INTERIM REPORT 中期報告

2019

ADVANCING TOGETHER 共同增長 EXPANDING GROWTH 拓展無限

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

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
Teguh HALIM

INDEPENDENT NON-EXECUTIVE DIRECTORS
FUNG Tze Wa
KWONG Chun Wai, Michael
ZHANG Bin
Rudolf Heinrich ESCHER

Audit Committee

FUNG Tze Wa *(Committee Chairman)*
KWONG Chun Wai, Michael
ZHANG Bin
Rudolf Heinrich ESCHER

Remuneration Committee

FUNG Tze Wa *(Committee Chairman)*
HON Kwok Lung
SHANG Jianguang
KWONG Chun Wai, Michael
ZHANG Bin
Rudolf Heinrich ESCHER

Nomination Committee

HON Kwok Lung *(Committee Chairman)*
SHANG Jianguang
FUNG Tze Wa
KWONG Chun Wai, Michael
ZHANG Bin
Rudolf Heinrich ESCHER

Risk Management Committee

SIT Lai Hei *(Committee Chairman)*
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
Hang Seng Bank Limited
UBS AG
China CITIC Bank International Limited

Hong Kong Branch Share Registrar

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Registered Office

P.O. Box 309
Ugland House
Grand Cayman, KY1-1104
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

Our Strategy

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

Financial Highlights

	Six months ended 30 June		
	2019	2018	Variation
	HK$'000	HK$'000	%
Total revenue	**1,422,324**	1,477,807	-3.8%
Operating expenses	**782,694**	778,817	0.5%
Gross profit generated from non-banking and financial businesses	**688,365**	743,279	-7.4%
Gross profit generated from banking and financial businesses	**234,401**	240,275	-2.4%
EBITDA	**258,479**	324,544	-20.4%
Profit before tax	**149,873**	244,196	-38.6%
Net profit after tax	**109,989**	193,577	-43.2%
Earnings per share attributable to owners of the Company for the period			
– Basic	**HK2.04 cents**	HK3.84 cents	-46.9%
– Diluted	**HK2.04 cents**	HK3.84 cents	-46.9%

	30 June	31 December	
	2019	2018	Variation
	HK$'000	HK$'000	%
Total assets	**19,854,604**	20,258,229	-2.0%
Total liabilities	**14,920,121**	15,448,738	-3.4%
Total equity	**4,934,483**	4,809,491	2.6%

Operating Results

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

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

Operating Results (Continued)

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

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

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

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

Performance

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

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

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

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

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

Performance (Continued)

I.A WATCHES AND TIMEPIECES BUSINESSES – LOCAL PROPRIETARY BRANDS

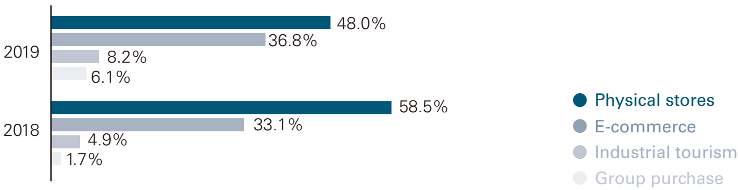
Zhuhai Rossini Watch Industry Limited

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

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

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

For the six months ended 30 June



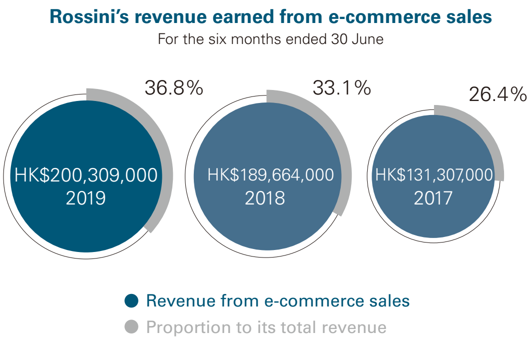
E-commerce sales continued to maintain a stable growth. For the six months ended 30 June 2019, e-commerce sales increased to HK$200,309,000 from HK$189,664,000 for the same period last year, representing an increase of 5.6%. In addition to the existing online direct-sale stores, Rossini has also expanded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

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

Performance (Continued)

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

Zhuhai Rossini Watch Industry Limited (Continued)



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

EBOHR Group

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

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

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

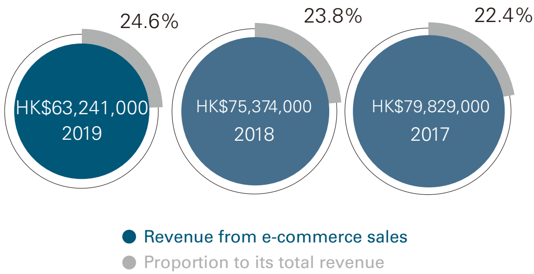
Performance (Continued)

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

EBOHR Group (Continued)

EBOHR's revenue earned from e-commerce sales

For the six months ended 30 June



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

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

Depreciation of Renminbi also deteriorated the reduction in both revenue and net profit.

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

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

Performance (Continued)

I.B WATCHES AND TIMEPIECES BUSINESSES – FOREIGN PROPRIETARY BRANDS

Corum Eterna Dreyfuss Group Ernest Borel

Ernest Borel Group

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

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

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

Performance (Continued)

I.B WATCHES AND TIMEPIECES BUSINESSES – FOREIGN PROPRIETARY BRANDS (Continued)

Ernest Borel Group (Continued)

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

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

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

Other Foreign Proprietary Brands

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

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

Performance (Continued)

I.B WATCHES AND TIMEPIECES BUSINESSES – FOREIGN PROPRIETARY BRANDS (Continued)

Other Foreign Proprietary Brands (Continued)

The operation and management of Corum and Eterna has been integrated since 2017. 2019 is a year of transition since many operational and managerial projects have been or will be launched. The first change would be a new management model, shifting from the former structure with a CEO to a team management of four pillars, Operations, Sales and Marketing, Finance and Human Resources. Another change that is closely followed is the level of account receivables with an aim to increase Corum and Eterna's ability to collect the cash and enhance the liquidity of Corum and Eterna. Therefore, both Corum and Eterna also monitor their inventories globally in order to increase the rotation of the stocks as well as to accelerate the transformation of stocks into cash inflows. All the strategical initiatives were made with the focus of turning Corum and Eterna into a sales-oriented company with improved financial results.

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

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

Backed by our competitive strengths and deep understanding of the needs of our customers, we will redeploy our resources to realize gains in efficiency and synergy and will build on the good progress we have made to provide long-term value.

Performance (Continued)

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

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

I.D WATCHES AND TIMEPIECES BUSINESSES – OTHERS

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

II.A BENDURA BANK AG

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

(1) Asset management and investment advice;

(2) Transaction banking; and

(3) Security issuance and investment funds.

