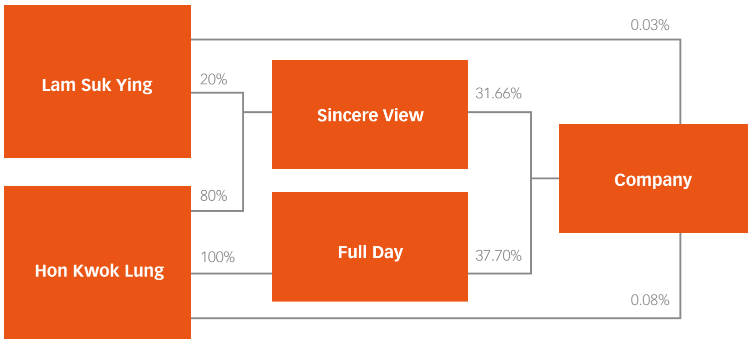
LONG POSITION:

Name of shareholders	Capacity and nature of interest	Note	Number of ordinary shares held	Percentage of the Company's issued share capital
Full Day	Directly beneficially owned		1,640,128,000	37.70%
Sincere View	Directly beneficially owned		1,377,261,515	31.66%
Hon Kwok Lung	Corporate interests	(1)	3,017,389,515	69.36%
	Family interests		1,374,000	0.03%
	Personal interests		3,500,000	0.08%
			3,022,263,515	69.47%
Lam Suk Ying	Interest of spouse	(1)	3,020,889,515	69.44%
	Beneficial owner		1,374,000	0.03%
			3,022,263,515	69.47%

Substantial Shareholders' Interests in Shares and Underlying Shares (Continued)

Note:

1. Mr. Hon Kwok Lung and Ms. Lam Suk Ying are deemed to have an interest in the same parcel of 3,022,263,515 shares (1,377,261,515 shares held by Sincere View, 1,640,128,000 shares held by Full Day, 3,500,000 shares held by Mr. Hon Kwok Lung and 1,374,000 shares are held by Ms. Lam Suk Ying). The shareholding structure was summarised in the following chart:



Save as disclosed above, as at 30 June 2017, no other person, other than the directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares and underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Corporate Governance Code

During the six months period ended 30 June 2017, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except with the details disclosed below:

(1) CG CODE E.1.2

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

(2) CG CODE A.6.7

CG Code A.6.7 stipulates that independent non-executive directors should attend general meetings. One independent non-executive director did not attend the AGM 2017 due to other business engagements outside Hong Kong.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2017.

Board Committees

AUDIT COMMITTEE

The audit committee (the "AC") comprises the four independent non-executive directors, Mr. Fung Tze Wa (the Chairman of the Committee), Dr. Kwong Chun Wai, Michael, Mr. Li Qiang (resigned with effect from 20 January 2017), Mr. Zhang Bin and Mr. Rudolf Heinrich Escher (appointed with effect from 20 January 2017).

The AC reviewed the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the unaudited interim financial information for the six months ended 30 June 2017. The AC also reviewed and commented internal audit reports of subsidiaries and associates and adequacy of resources, qualifications, experience and training of staff engaged in the accounting and financial report function.

REMUNERATION COMMITTEE

The remuneration committee (the "RC") currently comprises four independent non-executive directors, Mr. Fung Tze Wa (the Chairman of the Committee), Dr. Kwong Chun Wai, Michael, Mr. Li Qiang (resigned with effect from 20 January 2017), Mr. Zhang Bin and Mr. Rudolf Heinrich Escher (appointed with effect from 20 January 2017), Mr. Hon Kwok Lung and Mr. Shang Jianguang.

The majority of the RC members are independent non-executive directors. The RC makes recommendations to the board on the Company's policy and structure for all directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. The RC also makes recommendations to the board on the remuneration packages of individual executive directors and senior management. The RC ensures that no director or any of his/her associates is involved in deciding his/her own remuneration.

Board Committees (Continued)

NOMINATION COMMITTEE

The nomination committee (the "NC") comprises the four independent non-executive directors, Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael, Mr. Li Qiang (resigned with effect from 20 January 2017), Mr. Zhang Bin and Mr. Rudolf Heinrich Escher (appointed with effect from 20 January 2017), Mr. Hon Kwok Lung (the Chairman of the Committee) and Mr. Shang Jianguang.

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

RISK MANAGEMENT COMMITTEE

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

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

Purchase, Sale or Redemption of Shares

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

Appreciation

Our financial performance and strategic moves reflected the joint efforts of the Board and management in successfully pursuing our mission to be one of the leaders in the watch industry of Mainland China. Our satisfactory performance could not have achieved without the leadership of the Board and our management team. I would like to express my deep gratitude to our employees, customers, suppliers, bankers, professional consultants, business partners, and shareholders for their support.

Hon Kwok Lung
Chairman

Hong Kong, 30 August 2017

Condensed Consolidated Statement of Comprehensive Income

For the Six Months Ended 30 June 2017

	Notes	Six months ended 30 June **2017** **HK$'000** **(Unaudited)**	 2016 HK$'000 (Unaudited) (Re-presented)
Interest income from banking business		**56,948**	–
Interest expenses from banking business		**(21,594)**	–
Net interest income from banking business	7a	**35,354**	–
Service fees and commission income from banking business		**145,034**	–
Service fees and commission expenses from banking business		**(43,249)**	–
Net service fees and commission income from banking business	7b	**101,785**	–
Trading income from banking business	7c	**24,600**	–
Net service fees and commission income from financial business	7d	**6,207**	–
Net interest income from financial business	7d	**47**	–
Sales of goods from non-banking and financial businesses	7e	**1,263,191**	1,398,311
Rental income from non-banking and financial businesses	7e	**9,951**	10,406
Total revenue		**1,441,135**	1,408,717
Cost of sales from non-banking and financial businesses		**(570,431)**	(605,076)
Other ordinary income and other net gains or losses	8	**3,637**	96,019
Selling and distribution expenses		**(365,045)**	(370,647)
Administrative expenses		**(388,990)**	(323,145)
Share of profit of associates		**8,400**	7,670
Finance costs	9	**(33,991)**	(34,370)
Profit before income tax	10	**94,715**	179,168
Income tax expense	11	**(50,452)**	(43,941)
Profit for the period		**44,263**	135,227

Condensed Consolidated Statement of Comprehensive Income (Continued)