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

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

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

Performance (Continued)

II.A BENDURA BANK AG (Continued)

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

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

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

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

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

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

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

Performance (Continued)

II.A BENDURA BANK AG (Continued)

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

II.B SHUN HENG FINANCE HOLDING (HONG KONG) LIMITED

The Group currently conducts securities and asset management businesses under the umbrella of Shun Heng Finance Holding (Hong Kong) Limited ("Shun Heng Finance Holding"), which is 60% owned by the Group.

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

Shun Heng Securities Limited ("Shun Heng Securities")

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

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

Hong Kong Metasequoia Capital Management Limited ("Metasequoia Capital")

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

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

Performance (Continued)

III.A LISTED EQUITY INVESTMENT

(1) Citychamp Dartong Company Limited

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

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

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

(2) Min Xin Holdings Limited

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

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

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

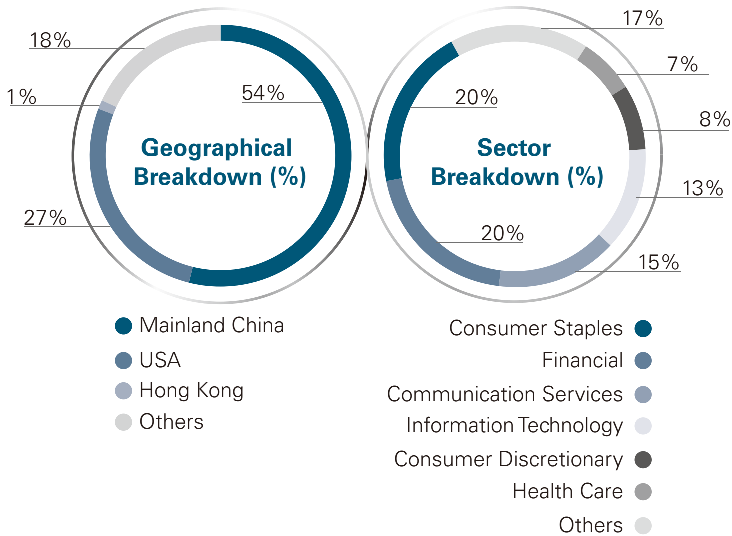
Performance (Continued)

III.B PROPERTY INVESTMENT

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

III.C OTHER MARKETABLE SECURITIES

The Group has acted as the founder investor and invested USD5.12 million in "Metasequoia Investment Fund SPC – Global Opportunities Fund SP" (the "Fund") since 15 August 2017 in order to facilitate establishing the fund management business with an initial capital of USD10.24 million and the rest of the fund was subscribed by other investors with the capital of USD5.12 million. As of 30 June 2019, the total net asset value of the Fund was USD11.66 million, which composed by USD5.84 million and USD5.82 million for the Group and other inventors respectively. The composition of investments in the Fund were approximately 20% in consumer staples sector, 20% in financials sector, 15% in communication services sector, 13% in information technology sector, 8% in consumer discretionary sector, 7% in health care sector and the rest 17% in other sectors. Geographically, the Fund invested in companies of origin were approximately 54% in Mainland China, 27% in the US, 1% in Hong Kong and the remaining 18% in other countries. For the six months ended 30 June 2019, the unrealized gain on fair value of the investment was approximately USD636,000 (Six months ended 30 June 2018: unrealized loss of USD17,000).



Performance (Continued)

HEADQUARTER AND OTHERS

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

Financial Position

(1) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2019, the Group had non-pledged cash and bank balances of approximately HK$6,529,741,000 (31 December 2018: HK$7,701,743,000). Based on the borrowings of HK$1,046,407,000 (31 December 2018: HK$1,047,189,000), the corporate bonds of approximately HK$767,966,000 (31 December 2018: HK$760,244,000), due to a shareholder of Nil (31 December 2018: HK$73,000,000), due to a director of HK$15,000,000 (31 December 2018: Nil) and shareholders' equity of HK$4,512,535,000 (31 December 2018: HK$4,439,791,000), the Group's gearing ratio (being borrowings plus corporate bonds and due to a shareholder divided by shareholders' equity) was 41% (31 December 2018: 42%).

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

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

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

(2) CHARGE ON ASSETS

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

Financial Position (Continued)

(3) CAPITAL COMMITMENT

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

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

Financial Review

(1) TOTAL ASSETS

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

Cash and deposits

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

Due from banks

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

Financial Review (Continued)

(2) INVESTMENTS

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

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

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

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

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

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

Financial Review (Continued)

(2) INVESTMENTS (Continued)

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

	30 June 2019 HK$'000	31 December 2018 HK$'000
Forward and option contracts	**4,370**	7,694
	4,370	7,694

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

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

As at 30 June 2019, positive replacement values totaling HK$4,370,000, whereof approximately HK$8,000 related to FX swaps entered by Bendura Bank. Based upon risk/return considerations, client deposits denominated in foreign currencies were, in part, no longer invested on the interbank market but were swapped into Swiss francs using currency swaps and deposited with the Swiss National Bank (SNB). Income from the interest component of currency swaps exceeded the expense of SNB negative interest and the reduced level of interest from banks. During the first half of 2019, Bendura Bank recorded HK$37,664,000 profits with FX swaps.

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

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

Financial Review (Continued)

(2) INVESTMENTS (Continued)

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

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

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

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

As at 31 December 2018, Bendura Bank invested in listed debt instruments issued by government and public sector, financial institutions and corporations amounting to HK$1,034,773,000. The portfolio was composed of 57 listed debt instruments with different maturity, geography, segment and currency and hence, diversification is ensured. Almost all listed debt instruments were considered upper-medium grade and are subject to low credit risk. The average remaining term of the held-to-maturity investment is 1.8 years. Largest single investments are bond issued by International Bank for Reconstruction and Development (CHF20 million) and followed by European Investment Bank (CHF12 million). Both are triple-A issuers. Risk concentration is analysed and presented to the senior management on a monthly basis.

Financial Review (Continued)

(2) INVESTMENTS (Continued)

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

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

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

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

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

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

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

Listed equity instruments of HK$162,386,000 related to investment in Citychamp Dartong and HK$384,334,000 related to investment in Min Xin. More details of such investments are set forth on Page 13 of this interim report.