For the Six Months Ended 30 June 2017

	Notes	Six months ended 30 June **2017** **HK$'000** **(Unaudited)**	 2016 HK$'000 (Unaudited) (Re-presented)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
– Exchange differences on translation to presentation currency		**57,887**	(77,496)
– Release of exchange reserve to profit or loss upon on disposal of subsidiaries		**–**	4,701
– Changes in fair value of available-for-sale financial assets	20	**(2,516)**	(61,269)
Other comprehensive income for the period		**55,371**	(134,064)
Total comprehensive income for the period		**99,634**	1,163
Profit for the period attributable to:			
Owners of the Company		**27,615**	124,294
Non-controlling interests		**16,648**	10,933
		44,263	135,227
Total comprehensive income for the period attributable to:			
Owners of the Company		**68,666**	(384)
Non-controlling interests		**30,968**	1,547
		99,634	1,163
Earnings per share attributable to owners of the Company for the period	13		
– Basic		**HK 0.63 cent**	HK 2.83 cents
– Diluted		**HK 0.63 cent**	HK 2.83 cents

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	**30 June 2017 HK$'000 (Unaudited)**	31 December 2016 HK$'000 (Audited)
Assets			
Cash and deposits		**5,446,870**	5,066,901
Due from clients	14	**760,747**	627,809
Due from banks	14	**6,627,867**	5,295,369
Trading portfolio investments	15	**152,892**	197,089
Income tax recoverable		**9,023**	9,693
Derivative financial assets	16	**8,573**	2,338
Trade receivables	17	**528,233**	461,585
Inventories	18	**2,062,680**	1,996,187
Assets of a disposal group classified as held for sale	19	**254,438**	–
Available-for-sale financial assets	20	**347,338**	351,352
Held-to-maturity investments		**553,415**	338,709
Short-term investments	21	**60,697**	112,969
Interests in associates		**97,241**	88,841
Property, plant and equipment	22	**962,373**	948,022
Investment properties	23	**107,779**	107,779
Prepaid land lease payments		**49,828**	59,042
Intangible assets		**127,329**	124,904
Goodwill	24	**902,767**	862,834
Deferred tax assets		**6,325**	10,741
Other assets		**637,228**	593,656
Total assets		**19,703,643**	17,255,820

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2017

	Notes	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Liabilities			
Due to banks		**4,242**	3,007
Due to clients		**12,071,958**	10,393,047
Derivative financial liabilities	16	**12,422**	2,050
Trade payables	25	**379,894**	349,837
Corporate bonds	26	**743,873**	692,127
Income tax payables		**90,878**	87,654
Borrowings	27	**1,027,494**	1,190,340
Provisions		**571**	532
Subordinated debt		**89,442**	83,345
Liabilities of a disposal group classified as held for sale	19	**2,716**	–
Deferred tax liabilities		**32,965**	33,196
Other liabilities		**796,085**	567,995
Total liabilities		**15,252,540**	13,403,130
EQUITY			
Equity attributable to owners of the Company			
Share capital		**435,032**	434,682
Reserves		**3,602,399**	3,198,199
		4,037,431	3,632,881
Non-controlling interests		**413,672**	219,809
Total equity		**4,451,103**	3,852,690
Total liabilities and equity		**19,703,643**	17,255,820

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2017

	Equity attributable to owners of the Company				
	Share capital HK$'000 (Unaudited)	Share premium account* HK$'000 (Unaudited)	Share option reserve* HK$'000 (Unaudited)	Other reserve* HK$'000 (Unaudited)	Goodwill arising on consolidation* HK$'000 (Unaudited)
1 January 2016	440,938	841,571	2,038	22,692	(15,300)
Transactions with owners					
Proceeds from shares issued under share option scheme	223	501	–	–	–
Exercise of share options	–	339	(339)	–	–
Repurchase of ordinary shares	(6,545)	(68,713)	–	–	–
Disposal of a subsidiary	–	–	–	–	–
2015 final dividends	–	–	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–
Total transactions with owners	(6,322)	(67,873)	(339)	–	–
Comprehensive income					
Profit for the period	–	–	–	–	–
Other comprehensive income					
Exchange differences on translation to presentation currency	–	–	–	–	–
Release of exchange reserve to profit or loss upon disposal of subsidiaries	–	–	–	–	–
Changes in fair value of available-for-sale financial assets	–	–	–	–	–
Total comprehensive income	–	–	–	–	–
At 30 June 2016	434,616	773,698	1,699	22,692	(15,300)

Condensed Consolidated Statement of Changes in Equity (Continued)

For the Six Months Ended 30 June 2017

Equity attributable to owners of the Company						
Statutory reserve* HK$'000 (Unaudited)	Exchange fluctuation reserve* HK$'000 (Unaudited)	Investment revaluation reserve* HK$'000 (Unaudited)	Retained profits* HK$'000 (Unaudited)	Total HK$'000 (Unaudited)	Non-controlling interests HK$'000 (Unaudited)	Total equity HK$'000 (Unaudited)
30,581	(44,588)	197,756	2,567,565	4,043,253	191,234	4,234,487
–	–	–	–	724	–	724
–	–	–	–	–	–	–
–	–	–	–	(75,258)	–	(75,258)
–	–	–	–	–	(61,212)	(61,212)
–	–	–	(108,654)	(108,654)	–	(108,654)
–	–	–	–	–	(17,664)	(17,664)
–	–	–	(108,654)	(183,188)	(78,876)	(262,064)
–	–	–	124,294	124,294	10,933	135,227
–	(68,110)	–	–	(68,110)	(9,386)	(77,496)
–	4,701	–	–	4,701	–	4,701
–	–	(61,269)	–	(61,269)	–	(61,269)
–	(63,409)	(61,269)	124,294	(384)	1,547	1,163
30,581	(107,997)	136,487	2,583,205	3,859,681	113,905	3,973,586

Condensed Consolidated Statement of Changes in Equity (Continued)