Financial Review (Continued)

(3) TOTAL LIABILITIES

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

Due to clients

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

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

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

(5) EBITDA

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

(6) SELLING AND DISTRIBUTION EXPENSES

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

(7) ADMINISTRATIVE EXPENSES

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

(8) SHARE OF PROFIT OF ASSOCIATES

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

(9) FINANCE COSTS

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

Financial Review (Continued)

(10) GEARING RATIOS OF NON-BANKING BUSINESS

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

(11) NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

(12) INVENTORIES

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

(13) EVENTS AFTER REPORTING PERIOD

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

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

Review of Financial Statements

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

Corporate Governance

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

Environmental, social, and governance performance

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

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

Risk Management

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

Outlook

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

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

Outlook (Continued)

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

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

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

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

Employees and Remuneration Policy

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

As at 30 June 2019, the Group had approximately 4,400 full-time staff in Hong Kong and Mainland China and approximately 360 in Europe. The remuneration packages offered to the employees were determined and reviewed on an arm's length basis with reference to the market condition and individual performance. The Group also provides other benefits to its employees, including year-end double pay, medical insurance and retirement benefits, and incentive bonuses are offered with reference to the Group's operating results and employees' individual performance. All employees of the Group in Hong Kong have joined the provident fund schemes. Employees of Group's subsidiaries in Mainland China also participate in social insurance scheme administrated and operated by local authorities and contributions are made according to the local laws and regulations.

Dividend

The board has resolved not to distribute an interim dividend for the six months ended 30 June 2019 (Six months ended 30 June 2018: Nil).

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

As at 30 June 2019, 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) LONG POSITIONS IN SHARES OF THE COMPANY

As at 30 June 2019, certain directors and the chief executive of the Company held long positions in the shares of the Company as follows:

	Number of shares held				
Name of director	**Beneficial owner**	**Corporate interests**	**Family interests**	**Total interests**	**Percentage of shareholding**
Hon Kwok Lung	3,500,000	3,017,389,515[(1)]	1,374,000[(2)]	3,022,263,515	69.45%
Shang Jianguang *(executive director and chief executive officer)*	5,300,000	–	–	5,300,000	0.12%
Shi Tao	5,000,000	–	–	5,000,000	0.11%
Lam Toi Man	2,400,000	–	–	2,400,000	0.06%
Sit Lai Hei	–	200,000,000[(3)]	–	200,000,000	4.60%
Hon Hau Wong	1,750,000	–	200,000,000[(4)]	201,750,000	4.64%
Teguh Halim	3,000,000	–	3,000,000[(5)]	6,000,000	0.14%
Fung Tze Wa	1,400,000	–	–	1,400,000	0.03%

Notes:

1. The 3,017,389,515 shares comprise of 1,640,128,000 shares held by Full Day Limited ("Full Day"), which is wholly-owned by Mr. Hon Kwok Lung and 1,377,261,515 shares held by Sincere View International Limited ("Sincere View"), which is owned as to 80% by Mr. Hon Kwok Lung and 20% by his spouse.

2. 1,374,000 shares were held by Ms. Lam Suk Ying, spouse of Mr. Hon Kwok Lung.

3. The 200,000,000 shares were 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 68.5% by Ms. Sit Lai Hei.

4. Mr. Hon Hau Wong is deemed to have an interest in 200,000,000 shares which were 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 31.5% by Ms. Lu Xiaojun, the spouse of Mr. Hon Hau Wong.

5. 3,000,000 shares were held by Mr. Teguh Halim's wife.

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

(2) LONG POSITION IN SHARES OF THE ASSOCIATED CORPORATIONS OF THE COMPANY

Name of Director	Name of associated corporation	Nature of interest	Percentage of shareholding
Sit Lai Hei	Zhuhai Rossini Watch Industry Limited(1)	Corporate(2)	9%
Hon Hau Wong	Zhuhai Rossini Watch Industry Limited(1)	Family Interest(2)	9%

Notes:

1. Zhuhai Rossini Watch Industry Limited ("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 an Executive Director of the Company and the husband of Ms. Lu Xiaojun, is also deemed to be interested in the 31.5% interest in Fujian Fengrong.

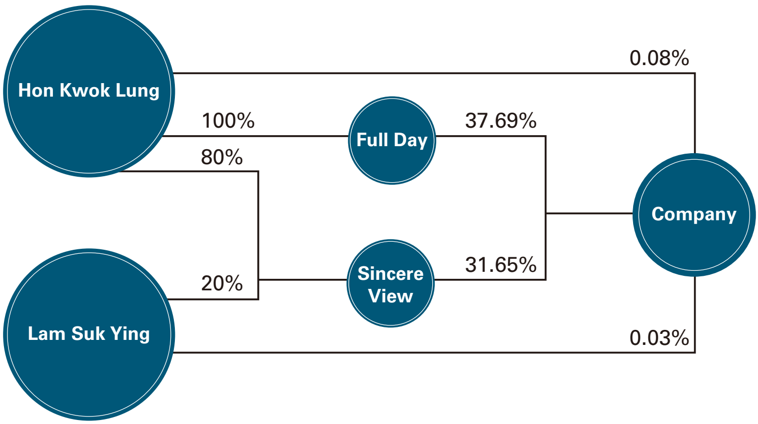
Save as disclosed above, as at 30 June 2019, no other person had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2019, 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:

	Nature of interest	No. of Shares	Percentage of existing issued capital
Sincere View International Limited	Beneficial owner	1,377,261,515	31.65%
Full Day Limited	Beneficial owner	1,640,128,000	37.69%
Hon Kwok Lung (Note)	Corporate interest, beneficial owner and family interest	3,022,263,515	69.45%
Lam Suk Ying (Note)	Beneficial owner and family interest	3,022,263,515	69.45%

Note: Mr. Hon Kwok Lung and Ms. Lam Suk Ying, his spouse, are deemed to have an interest in the same parcel of 3,022,263,515 shares, which comprise 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 2019, 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 2019, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except with the details disclosed below:

(1) CG CODE E.1.2

CG Code E.1.2 stipulates that the chairman of the board of directors should attend the annual general meeting. The Chairman of the board of director of the Company was unable to attend the annual general meeting of the Company held on 30 May 2019 (the "AGM 2019") due to other business engagement.

(2) CG CODE A.6.7

CG Code A.6.7 stipulates that independent non-executive directors should attend general meetings. Three independent non-executive directors did not attend the AGM 2019 due to other business engagements.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2019.