For the Six Months Ended 30 June 2017

	Equity attributable to owners of the Company				
	Share capital HK$'000 (Unaudited)	Share premium account* HK$'000 (Unaudited)	Share option reserve* HK$'000 (Unaudited)	Other reserve* HK$'000 (Unaudited)	Goodwill arising on consolidation* HK$'000 (Unaudited)
At 1 January 2017	434,682	773,749	1,601	22,692	(15,300)
Transactions with owners					
Proceeds from shares issues under share option scheme	350	787	–	–	–
Exercise of share option	–	531	(531)	–	–
Partial disposal of subsidiaries without loss of control (note 32)	–	–	–	552,263	–
Capital contribution from non-controlling interests	–	–	–	–	–
Arising from acquisition of non-controlling interests	–	–	–	–	–
Special dividends (note 12.3)	–	–	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–
Total transactions with owners	350	1,318	(531)	552,263	–
Comprehensive income					
Profit for the period	–	–	–	–	–
Other comprehensive income					
Exchange differences on translation to presentation currency	–	–	–	–	–
Changes in fair value of available-for-sale financial assets	–	–	–	–	–
Total comprehensive income	–	–	–	–	–
At 30 June 2017	435,032	775,067	1,070	574,955	(15,300)

* These reserve accounts comprise the consolidated reserves of HK$3,602,399,000 (31 December 2016: HK$3,198,199,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Changes in Equity (Continued)

For the Six Months Ended 30 June 2017

Equity attributable to owners of the Company						
Statutory reserve* HK$'000 (Unaudited)	Exchange fluctuation reserve* HK$'000 (Unaudited)	Investment revaluation reserve* HK$'000 (Unaudited)	Retained profits* HK$'000 (Unaudited)	Total HK$'000 (Unaudited)	Non-controlling interests HK$'000 (Unaudited)	Total equity HK$'000 (Unaudited)
60,148	(247,187)	122,573	2,479,923	3,632,881	219,809	3,852,690
–	–	–	–	1,137	–	1,137
–	–	–	–	–	–	–
–	–	–	–	552,263	176,558	728,821
–	–	–	–	–	20,000	20,000
–	–	–	–	–	(16,093)	(16,093)
–	–	–	(217,516)	(217,516)	–	(217,516)
–	–	–	–	–	(17,570)	(17,570)
–	–	–	(217,516)	335,884	162,895	498,779
–	–	–	27,615	27,615	16,648	44,263
–	43,611	–	–	43,611	14,276	57,887
–	–	(2,560)	–	(2,560)	44	(2,516)
–	43,611	(2,560)	27,615	68,666	30,968	99,634
60,148	(203,576)	120,013	2,290,022	4,037,431	413,672	4,451,103

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2017

	Six months ended 30 June 2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited) (Re-presented)
Net cash generated from/(used in) operating activities	**165,365**	(107,411)
Cash flows from investing activities		
Dividend received from available-for-sale financial assets	**3,436**	3,558
Payment for the purchase of property, plant and equipment	**(47,296)**	(71,529)
Consideration receivable on disposal of property, plant and equipment	**13,869**	–
Decrease in short-term investments	**50,442**	95,409
Proceeds on disposal of subsidiaries	**629,789**	7,797
Proceeds on disposal of property, plant and equipment	**2,302**	593
Increase in held-to-maturity investments	**(228,544)**	–
Other cash flows arising from investing activities	**(53,867)**	–
Net cash generated from investing activities	**370,131**	35,828
Cash flows from financing activities		
Repurchase of corporate bonds	**–**	(1,665)
Repayments of borrowings	**(295,199)**	(288,963)
Proceeds from borrowings	**119,377**	169,808
Repurchase of ordinary shares	**–**	(75,258)
Interest paid	**(33,991)**	(34,370)
Dividends paid to non-controlling interests	**(17,570)**	(17,664)
Other cash flows arising from financing activities	**10,632**	13,669
Net cash used in financing activities	**(216,751)**	(234,443)
Net increase/(decrease) in cash and cash equivalents	**318,745**	(306,026)
Cash and cash equivalents at the beginning of the period	**4,949,188**	836,065
Effect of foreign exchange rates changes	**52,658**	(61,949)
Cash and cash equivalents at the end of the period (Note (i))	**5,320,591**	468,090

Note:

(i) Cash and cash equivalents at the end of period comprised cash and bank balances and bank overdrafts for the purpose of condensed consolidated statements of cash flows.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

For the Six Months Ended 30 June 2017

1. General Information

During the period, the Group has completed the first phase of the equity transfer of 45.2% equity interest of Seti Timber Industry (Shenzhen) Co., Ltd. ("Seti Timber") at the consideration of RMB632.8 million (approximately HK$729 million) and the relevant consideration of approximately HK$630 million has been received during the period. As at the reporting date, the Group holds 54.8% equity interest in Seti Timber and the second phase of the equity transfer of 54.8% equity interest is expected to be completed in the second half year of 2017. The disposal constituted a discloseable transaction of the Company pursuant to the Listing Rules, details of which were contained in the announcements of the Company dated 23 March 2017 and 28 March 2017.

The Group has also completed the acquisition of entire equity interest in Shun Heng Securities Limited ("Shun Heng") and Hong Kong Metasequoia Capital Management Limited ("Metasequoia Capital") in February 2017.

Other than the aforementioned transactions, there were no other significant changes in the Group's operations during the period.

2. Basis of Preparation

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

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

The Unaudited Interim Financial Information for the six months ended 30 June 2017 was approved for issue by the board of directors on 30 August 2017.

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 2016 Annual Financial Statements, except for the adoption of the new or amended Hong Kong Financial Reporting Standards ("HKFRSs"), which include individual HKFRSs, HKAS and Interpretations ("Int"). The adoption of these new and revised HKFRSs has had no material impact on the Group's financial statements. The Group has not early adopted any new HKFRSs that have been issued but are not yet effective. The Unaudited Interim Financial Information should be read in conjunction with the 2016 Annual Financial Statements.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Group makes estimates and assumptions concerning the future. Such estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Estimated impairment of goodwill

The Group tests on an annual basis whether goodwill has suffered any impairment. The recoverable amounts of the cash generating units have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates of the future cash flows expected to arise from the cash generating units, the timeframe for the cash flows forecast and the suitable discount rates in order to calculate the present value. In the process of estimating expected future cash flows, management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors.

Provision for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective estimated net realizable value. The assessment of the provision involves management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of inventories and provision charge/write-back in the period in which such estimate has been changed.

Depreciation and amortisation

The Group depreciates and amortises its property, plant and equipment and intangible assets with definite useful lives using straight-line method over their respective estimated useful lives, starting from the date on which the assets are put into productive use. The estimated useful lives reflect the directors' estimate of the period that the Group intends to derive future economic benefits from the use of these assets.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Estimated impairment of trade and other receivables

The Group's management reviews trade and other receivables on a regular basis to determine if any provision for impairment is necessary. Impairment loss on receivables of the Group is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Allowances for impairment are determined by management of the Group based on the repayment history of its debtors and the current market conditions. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered as indicators that the receivable is impaired. Management reassesses the amount of impairment allowances of receivables, if any, at each reporting date.