Board Committees

AUDIT COMMITTEE

The audit committee of the Company currently comprises following members:

Independent Non-executive Directors
Fung Tze Wa *(Committee Chairman)*
Kwong Chun Wai, Michael
Zhang Bin
Rudolf Heinrich Escher

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

Board Committees (Continued)

REMUNERATION COMMITTEE

The remuneration committee of the Company currently comprises following members:

Independent Non-executive Directors
Fung Tze Wa *(Committee Chairman)*
Kwong Chun Wai, Michael
Zhang Bin
Rudolf Heinrich Escher

Executive Directors
Hon Kwok Lung
Shang Jianguang

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

NOMINATION COMMITTEE

The nomination committee of the Company currently comprises following members:

Executive Directors
Hon Kwok Lung *(Committee Chairman)*
Shang Jianguang

Independent Non-executive Directors
Fung Tze Wa
Kwong Chun Wai, Michael
Zhang Bin
Rudolf Heinrich Escher

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

Board Committees (Continued)

RISK MANAGEMENT COMMITTEE

The risk management committee currently comprises following members:

Executive Directors
Sit Lai Hei *(Committee Chairman)*
Shi Tao
Lam Toi Man
Bi Bo

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

Buy-back, Redemption or Sale of Listed Securities of the Company

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

Specific Performance Obligations on Controlling Shareholder of the Company

On 16 July 2019, the Company as borrower and certain of its subsidiaries as guarantors entered into a facility agreement (the "Facility Agreement") with Hang Seng Bank Limited ("Hang Seng"), Luso International Banking Ltd. ("Luso International"), Industrial Bank, Co., Ltd. Hong Kong Branch ("Industrial Bank"), Bank of Communications Co., Ltd. Hong Kong Branch ("Bank of Communications") and Korea Development Bank Qingdao Branch ("Korea Development Bank") as the original lenders (collectively, the "Lenders"), Hang Seng as the mandated lead arranger and bookrunner, Luso International and Industrial Bank as the mandated lead arrangers and Korea Development Bank and Bank of Communications as arrangers, pursuant to which the Lenders have agreed to grant a term loan facility in the amount up to US$150,000,000 (the "Loans") to the Company for a term of 36 months.

Specific Performance Obligations on Controlling Shareholder of the Company (Continued)

Pursuant to the Facility Agreement, it will be an event of default if (1) Mr. Hon Kwok Lung ("Mr. Hon") together with his direct family members and Ms. Sit Lai Hei (the "Hon Family") fail to maintain (i) directly or indirectly, at least 60% of the beneficial shareholding interest in the issued share capital of the Company; or (ii) control over the management and business of the Company and its subsidiaries (excluding Bendura Bank AG and its subsidiaries and Shun Heng Finance Holding (Hong Kong) Limited and its subsidiaries; or (2) Mr. Hon (or another member of the Hon Family) is not the chairman of the board of directors of the Company. On and at any time after the occurrence of such event which is continuing, Hang Seng as the agent may, and shall if so directed by the Lenders whose commitments aggregate $66\frac{2}{3}\%$ or more of the total commitment, by notice to the Company, (i) cancel the commitments (and reduce them to zero); (ii) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable; (iii) declare that all or part of the Loans be payable on demand; and/or (iv) exercise or direct Hang Seng as the security agent to exercise any or all of its rights, remedies, powers or discretions under the Facility Agreement.

Details are set out in the announcement of the Company dated 16 July 2019.

Appreciation

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

Hon Kwok Lung
Chairman

Hong Kong, 29 August 2019

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Notes	Six months ended 30 June **2019** **HK$'000** **(Unaudited)**	 2018 HK$'000 (Unaudited)
Interest income from banking business		**112,844**	105,333
Interest expenses from banking business		**(18,181)**	(20,167)
Net interest income from banking business	6a	**94,663**	85,166
Service fees and commission income from banking business		**149,352**	161,110
Service fees and commission expenses from banking business		**(39,182)**	(44,042)
Net service fees and commission income from banking business	6b	**110,170**	117,068
Trading income from banking business	6c	**28,608**	36,185
Service fees and commission income from financial business	6d	**858**	1,752
Interest income from financial business	6d	**102**	104
Sales of goods from non-banking and financial businesses	6e	**1,182,778**	1,234,892
Rental income from non-banking and financial businesses	6e	**5,145**	2,640
Total revenue		**1,422,324**	1,477,807
Cost of sales from non-banking and financial businesses		**(499,558)**	(494,253)
Other ordinary income and other net gains or losses	7	**45,272**	62,927
Selling and distribution expenses		**(382,556)**	(417,715)
Administrative expenses		**(400,138)**	(361,102)
Share of loss of joint ventures		**(1,345)**	(1,433)
Share of profit of associates		**6,756**	5,278
Finance costs	8	**(40,882)**	(27,313)
Profit before income tax	9	**149,873**	244,196
Income tax expense	10	**(39,884)**	(50,619)
Profit for the period		**109,989**	193,577

Condensed Consolidated Statement of Comprehensive Income (Continued)

For the six months ended 30 June 2019

	Notes	Six months ended 30 June **2019** **HK$'000** **(Unaudited)**	2018 HK$'000 (Unaudited)
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
– Change in fair value of financial assets at fair value through other comprehensive income	15	**(74,790)**	(156,087)
– Remeasurement of net defined benefit obligation		**(1,316)**	–
		(76,106)	(156,087)
Item that may be subsequently reclassified to profit or loss			
– Exchange differences on translation to presentation currency		**(4,266)**	(54,593)
Other comprehensive income for the period		**(80,372)**	(210,680)
Total comprehensive income for the period		**29,617**	(17,103)
Profit for the period attributable to:			
Owners of the Company		**88,608**	167,100
Non-controlling interests		**21,381**	26,477
		109,989	193,577
Total comprehensive income for the period attributable to:			
Owners of the Company		**8,765**	(33,504)
Non-controlling interests		**20,852**	16,401
		29,617	(17,103)
Earnings per share attributable to owners of the Company for the period	12		
– Basic		**HK2.04 cents**	HK3.84 cents
– Diluted		**HK2.04 cents**	HK3.84 cents

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	**30 June 2019 HK$'000 (Unaudited)**	31 December 2018 HK$'000 (Audited)
Assets			
Cash and deposits		**6,529,741**	7,701,743
Due from clients	13	**1,805,195**	1,575,438
Due from banks	13	**3,538,406**	3,387,836
Trading portfolio investments	14	**162,628**	123,606
Financial assets at fair value through other comprehensive income	15	**552,410**	627,200
Derivative financial assets	16	**4,370**	7,694
Trade receivables	17	**541,661**	571,424
Other financial assets at amortised cost	18	**1,254,621**	1,034,773
Inventories	19	**2,264,078**	2,314,545
Income tax recoverable		**18,235**	13,269
Interests in joint ventures		**1,094**	2,439
Interests in associates		**109,675**	102,919
Property, plant and equipment	20	**1,158,815**	1,036,736
Investment properties	21	**179,133**	179,133
Prepaid land lease payments		**–**	47,605
Intangible assets	22	**52,706**	53,310
Goodwill	23	**1,071,576**	1,071,552
Deferred tax assets		**12,394**	9,437
Other assets		**597,866**	397,570
Total assets		**19,854,604**	20,258,229