Impairment of non-financial assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market condition existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Income taxes

The Group is subject to income taxes in Hong Kong, Switzerland, United Kingdom, Liechtenstein and the People's Republic of China (the "PRC"). Significant judgement is required in determining the amount of the provision for income taxes and the timing of the payments of related taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Warranty provision

Warranty provision is made for expenditure associated with future variable services and repair cost related to warranty claims. The management makes an assessment of the future costs related to this work by using the proportion of actual tasks related to warranty work as the basis for the calculation. The assessment of provision involves management judgement and estimates. When the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of warranty provision and provision charge/write-back in the period in which such estimate has been changed.

Estimation of defined benefit obligations

The Group operates three defined benefit plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with HKAS 19 (2011), Employee Benefits. Under this method, the cost of providing pensions is charged to the profit or loss in accordance with the advice of the actuaries who carry out a full valuation of the plans. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. All actuarial gains and losses are recognised in full, in the year in which they occur, in other comprehensive income.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Estimation of defined benefit obligations (Continued)

Management appointed actuaries to carry out a full valuation of these pension plans to determine the pension obligations that are required to be disclosed and accounted for in the accounts in accordance with the requirements of HKFRSs.

The actuaries use assumptions and estimates in determining the fair value of the defined benefit plans and evaluate and update these assumptions on an annual basis. Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

Valuation adjustments on credit positions

Various factors can influence the valuation adjustments estimates for credit positions regarding due from banks and clients. These factors include changes in borrowers' credit ratings, loan collateral valuations and the expected scale of loss. Management determines the amount of the valuation adjustments based on the present value of the expected future cash flows. In order to estimate the expected cash flows, management must make assumptions regarding the financial situation of the counterparty and the estimated recoverable amount of collateral.

Provisions

The Group recognises provisions for imminent threats if in the opinion of the responsible experts the probability that losses will occur is greater than the probability that they will not occur and if their amount can be reliably estimated. In judging whether the creation of a provision and its amount are reasonable, the best-possible estimates and assumptions as at the end of reporting periods are applied. If necessary, these will be adjusted to reflect new knowledge and circumstances at a later date. New knowledge may have a significant effect to profit or loss.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Research and development costs

In accordance with the accounting policy set out in note 5.11 of 2016 Annual Financial Statements, costs associated with research activities are expensed in profit or loss as they are incurred, while costs that are directly attributable to development activities are recognised as intangible assets provided they meet all the requirements as set out in note 5.11 of 2016 Annual Financial Statements. This requires the management to make judgements to distinguish the research phase and development phase of the projects being undertaken. Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the application of research, findings or other knowledge to a plan or design for the production of new or substantially improved materials devices, products, processes, systems or services before the start of commercial production or use. Determining the amounts to be expensed in profit or loss or to be capitalised required management to make judgement, and assumptions regarding the expected progress and outcome of the research and development activities the future expected cash generation of the assets, discount rates to be applied, and also the expected period of, probable future economic benefits. Because of the nature of the Group's research and development activities the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the projects. Hence research costs are generally recognised as expenses in the period in which they are incurred.

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

– Level 1 valuations: Quoted prices in active markets for identical items (unadjusted);

– Level 2 valuations: Observable direct or indirect inputs other than Level 1 inputs;

– Level 3 valuations: Unobservable inputs (i.e. not derived from market data).

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Fair value measurement (Continued)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

– Trading portfolio investments

– Derivative financial assets

– Derivative financial liabilities

– Available-for-sales financial assets

– Investment properties

5. Presentation of the Unaudited Interim Financial Information

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

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)
For the Six Months Ended 30 June 2017

5. Presentation of the Unaudited Interim Financial Information (Continued)

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

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

5. Presentation of the Unaudited Interim Financial Information (Continued)

5.1 Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2016 (Continued)

Condensed consolidated statement of comprehensive income of the Group for the period ended 30 June 2016 as extracted from the Group's interim report 2016	HK$'000	Reclassifications HK$'000	HK$'000	Re-presented condensed consolidated statement of comprehensive income of the Group for the period ended 30 June 2016
Other comprehensive income				**Other comprehensive income**
Items that may be subsequently reclassified to profit or loss				Items that may be subsequently reclassified to profit or loss
– Exchange loss on transaction of financial statements of foreign operations	(77,496)	–	(77,496)	– Exchange differences on translation to presentation currency
– Release of exchange fluctuation reserve to profit or loss on disposal of subsidiaries	4,701	–	4,701	– Release of exchange reserve to profit or loss upon disposal of subsidiaries
– Changes in fair value of available-for-sale financial assets	(61,269)	–	(61,269)	– Changes in fair value of available-for-sale financial assets
Other comprehensive income for the period	**(134,064)**		**(134,064)**	**Other comprehensive income for the period**
Total comprehensive income for the period	**1,163**		**1,163**	**Total comprehensive income for the period**
Profit for the period attributable to:				**Profit for the period attributable to:**
Owners of the Company	124,294	–	124,294	Owners of the Company
Non-controlling interests	10,933	–	10,933	Non-controlling interests
	135,227		**135,227**	
Total comprehensive income for the period attributable to:				**Total comprehensive income for the period attributable to:**
Owners of the Company	(384)	–	(384)	Owners of the Company
Non-controlling interests	1,547	–	1,547	Non-controlling interests
	1,163		**1,163**	

5. Presentation of the Unaudited Interim Financial Information (Continued)

5.2 Condensed Consolidated Statement of Cash Flows for the six months ended 30 June 2016

Condensed consolidated statement of cash flows of the Group for the period ended 30 June 2016 as extracted from the Group's interim report 2016	HK$'000	Reclassifications HK$'000	HK$'000	Re-presented condensed consolidated statement of cash flows of the Group for the period ended 30 June 2016
Net cash used in operating activities	(141,781)	34,370	(107,411)	Net cash used in operating activities
Net cash from investing activities				Cash flows from investing activities
Dividend received from available-for-sale financial assets	3,558	–	3,558	Dividend received from available-for-sale financial assets
Payment for the purchase of property, plant and equipment	(71,529)	–	(71,529)	Payment for the purchase of property, plant and equipment
Decrease in short-term investments	95,409	–	95,409	Decrease in short-term investments
Proceeds on disposal of subsidiaries	7,797	–	7,797	Proceeds on disposal of subsidiaries
Proceeds on disposal of property, plant and equipment	593	–	593	Proceeds on disposal of property, plant and equipment
	35,828	–	35,828	Net cash generated from investing activities
Net cash used in financing activities				Cash flows from financing activities
Repurchase of corporate bonds	(1,665)	–	(1,665)	Repurchase of corporate bonds
Repayments of bank borrowings	(288,963)	–	(288,963)	Repayments of borrowings
Proceeds from bank borrowings	169,808	–	169,808	Proceeds from borrowings
Repurchase of ordinary shares	(75,258)	–	(75,258)	Repurchase of ordinary shares
		(34,370)	(34,370)	Interest paid
		–	(17,664)	Dividends paid to non-controlling interests
Other cash flows arising from financing activities	(3,995)	–	13,669	Other cash flows arising from financing activities
	(200,073)	(34,370)	(234,443)	Net cash used in financing activities