As at 30 June 2019

	Notes	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Liabilities			
Due to banks		**1,670**	4,181
Due to clients		**11,886,077**	12,504,591
Derivative financial liabilities	16	**33,554**	20,866
Trade payables	24	**388,498**	324,106
Contract liabilities		**12,742**	30,918
Corporate bonds	25	**767,966**	760,244
Income tax payables		**78,512**	73,867
Borrowings	26	**1,046,407**	1,047,189
Provisions		**478**	476
Lease liabilities		**104,938**	–
Deferred tax liabilities		**60,118**	60,369
Due to a shareholder		**–**	73,000
Other liabilities		**539,161**	548,931
Total liabilities		**14,920,121**	15,448,738
EQUITY			
Equity attributable to owners of the Company			
Share capital		**435,189**	435,189
Reserves		**4,077,346**	4,004,602
		4,512,535	4,439,791
Non-controlling interests		**421,948**	369,700
Total equity		**4,934,483**	4,809,491
Total liabilities and equity		**19,854,604**	20,258,229

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	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 2018, as original presented	435,032	771,202	1,070	15,220	(15,300)
Impact on initial application of HKFRS 9	–	–	–	–	–
At 1 January 2018, as restated	435,032	771,202	1,070	15,220	(15,300)
Transactions with owners					
Proceeds from shares issues under share option scheme	157	354	–	–	–
Exercise of share option	–	239	(239)	–	–
Net investment from non-controlling interests	–	–	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–
Total transactions with owners	157	593	(239)	–	–
Comprehensive income					
Profit for the period	–	–	–	–	–
Other comprehensive income					
Exchange differences on translation to presentation currency	–	–	–	–	–
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	–	–
At 30 June 2018	435,189	771,795	831	15,220	(15,300)

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2019

Equity attributable to owners of the Company							
Statutory reserve* HK$'000 (Unaudited)	Exchange fluctuation reserve* HK$'000 (Unaudited)	Investment revaluation reserve* HK$'000 (Unaudited)	Fair value through other comprehensive income reserve*# HK$'000 (Unaudited)	Retained profits* HK$'000 (Unaudited)	Total HK$'000 (Unaudited)	Non-controlling interests HK$'000 (Unaudited)	Total equity HK$'000 (Unaudited)
91,078	(32,935)	117,525	–	3,421,989	4,804,881	343,245	5,148,126
–	–	(117,525)	250,536	(141,491)	(8,480)	(758)	(9,238)
91,078	(32,935)	–	250,536	3,280,498	4,796,401	342,487	5,138,888
–	–	–	–	–	511	–	511
–	–	–	–	–	–	–	–
–	–	–	–	–	–	(2,045)	(2,045)
–	–	–	–	–	–	(10,556)	(10,556)
–	–	–	–	–	511	(12,601)	(12,090)
–	–	–	–	167,100	167,100	26,477	193,577
–	(44,517)	–	–	–	(44,517)	(10,076)	(54,593)
–	–	–	(156,087)	–	(156,087)	–	(156,087)
–	(44,517)	–	(156,087)	167,100	(33,504)	16,401	(17,103)
91,078	(77,452)	–	94,449	3,447,598	4,763,408	346,287	5,109,695

For the six months ended 30 June 2019

	Equity attributable to owners of the Company			
	Share capital HK$'000 (Unaudited)	Share premium account* HK$'000 (Unaudited)	Other reserve* HK$'000 (Unaudited)	Goodwill arising on consolidation* HK$'000 (Unaudited)
At 1 January 2019	**435,189**	**682,028**	**(71,705)**	**(15,300)**
Transactions with owners				
Partial disposal of subsidiaries without loss of control (note 29(a))	–	–	63,929	–
Deemed acquisition of non-controlling interest (note 29(b))	–	–	50	–
Dividend paid to non-controlling interests	–	–	–	–
Total transactions with owners	–	–	63,979	–
Comprehensive income				
Profit for the period	–	–	–	–
Other comprehensive income				
Exchange differences on translation to presentation currency	–	–	–	–
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	–
Remeasurement of net defined benefit obligation	–	–	–	–
Total comprehensive income	–	–	–	–
At 30 June 2019	**435,189**	**682,028**	**(7,726)**	**(15,300)**

* These reserve accounts comprise the consolidated reserves of HK$4,077,346,000 (31 December 2018: HK$4,004,602,000) in the condensed consolidated statement of financial position.

The entire balance of fair value through other comprehensive income reserve belongs to non-recycling portion.

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2019

Equity attributable to owners of the Company							
Statutory reserve* HK$'000 (Unaudited)	Exchange fluctuation reserve* HK$'000 (Unaudited)	Fair value through other comprehensive income reserve*# HK$'000 (Unaudited)	Revaluation reserve for property, plant and equipment* HK$'000 (Unaudited)	Retained profits* HK$'000 (Unaudited)	Total HK$'000 (Unaudited)	Non-controlling interests HK$'000 (Unaudited)	Total equity HK$'000 (Unaudited)
103,262	(186,232)	127,184	34,916	3,330,449	4,439,791	369,700	4,809,491
–	–	–	–	–	63,929	47,443	111,372
–	–	–	–	–	50	(228)	(178)
–	–	–	–	–	–	(15,819)	(15,819)
–	–	–	–	–	63,979	31,396	95,375
–	–	–	–	88,608	88,608	21,381	109,989
–	(4,209)	–	–	–	(4,209)	(57)	(4,266)
–	–	(74,790)	–	–	(74,790)	–	(74,790)
–	–	–	–	(844)	(844)	(472)	(1,316)
–	(4,209)	(74,790)	–	87,764	8,765	20,852	29,617
103,262	(190,441)	52,394	34,916	3,418,213	4,512,535	421,948	4,934,483

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	**(927,252)**	37,072
Cash flows from investing activities		
Dividend received from trading portfolio investments	**400**	1,111
Payment for the purchase of property, plant and equipment	**(44,751)**	(47,999)
Proceeds on disposal of property, plant and equipment	**3,498**	4,499
Increase in other financial assets at amortised costs	**(210,318)**	(50,626)
Other cash flows arising from investing activities	**14,077**	32,959
Net cash used in investing activities	**(237,094)**	(60,056)
Cash flows from financing activities		
Repayments of borrowings	**(111,343)**	(222,249)
Proceeds from borrowings	**121,384**	9,695
Proceeds from disposal of interest in subsidiaries to non-controlling interests	**111,372**	–
Repayment to a shareholder	**(73,000)**	–
Advance from a director	**15,000**	–
Interest paid	**(38,318)**	(27,142)
Dividend paid to non-controlling interests	**(15,819)**	(10,556)
Other cash flows arising from financing activities	**(178)**	(91,604)
Net cash generated from/(used in) financing activities	**9,098**	(341,856)
Net decrease in cash and cash equivalents	**(1,155,248)**	(364,840)
Cash and cash equivalents at the beginning of the period (note)	**7,686,921**	7,366,212
Effect of foreign exchange rates changes	**(1,993)**	346,513
Cash and cash equivalents at the end of the period (note)	**6,529,680**	7,347,885

Note: Cash and cash equivalents 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 2019

1. General Information

Citychamp Watch & Jewellery Group Limited (the "Company") is a limited liability company incorporated in Cayman Islands. Its registered office address is P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands and its principal place of business is Units 1902–04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the period, the principal activities of the Company and its subsidiaries (together referred to as the "Group") include:

– Manufacturing and distribution of watches and timepieces;

– Property investments; and

– Banking and financial businesses.

There was no other significant change in the Group's operations during the period.

The Group's principal places of the business are in Hong Kong, Switzerland, United Kingdom, Liechtenstein and the People's Republic of China (the "PRC").

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

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 2018 Annual Financial Statements, except for the adoption of the new or amended Hong Kong Financial Reporting Standards ("HKFRSs"), which include individual HKFRSs, HKAS and Interpretations ("Int"). The Group has not early adopted any new HKFRSs that have been issued but are not yet effective. The Unaudited Interim Financial Information should be read in conjunction with the 2018 Annual Financial Statements.

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

(i) Impact of the adoption of HKFRS 16

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

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

3. Summary of Significant Accounting Policies (Continued)

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

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

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

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

Reconciliation of operating lease commitment to lease liabilities

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

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

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

3. Summary of Significant Accounting Policies (Continued)

(ii) The new definition of a lease

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

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

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

(iii) Accounting as a lessee

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

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

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

3. Summary of Significant Accounting Policies (Continued)

(iii) Accounting as a lessee (Continued)

Right-of-use asset

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

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

Lease liability

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

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

3. Summary of Significant Accounting Policies (Continued)

(iii) Accounting as a lessee (Continued)

Lease liability (Continued)

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

(iv) Accounting as a lessor

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

(v) Transition

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

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

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

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

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:

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 ("CGUs") have been determined based on value-in-use calculations or fair value less cost of disposal ("FVLCD"). These calculations require the use of judgement and estimates of the future cash flows expected to arise from the CGUs, 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. Calculation of FVLCD involves the selection of valuation model, adoption of key assumption, and input data, which are subject to management judgement.

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 realisable 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.

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

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.

Estimated impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables on a forward-looking basis. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade and other receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. Other receivables is considered 12-months expected credit losses. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in the operating results of customers, actual or expected significant adverse changes in business and customers' financial position. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management.

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. The recoverable amount is determined based on value-in-use calculation or fair value less costs of disposal ("FVLCD"). The calculations of value in use require the use of judgement and estimates of the future cash flows expected to arise from the CGUs, 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. Calculation of FVLCD involves the selection of valuation model, adoption of key assumption, and input data, which are subject to management judgement.

Income taxes

The Group is subject to income taxes in Hong Kong, Switzerland, United Kingdom, Liechtenstein and 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 recognises 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.

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

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 four 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.

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 expected credit loss allowances for credit positions. Management considers factors such as external rating and days past due to determine the HKFRS 9 staging allocation. Management further estimates the exposure at default, probability of default as well as loss given default to calculate the expected credit losses allowance.

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

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.

Research and development costs

In accordance with the accounting policy set out in note 4.12 of 2018 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 4.12 of 2018 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.

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

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 categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

– Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;

– Level 2: observable inputs other than quoted price included with Level 1; and

– Level 3: unobservable inputs are inputs for which market data are not available.

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 the following items at fair value:

– Due from banks – precious metal

– Trading portfolio investments

– Derivative financial assets

– Derivative financial liabilities

– Financial assets at fair value through other comprehensive income

– Investment properties

– Due to clients – precious metal

5. Segment Information

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

(a) manufacture and distribution of watches and timepieces;

(b) property investments; and

(c) banking and financial businesses.

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

5. Segment Information (Continued)

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

5. Segment Information (Continued)

	Six months ended 30 June 2018				
	Watches and timepieces HK$'000 (Unaudited)	Property investments HK$'000 (Unaudited)	Banking and financial businesses HK$'000 (Unaudited)	Unallocated HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Segment revenue:					
Net interest income from banking business	–	–	85,166	–	85,166
Net service fees and commission income from banking business	–	–	117,068	–	117,068
Trading income from banking business	–	–	36,185	–	36,185
Service fees and commission income from financial business	–	–	1,752	–	1,752
Interest income from financial business	–	–	104	–	104
Sales of goods from non-banking and financial businesses	1,234,892	–	–	–	1,234,892
Rental income from non-banking and financial businesses	–	2,640	–	–	2,640
Total revenue	1,234,892	2,640	240,275	–	1,477,807
Segment results	177,233	1,914	109,162	–	288,309
Unallocated corporate income and expenses, net	–	–	–	(20,645)	(20,645)
Share of loss of joint ventures	–	–	–	(1,433)	(1,433)
Share of profit of associates	–	–	–	5,278	5,278
Finance costs	(5,887)	–	(106)	(21,320)	(27,313)
Profit before income tax	171,346	1,914	109,056	(38,120)	244,196
Income tax expense	(36,999)	–	(13,620)	–	(50,619)
Profit for the period	134,347	1,914	95,436	(38,120)	193,577

6. Revenue

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

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

Revenue recognised during the period is as follows:

(a) Net interest income from banking business

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

6. Revenue (Continued)

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

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

(c) Trading income from banking business

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

6. **Revenue** (Continued)

(d) Revenue from financial business

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

(e) Revenue from non-banking and financial businesses

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

7. Other Ordinary Income and Other Net Gains or Losses

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Gain on fair value changes in trading portfolio investments, net (note 14)	**4,375**	15,655
Bank and other interest income from non-banking and financial business	**1,775**	6,281
Dividend income from trading portfolio investments	**400**	1,111
Dividend income from financial asset at FVOCI (note 15)	**12,262**	11,481
Gain/(loss) on disposal of property, plant and equipment	**22**	(34)
Government subsidies	**15,365**	19,039
Other sundry income	**11,073**	9,394
	45,272	62,927

8. Finance Costs

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

9. Profit Before Income Tax

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**66,836**	51,469
Amortisation of prepaid land lease payments	**–**	630
Amortisation of intangible assets	**888**	936

10. Income Tax Expense

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

10. Income Tax Expense (Continued)

For both the six months ended 30 June 2019 and 2018, no provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong. The subsidiaries established in the PRC are subject to income taxes at tax rates ranging between 15% and 25% (Six months ended 30 June 2018: between 15% and 25%). Overseas tax is calculated at the rates applicable in the respective jurisdictions.