5. Presentation of the Unaudited Interim Financial Information (Continued)

5.2 Condensed Consolidated Statement of Cash Flows for the six months ended 30 June 2016 (Continued)

Condensed consolidated statement of cash flows of the Group for the period ended 30 June 2016 as extracted from the Group's interim report 2016	HK$'000	Reclassifications HK$'000	HK$'000	Re-presented condensed consolidated statement of cash flows of the Group for the period ended 30 June 2016
Net decrease in cash and cash equivalents	(306,026)	–	(306,026)	Net decrease in cash and cash equivalents
Cash and cash equivalents at the beginning of the period	836,065	–	836,065	Cash and cash equivalents at the beginning of the period
Effect of foreign exchange rates changes	(61,949)	–	(61,949)	Effect of foreign exchange rates changes
Cash and cash equivalents at the end of the period, represented by bank balances and cash	468,090	–	468,090	Cash and cash equivalents at the end of the period

6. Segment Information

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

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

(a) manufacture and distribution of watches and timepieces;

(b) property investments; and

(c) banking and financial businesses.

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

6. Segment Information (Continued)

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

6. Segment Information (Continued)

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

7. Revenue

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

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

7. Revenue (Continued)

Revenue recognised during the period is as follows:

(a) Net interest income from banking business

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

7. Revenue (Continued)

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

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

7. Revenue (Continued)

(c) Trading income from banking business

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

(d) Revenue from financial business

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

(e) Revenue from non-banking and financial businesses

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

8. Other Ordinary Income and Other Net Gains or Losses

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
(Loss)/Gain on fair value changes in trading portfolio investments (note 15)	**(44,056)**	65,767
Gain on fair value changes in derivative financial instruments, net (note 16)	**3,522**	5,584
Loss on disposal of subsidiaries	**–**	(28,699)
Bank and other interest income from non-banking business	**1,133**	7,457
Dividend income from available-for-sale financial assets (note 20(a))	**3,436**	3,558
Gain on disposal of property, plant and equipment	**12,816**	–
Exchange gains	**–**	13,740
Government subsidies	**20,591**	16,735
Sundry income	**6,195**	11,877
	3,637	96,019

9. Finance Costs

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

10. Profit Before Income Tax

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

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

11. Income Tax Expense

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

For both the six months ended 30 June 2017 and 2016, no provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong. The subsidiaries established in the PRC are subject to income taxes at tax rates ranging between 15% and 25% (Six months ended 30 June 2016: between 15% and 25%). Overseas tax is calculated at the rates applicable in the respective jurisdictions.

The Group is subject to PRC withholding tax at the rate of 5% or 10% in respect of its PRC sourced income earned, including rental income from properties in PRC, dividend income derived from PRC incorporated company and profit arising from the transfer of equity interest in PRC incorporated company.

12. Dividends

12.1 Dividends attributable to the interim period were as follows:

The directors do not recommend the payment of an interim dividend for the period ended 30 June 2017 (Six months ended 30 June 2016: Nil).

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

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

12.3 Special dividend approved during the period were as follows:

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Special dividend of HK 5 cents per share (2016: Nil)	**217,516***	–

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

13. Earnings Per Share

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

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	**27,615**	124,294

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

14. Due from Clients and Banks

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Due from clients – mortgage loans	**277,912**	247,647
Due from clients – other	**485,946**	382,981
Valuation adjustments for default risk	**(3,111)**	(2,819)
Total due from clients	**760,747**	627,809
Due from banks on a daily basis	**6,290,756**	5,197,546
Due from banks other claims	**337,297**	98,037
Valuation adjustments for default risk	**(186)**	(214)
Total due from banks	**6,627,867**	5,295,369

15. Trading Portfolio Investments

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Equity instruments		
Listed equity instruments in Hong Kong at market value	**143,204**	187,362
Total equity instruments	**143,204**	187,362
Debt instruments		
Debt instruments of financial institutions listed outside Hong Kong	**2,497**	2,851
Unlisted debt instruments of financial institutions	**2,615**	2,411
Total debt instruments	**5,112**	5,262
Investment fund units		
Investment fund units listed outside Hong Kong	**3,486**	3,472
Unlisted investment fund units	**1,090**	993
Total investment fund units	**4,576**	4,465
Total trading portfolio investments	**152,892**	197,089

15. Trading Portfolio Investments (Continued)

The investments under trading portfolio investments are held for trading purposes.

Fair value of the listed equity instruments, debt instruments and investment fund units have been determined by reference to their quoted market prices at the reporting date in an active market. Fair value of the listed trading portfolio investments is Level 1 recurring fair value measurement.

Fair value of unlisted debt instruments and investment fund units have been determined using significant inputs, which are market observable, directly or indirectly. The fair value of the unlisted trading portfolio investments is Level 2 recurring fair value measurement.

There is no transfer under the fair value hierarchy classification for the six months ended 30 June 2017 and 2016.

The fair value loss during the period was amounted to HK$44,056,000 (Six months ended 30 June 2016: fair value gain of HK$65,767,000), which has been recognised in the consolidated statement of comprehensive income as "other ordinary income and other net gains or losses" for six months ended 30 June 2017.

16. Derivative Financial Instruments

	Notes	**30 June 2017 HK$'000 (Unaudited)**	31 December 2016 HK$'000 (Audited)
Derivative financial assets			
Convertible bond investment			
– Conversion option component	(a)	**3,604**	82
Forward and option contracts	(b)	**4,969**	2,256
		8,573	2,338
Derivative financial liabilities			
Forward and option contracts	(b)	**12,422**	2,050

Notes:

(a) Convertible bond investment – Conversion option component

The Group has subscribed a convertible bond issued by a company listed in Hong Kong, which is due on 1 December 2018 and convertible into fully paid ordinary shares with a par value of HK$0.1 each at an initial conversion price of HK$5, subject to adjustment on the occurrence of dilutive or concentrative event. The Group can exercise the conversion at any time until the maturity date and the convertible bond cannot be redeemed before maturity date (in whole or in part).

The principal amount of the convertible bond was HK$10,000,000, which carries interest at 8% per annum payable every six months in arrears. There was no disposal or conversion of the convertible bond for the six months ended 30 June 2017 and 2016.

The convertible bond is separated into two components: the debt component and the conversion option component. The Group has classified the debt component of the convertible bond as loans and receivables and the conversion option component of the convertible bond as derivative financial instruments.

16. Derivative Financial Instruments (Continued)

Notes: (Continued)

(a) Convertible bond investment – Conversion option component (Continued)

The carrying amounts of the debt component and conversion option component of the convertible bond are as follows:

	Debt component HK$'000 (Unaudited)	Conversion option component HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
As 1 January 2017	**7,098**	**82**	**7,180**
Interest receivable	**(397)**	**–**	**(397)**
Effective interest income	**1,009**	**–**	**1,009**
Change in the fair value of conversion option component	**–**	**3,522**	**3,522**
As 30 June 2017	**7,710**	**3,604**	**11,314**

	Debt component HK$'000 (Audited)	Conversion option component HK$'000 (Audited)	Total HK$'000 (Audited)
As 1 January 2016	6,083	2,244	8,327
Interest receivable	(802)	–	(802)
Effective interest income	1,817	–	1,817
Change in the fair value of conversion option component	–	(2,162)	(2,162)
As 31 December 2016	7,098	82	7,180

The debt component is classified as "other assets" in the condensed consolidated statement of financial position and the conversion option component is classified as a derivative financial asset.

The fair value gain of the conversion option component during the period was amounted to HK$3,522,000 (Six months ended 30 June 2016: Fair value loss of HK$1,676,000), which has been recognised as"other ordinary income and other net gains or losses" in the condensed consolidated statement of comprehensive income for the six months ended 2017.

16. Derivative Financial Instruments (Continued)

Notes: (Continued)

(b) Forward and option contracts arising in banking business

The Group's subsidiaries under the banking business act as an intermediary to offer derivative products including interest rate and currency forwards and swap to its customers. These derivative positions are managed through entering back-to-back deals with external parties to ensure the remaining exposures are within acceptable risk levels.

The following tables and notes provide an analysis of the nominal amounts of derivatives and the corresponding fair values as at the year ended date. The nominal amounts of the derivatives indicate the volume of transactions outstanding as at the reporting date; they do not represent amounts at risk.

Change in the fair value of forward and option contracts arising in banking business has been recognised in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2017.

	30 June 2017		
	Nominal Amount HK$'000 (Unaudited)	**Assets HK$'000 (Unaudited)**	**Liabilities HK$'000 (Unaudited)**
Non-hedging instruments			
– Currency derivatives	**1,291,130**	**4,969**	**12,422**
– Option	**34,495**	**–***	**–***
	1,325,625	**4,969**	**12,422**

	31 December 2016		
	Nominal Amount HK$'000 (Audited)	Assets HK$'000 (Audited)	Liabilities HK$'000 (Audited)
Non-hedging instruments			
– Currency derivatives	418,198	2,256	2,050
– Option	10,359	–*	–*
	428,557	2,256	2,050

* Represents the amount less than HK$1,000.

17. Trade Receivables

The Group's trading terms with its customers from non-banking and financial businesses are mainly on credit, except for certain customers, where payment in advance is required. The credit period is generally for a period of one to six months (31 December 2016: one to six months) for major customers. Each customer has a maximum credit limit. The credit term for customers is determined by the management according to various market criteria. Trade receivables are non-interest bearing.

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

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
1 to 3 months	**407,247**	364,628
4 to 6 months	**40,581**	39,784
Over 6 months	**80,405**	57,173
	528,233	461,585

The Group does not hold any collateral over these balances. As at 30 June 2017, trade receivables of HK$26,421,000 (31 December 2016: HK$33,647,000) have been pledged to secure banking facilities granted to the Group (note 27).

18. Inventories

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

19. Assets and Liabilities of a Disposal Group Classified as Held for Sale

As mentioned in note 1, the Group committed to dispose of its 100% equity interest in Seti Timber and completed the first phase of the equity transfer of 45.2% equity interest in Seti Timber for the six months ended 30 June 2017. In accordance with HKFRS 5, the Group has reclassified the assets and liabilities of Seti Timber as at 30 June 2017 as assets and liabilities of a disposal group classified as held for sale in the Group's condensed consolidated statement of financial position.

An analysis of the assets and liabilities of a disposal group classified as held for sale as at 30 June 2017 is as follows:

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

20. Available-for-sale Financial Assets

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

Notes:

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

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

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

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

21. Short-term Investments

As at 30 June 2017, the Group purchased short-term investments from major banks in the PRC in which the balance of HK$60,697,000 (31 December 2016: HK$112,740,000) was subject to maturity up to July 2017 (31 December 2016: January 2017) and no balance was not subject to maturity (31 December 2016: HK$229,000). These short-term investments are carried at amortised cost using the effective interest method less accumulated impairment losses.

For those short-term investments not subject to maturity, the Group is entitled to redeem the investments with the banks at anytime with immediate effect. The estimated return from these short-term investments is 3.5% per annum (31 December 2016: 3.5% to 4.2% per annum). The accrued and unpaid interest will be received upon redemption of the investment from the banks. The directors of the Company consider that the carrying value of short-term investments approximate their fair value at end of the reporting period.

22. Property, Plant and Equipment

During the six months ended 30 June 2017, the Group acquired property, plant and equipment of HK$47,296,000 (Six months ended 30 June 2016: HK$71,529,000). Property, plant and equipment of HK$2,524,000 were disposed of during the six months ended 30 June 2017 (Six months ended 30 June 2016: HK$9,883,000).

As at 30 June 2017, land and buildings in Switzerland with an aggregate carrying amount of HK$122,813,000 (31 December 2016: HK$127,516,000) have been pledged to secure banking facilities granted to the Group (note 27).