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

11. Dividends

11.1 **Dividends attributable to the interim period were as follows:**

The directors do not recommend the payment of an interim dividend for the period ended 30 June 2019 (Six months ended 30 June 2018: Nil).

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

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

The dividend payable for 2017 final dividend as at 30 June 2018 was HK$261,113,000. During the six months ended 30 June 2018, 1,575,000 ordinary shares were issued due to exercise of share options. The aforementioned issuance of ordinary shares were completed before the closure of members' register on 29 June 2018. As such, ordinary shares newly issued during the six months ended 30 June 2018 were entitled to the 2017 final dividend.

12. Earnings Per Share

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	**88,608**	167,100

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

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

13. Due from Banks and Clients

	30 June	31 December
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Due from clients – mortgage loans	**1,056,796**	825,042
Due from clients – other	**755,720**	759,493
Valuation adjustments for default risk	**(7,321)**	(9,097)
Total due from clients	**1,805,195**	1,575,438
Due from banks on a daily basis	**3,325,358**	3,205,104
Due from banks other claims	**214,570**	185,557
Valuation adjustments for default risk	**(1,522)**	(2,825)
Total due from banks	**3,538,406**	3,387,836

14. Trading Portfolio Investments

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

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

There is no transfer under the fair value hierarchy classification for the six months ended 30 June 2019 and 2018.

The fair value gain during the period was amounted to HK$4,375,000 (Six months ended 30 June 2018: fair value gain of HK$15,655,000), which has been recognised in the condensed consolidated statement of comprehensive income as "other ordinary income and other net gains or losses" (note 7) for six months ended 30 June 2019.

As at 30 June 2019, listed equity instruments with an aggregated carrying amount of HK$61,558,000 (31 December 2018: HK$35,749,000) have been pledged to secure the margin loan payable.

15. Financial Assets at Fair Value through Other Comprehensive Income

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

Notes:

(a) As at 30 June 2019 and 31 December 2018, the listed equity investments in Hong Kong represented 14.76% equity interest in Min Xin Holdings Limited ("Min Xin Shares"). As at 30 June 2019 and 31 December 2018, the Group held 88,150,000 Min Xin Shares. A dividend income totaling HK$8,815,000 (Six months ended 30 June 2018: HK$6,993,000) was recognised by the Group in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2019.

(b) As at 30 June 2019 and 31 December 2018, the listed equity investments outside Hong Kong represented 2.04% equity interest in Citychamp Dartong Company Limited ("Citychamp Dartong Shares") listed in Shanghai Stock Exchange in the PRC. As at 30 June 2019 and 31 December 2018, the Group held 30,389,058 Citychamp Dartong Shares. A dividend income totaling HK$3,447,000 (Six months ended 30 June 2018: HK$4,488,000) was recognised by the Group in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2019.

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

16. Derivative Financial Instruments

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Derivative financial assets		
Forward and option contracts	**4,370**	7,694
	4,370	7,694
Derivative financial liabilities		
Forward and option contracts	**(33,554)**	(20,866)
	(33,554)	(20,866)

16. Derivative Financial Instruments (Continued)

Forward and option contracts arising in banking business

The Group's subsidiaries under the banking business segment 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.

	30 June 2019		
	Nominal amount HK$'000 (Unaudited)	**Assets HK$'000 (Unaudited)**	**Liabilities HK$'000 (Unaudited)**
Non-hedging instruments			
– Currency derivatives	**3,104,226**	**4,370**	**(33,554)**
– Option	**8,015**	**–***	**–***
	3,112,241	**4,370**	**(33,554)**

	31 December 2018		
	Nominal amount HK$'000 (Audited)	Assets HK$'000 (Audited)	Liabilities HK$'000 (Audited)
Non-hedging instruments			
– Currency derivatives	2,151,141	7,480	(20,652)
– Option	23,839	214	(214)
	2,174,980	7,694	(20,866)

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

The remaining term to maturity of derivatives does not represent the Group's intended holding period. 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 under "Trading income from banking business".

17. Trade Receivables

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Trade receivables arising from watches and timepiece businesses (note (a))	**539,549**	562,674
Trade receivables arising from financial business (note (b)):		
– Margin clients	**–**	260
– Cash clients	**–**	8,490
– Clearing house	**2,112**	–
	2,112	8,750
Trade receivables, net	**541,661**	571,424

(a) The Group's trading terms with its customers of watches and timepieces businesses are mainly on credit, except for certain customers, where payment in advance is required. The credit period is generally for a period of one to six months (31 December 2018: one to six months) for major customers. Each customer has a maximum credit limit. The credit term for customers is determined by the management according to industry practice together with consideration of their creditability. Trade receivables are non-interest bearing.

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

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

As at 30 June 2019, trade receivables of HK$11,570,000 (31 December 2018: HK$14,639,000) have been pledged to secure banking facilities granted to the Group during the period (note 26).

17. Trade Receivables (Continued)

(b) The settlement term of trade receivables arising from the financial business of securities dealing is two business days after trade date ("T+2").

In the opinion of the directors, ageing analysis is not meaningful in view of the business nature of securities dealing.

18. Other Financial Assets at Amortised Cost

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

19. Inventories

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

20. Property, Plant and Equipment

During the six months ended 30 June 2019, the Group acquired property, plant and equipment of HK$44,751,000 (Six months ended 30 June 2018: HK$47,999,000). During the Period, the Group has entered into several leases for offices and shops with right-of-use assets amounted to approximately HK$16,267,000 (Six months ended 30 June 2018: nil) recognized. Property, plant and equipment of HK$3,476,000 were disposed of during the six months ended 30 June 2019 (Six months ended 30 June 2018: HK$4,533,000).

As at 30 June 2019, land and buildings in Switzerland with an aggregate carrying amount of HK$135,362,000 (31 December 2018: HK$120,711,000) have been pledged to secure banking facilities granted to the Group (note 26).

21. Investment Properties

As at 30 June 2019, the Group has not obtained the relevant title certificates for investment properties with an aggregate carrying amount of HK$46,340,000 (31 December 2018: HK$46,340,000). 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.