23. Investment Properties

As at 30 June 2017, the Group has not obtained the relevant title certificates for investment properties with an aggregate carrying amount of HK$39,700,000 (31 December 2016: HK$39,700,000). The Group's legal advisors have confirmed that the Group is the rightful and equitable owner of these investment properties. The directors are now in process of obtaining the title certificates from the relevant government authorities.

As at 30 June 2017, certain of the Group's investment properties with carrying amount of HK$24,100,000 (31 December 2016: HK$24,100,000) have been pledged to secure banking facilities granted to the Group (note 27).

24. Goodwill

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Balance at the beginning of period/year	**862,834**	741,636
Acquisition of subsidiaries (note 30(a) & (b))	**3,080**	242,875
Impairment loss	**–**	(70,566)
Exchange realignment	**36,853**	(51,111)
Balance at the end of period/year	**902,767**	862,834

25. Trade Payables

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

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

26. Corporate Bonds

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
At 1 January	**692,127**	708,834
Amortisation of transaction cost	**1,985**	3,880
Repurchase of corporate bonds	**–**	(2,009)
Exchange realignment	**49,761**	(18,578)
	743,873	692,127

On 24 July 2014, the Group issued CHF denominated corporate bonds of principal amount of CHF100,000,000 bears interest at 3.625% per annum. The interests of the corporate bonds are paid in arrears on 24 July every year. The corporate bonds are listed in SIX Swiss Exchange in Switzerland and guaranteed by the Company. The corporate bonds will mature on 24 July 2019.

The Group may, at any time after the date of issuance and prior to the date of maturity, redeem the whole corporate bonds at 100% of the total principal amounts together with payments of interest accrued up to the dates of such early redemption by serving a prior notice to a period of not less than 30 days nor more than 60 days.

During the six months ended 30 June 2017, the Group did not repurchase any corporate bonds.

During the six months ended 30 June 2016, the Group has repurchased certain corporate bonds of principal amount of CHF255,000 (equivalent to approximately HK$2,017,000) at the consideration of CHF210,000 (equivalent to approximately HK$1,665,000). The Group recognised a gain on repurchase of the corporate bonds of CHF40,000 (equivalent to approximately HK$313,000) (after unamortized placement fee) for six months ended 30 June 2016.

27. Borrowings

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

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

Based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause, borrowings are repayable as follows:

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Borrowings payable:		
Within one year or on demand	**958,825**	939,187
In the second year	**52,528**	235,637
In the third to fifth year	**1,467**	1,369
After fifth year	**14,674**	14,147
	68,669	251,153
	1,027,494	1,190,340

27. Borrowings (Continued)

At the reporting date, the Group's borrowings were secured by:

(i) corporate guarantee provided by subsidiaries within the Group as at 30 June 2017 and 31 December 2016.

(ii) a legal charge over certain of the Group's land and buildings and investment properties with carrying amounts of HK$122,813,000 (31 December 2016: HK$127,516,000) (note 22) and HK$24,100,000 (31 December 2016: HK$24,100,000) (note 23).

(iii) certain of the Group's trade receivables with the carrying amounts of HK$26,421,000 (31 December 2016: HK$33,647,000) as the 30 June 2017 (note 17).

(iv) a personal guarantee of HK$27,600,000 provided by the director of a subsidiary as at 30 June 2017 and 31 December 2016.

Certain of borrowings contain clause which gives the banks the right at their sole discretion to demand immediate repayment at any time irrespective of whether the Company has compiled with the covenants and met the scheduled repayment obligations. Borrowings due for repayment after one year which contain a repayment on demand clause and are expected to be settled within one year. The carrying amounts of the borrowings approximate to their fair value.

28. Capital Commitments

At the reporting date, the Group had the following outstanding commitments:

	Notes	**30 June 2017 HK$'000 (Unaudited)**	31 December 2016 HK$'000 (Audited)
Contracted, but not provided for:			
– Purchase of property, plant and equipment		**205,075**	93,884
– Acquisition of a subsidiary – Shun Heng		**–**	14,800
– Acquisition of a subsidiary – Metasequoia Capital		**–**	3,000
– Investment in an associate – Citychamp Allied International Limited	(a)	**270,000**	270,000
– Investment in an associate – Corum Investment Management Limited	(b)	**6,245**	–
		481,320	381,684

28. Capital Commitments (Continued)

Notes:

(a) On 28 September 2016, Union United Investment Limited ("Union United"), a wholly-owned subsidiary of the Company, entered into an agreement with Citychamp Dartong (Hong Kong) Limited ("CD(HK)") and Fengrong Investment (Hong Kong) Company Limited ("FI(HK)"), in relation to the formation of the joint venture company ("JV Company") in the British Virgin Islands. JV Company shall be owned as to 40% by FI(HK), 30% by CD(HK) and 30% by Union United. JV Company is engaged in potential overseas equity investment. Pursuant to the agreement, Union United agreed to contribute the maximum capital commitment of HK$270,000,000 to JV Company. Details of the transaction are set out in the Company's announcement dated 28 September 2016.

(b) On 10 May 2017, Corum Finance Holding Limited ("Corum Finance"), a wholly-owned subsidiary of the Company, entered into an agreement with Corum Investment Management Limited ("Corum Investment") which owned as to 40% by Corum Finance. Pursuant to the agreement, Corum Finance agreed to contribute the maximum capital commitment of HK$6,245,000 to Corum Investment.

29. Related Party Transactions

29.1 Other than those disclosed elsewhere in the Unaudited Interim Financial Information, the following transactions were carried out with related parties:

(i) Rental income

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Rental income received (note a)	**60**	60
Sub-lease income received (note b)	**171**	171

Notes:

(a) This was received from the executive director, Mr. Shi Tao and this was charged at HK$10,000 (Six months ended 30 June 2016: HK$10,000) per month on average. The carrying amount of the Group's investment property which was rented to the executive director as quarter as at 30 June 2017 was HK$24,100,000 (31 December 2016: HK$24,100,000).

(b) Sub-lease income was received from a company of which Mr. Shang Jianguang, Ms. Sit Lai Hei and Mr. Hon Hau Wong, directors of the Company are also directors of the related company and this was charged at approximately HK$29,000 (Six months ended 30 June 2016: HK$29,000) per month on average.

29. Related Party Transactions (Continued)

29.1 Other than those disclosed elsewhere in the Unaudited Interim Financial Information, the following transactions were carried out with related parties: (Continued)

(ii) Transactions with an associate, Fair Future Industrial Limited ("Fair Future") and its subsidiaries

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Sales of goods	**24**	15,078
Purchases of goods	**29,472**	52,033
Rental expenses paid	**–**	177

(iii) Acquisition of a subsidiary

In February 2017, the Group acquired the entire interest of Shun Heng from Mr. Hon Kwok Lung, the controlling shareholder and the executive director of the Company at the consideration of HK$24,800,000. Details of the acquisition are set out in the Company's announcement dated 19 February 2016.

(iv) Outstanding balances included in trade receivables, other assets, trade payables and other liabilities

	30 June	31 December
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Dividend receivable from an associate	**7,500**	27,500
Consideration receivable from an associate in respect of disposal of brand name	**–**	20,000
Due from an associate (note a)	**23,956**	24,588
Trade receivables from associates	**1,118**	8,031
Due from related companies (note b)	**1,064**	1,064
Deposit for acquisition of a subsidiary (note c)	**–**	10,000
Due to associate (note a)	**27,146**	19,996
Trade payables to associates	**29,021**	59,670

29. Related Party Transactions (Continued)

29.1 Other than those disclosed elsewhere in the Unaudited Interim Financial Information, the following transactions were carried out with related parties: (Continued)

(iv) Outstanding balances included in trade receivables, other assets, trade payables and other liabilities (Continued)

Notes:

(a) The balance was unsecured, interest-free and repayable on demand. The maximum amount outstanding during the period was HK$24,588,000 (31 December 2016: HK$24,588,000).

(b) The amounts were due from/to companies of which Mr. Shang Jianguang, Ms. Sit Lai Hei and Mr. Hon Hau Wong, directors of the Company are also the directors of the related companies. The balances were unsecured, interest-free and repayable on demand. The maximum amount outstanding during the period was HK$1,064,000 (31 December 2016: HK$1,064,000).

(c) The amount represented the deposit paid to Mr. Hon Kwok Lung, the controlling shareholder and the executive director of the Company, for acquisition of Shun Heng (note 30(a)).

(v) Financial guarantee provided to Fair Future

At 30 June 2017, the Group has provided a corporate guarantee of HK$60,000,000 (31 December 2016: HK$120,000,000) in respect of a revolving loan facility of up to HK$60,000,000 granted to Fair Future. The corporate guarantee is ending of the term of the revolving loan facilities.

The above transactions were conducted in accordance with the terms mutually agreed between the Group and the related companies controlled by the directors.

29.2 Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**15,415**	16,345
Post-employment benefits	**99**	99
	15,514	16,444

30. Acquisition of Subsidiaries

(a) Acquisition on Shun Heng

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

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

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

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

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

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

30. Acquisition of Subsidiaries (Continued)

(a) Acquisition on Shun Heng (Continued)

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

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

(b) Acquisition on Metasequoia Capital

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

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

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

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

30. Acquisition of Subsidiaries (Continued)

(b) Acquisition on Metasequoia Capital (Continued)

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

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

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

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

31. Fair Value Measurements of Financial Instruments

The fair values of the Group's financial assets and financial liabilities are determined as follows:

- the fair value of listed equity investments, debt instruments and investment fund units classified under trading portfolio investments and available-for-sale financial assets are determined by reference to their quoted market prices at the reporting dates in active markets and have been translated using the spot foreign currency rates at the end of the reporting periods where appropriate.

- the fair value of listed or unlisted debt instruments and investment fund units classified under trading portfolio investments and available-for-sale financial assets have been determined using significant inputs, which are market observable, directly or indirectly.

- the fair value of derivative financial assets classified as level 3 financial assets, is determined by the directors of the Company with reference to the valuation performed by Asset Appraisal Limited, an independent professionally qualified valuer, by using valuation techniques such as Black-Scholes Option Pricing Model and Binomial Option Pricing Model. These valuation techniques maximise the use of observable market data where it is available for all significant inputs and rely as little as possible on entity specific estimates.

- the fair values of derivative financial assets and liabilities classified as level 2 financial assets, are marked to market using the foreign exchange forward rates ruling at the end of each reporting periods.

- The fair value of unlisted investment in insurance policy is determined based on amount value as stated in cash surrender value statement issued by insurer.

The following table provides an analysis of financial assets and financial liabilities carried at fair value by level of fair value hierarchy.

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that is not based on observable market data (unobservable inputs).

31. Fair Value Measurements of Financial Instruments (Continued)

The financial assets and financial liabilities measured at fair value in the condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	30 June 2017			
	Level 1 HK$'000 (Unaudited)	Level 2 HK$'000 (Unaudited)	Level 3 HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Assets				
Trading portfolio investments	145,701	7,191	–	152,892
Derivative financial assets	–	4,969	3,604	8,573
Available-for-sale financial assets at fair value	315,387	25,894	–	341,281
	461,088	38,054	3,604	502,746
Liabilities				
Derivative financial liabilities	–	12,422	–	12,422

	31 December 2016			
	Level 1 HK$'000 (Audited)	Level 2 HK$'000 (Audited)	Level 3 HK$'000 (Audited)	Total HK$'000 (Audited)
Assets				
Trading portfolio investments	190,213	6,876	–	197,089
Derivative financial assets	–	2,256	82	2,338
Available-for-sale financial assets at fair value	320,247	25,230	–	345,477
	510,460	34,362	82	544,904
Liabilities				
Derivative financial liabilities	–	2,050	–	2,050

31. Fair Value Measurements of Financial Instruments (Continued)

There have been no significant transfers between Levels 1 and 2 in the reporting period.

The level in the fair value hierarchy within which the financial assets and financial liabilities are categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

The fair value of the conversion option component is Level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balances are provided as below.

	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Opening balance (Level 3 recurring fair value)	**82**	2,244
Change in fair value recognised in profit or loss during the period/year	**3,522**	(2,162)
Closing balance (Level 3 recurring fair value)	**3,604**	82

The key significant unobservable inputs to determine the fair value of the derivative component are the discount rate and expected volatility.

A higher in the discount rate would result in a decrease in the fair value of the conversion option component, and vice versa.

A higher in the expected volatility would result in an increase in the fair value of the conversion option component, and vice versa.

32. Partial Disposal of Subsidiaries Without Loss of Control

As mentioned in note 1, the Group has completed the disposal first phase of the equity transfer 45.2% of equity interest in Seti Timber at the consideration of RMB632,800,000 (approximately HK$728,821,000) during the period. The effect of change in ownership interest of Seti Timber is summarised as follows:

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

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