22. Intangible Assets

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

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

23. Goodwill

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

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

24. Trade Payables

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Trade payables arising from watches and timepiece businesses (note (a))	**272,482**	280,567
Trade payables arising from financial business (note (b)):		
– Cash clients	**105,645**	36,496
– Margin clients	**10,371**	2,294
– Clearing house	**–**	4,749
	116,016	43,539
Trade payables	**388,498**	324,106

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

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

24. Trade Payables (Continued)

(b) The settlement term of trade payables arising from the financial business of securities dealing is "T+2". Trade payables arising from financial business during the "T+2" period are current whereas those which are outstanding after the "T+2" period are repayable on demand.

In the opinion of the directors, ageing analysis is not meaningful in view of the business nature of securities dealing.

25. Corporate Bonds

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
At 1 January	**760,244**	732,978
Amortisation of transaction costs	**3,673**	4,243
Sales of corporate bonds	**–**	27,566
Exchange realignment	**4,049**	(4,543)
	767,966	760,244

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 2019, the Group has not sold any re-purchased corporate bonds (six months ended 30 June 2018: CHF1,460,000 (equivalent to approximately HK$11,625,000) at the consideration of CHF1,477,000 (equivalent to approximately HK$11,760,000) in the public market.

During the six months ended 30 June 2019, the Group has not repurchased any corporate bonds (six months ended 30 June 2018: Nil).

26. Borrowings

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Bank overdrafts (note 26.1)	**62**	14,822
Bank borrowings (note 26.1)	**1,034,742**	1,030,774
Margin loan payable (note 26.2)	**11,603**	1,593
	1,046,407	1,047,189

26.1 Bank overdrafts and bank borrowings

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

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 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Borrowings payable:		
Within one year or on demand	**879,936**	823,493
In the second year	**102,955**	103,671
In the third to fifth year	**51,913**	105,539
After fifth year	**–**	12,893
	154,868	222,103
	1,034,804	1,045,596

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

(i) corporate guarantees provided by subsidiaries within the Group as at 30 June 2019 and 31 December 2018.

(ii) a legal charge over certain of the Group's land and buildings with the carrying amounts of HK$135,362,000 (31 December 2018: HK$120,711,000) as at 30 June 2019 (note 20).

(iii) certain of the Group's trade receivables with the carrying amounts of HK$11,570,000 (31 December 2018: HK$14,639,000) as at 30 June 2019 (note 17).

26. Borrowings (Continued)

26.1 Bank overdrafts and bank borrowings (Continued)

Certain of bank overdrafts and bank borrowings contain clause which give the banks the right at their sole discretion to demand immediate repayment at any time irrespective of whether the Group 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 bank overdrafts and bank borrowings are approximate to their fair value.

26.2 Margin loan payable

As at 30 June 2019, the interest rate of the margin loan payable is 6.95% (31 December 2018: 6.59%) per annum and repayable on demand. At 30 June 2019, margin loan payable was secured by the Group's trading portfolio investments with the carrying amount of HK$61,558,000 (31 December 2018: HK$35,749,000) (note 14). The carrying amount of the margin loan payable is approximate to its fair value. As at 30 June 2019, margin loan payable of HK$11,603,000 (31 December 2018: HK$1,593,000) are attributable to financial business.

27. Capital Commitments

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

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Contracted, but not provided for:		
– Investment in an associate – Citychamp Allied International Limited (note)	**270,000**	270,000
	270,000	270,000

Note: 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, which was subsequently set up and named Citychamp Allied International Limited ("JV Company") in the British Virgin Island. 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.

28. Related Party Transactions

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

(i) Rental income

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Rental income received	**60**	60

This was received from the executive director, Mr. Shi Tao and this was charged at HK$10,000 (six months ended 30 June 2018: 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 2019 was HK$26,000,000 (31 December 2018: HK$26,000,000).

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Sales of goods	**798**	–
Purchases of goods	**18,340**	21,115
Rental expenses	**188**	–

28. Related Party Transactions (Continued)

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

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

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Dividend receivable from an associate	**5,000**	5,000
Due from an associate (note (a))	**18,238**	18,280
Trade receivables from associates	**4,230**	3,927
Due from related companies (note (b))	**1,065**	1,065
Loan from an associate (note (c))	**–**	25,000
Due to a shareholder (note (d))	**–**	73,000
Due to associates (note (a))	**–**	230
Trade payables to associates	**31,298**	38,113
Due to a director (note (e))	**15,000**	–

Notes:

(a) The balance was unsecured, interest-free and repayable on demand. The maximum outstanding balance of amounts due from associates during the period was HK$18,280,000 (31 December 2018: HK$25,067,000).

(b) The amounts were due from 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 balance was unsecured, interest-free and repayable on demand. The maximum amount outstanding during the period was HK$1,065,000 (31 December 2018: HK$1,065,000).

(c) Loan from an associate with principal amount of HK$25,000,000 was unsecured, interest bearing at 5% per annum and repayable on 1 February 2019.

(d) The balance was unsecured, interest-free and repayable on demand.

(e) The balance was unsecured, interest bearing at 5% per annum and repayable on 27 January 2020.

(iv) Financial guarantee provided to Fair Future

At 30 June 2019, the Group has provided a corporate guarantee of HK$60,000,000 (31 December 2018: HK$60,000,000) in respect of a revolving loan facility of up to HK$60,000,000 (31 December 2018: HK$60,000,000) granted to Fair Future. The corporate guarantee is ending on the expiry of the term of the revolving loan facility.

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

28. Related Party Transactions (Continued)

28.2 Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**15,508**	16,394
Post-employment benefits	**105**	99
	15,613	16,493

29. Transactions with Non-Controlling Interests

(a) Disposal of equity interest in of Ernest Borel Holdings Limited and its subsidiaries (together the "Ernest Borel Group")

In January 2019, the Group has disposed 5,500,000 shares of Ernest Borel Group at HK$1.74 per share with the total consideration of HK$9,570,000.The Group recognised an increase of in non-controlling interests of HK$4,134,000 and an increase in equity attributable to owners of the Company of HK$5,436,000.

In March 2019, the Group has further disposed 58,506,515 shares of Ernest Borel Group at HK$1.74 per share with the total consideration of HK$101,802,000. The Group recognised an increase of in non-controlling interests of HK$43,309,000 and an increase in equity attributable to owners of the Company of HK$58,493,000.

(b) Deemed acquisition of additional interest in Bendura Bank AG and its subsidiaries (the "Bendura Group")

In January 2019, the Company acquired additional 0.02% equity interest of Bendura Group at cash consideration of CHF23,000 (equivalent to HK$178,000). Following the acquisition, the Company effectively hold 85.09% equity interest of Bendura Group. The Group recognised a decrease of in non-controlling interests of HK$228,000 and an increase in equity attributable to owners of the Company of HK$50,000.

30. Fair Value Measurements of Financial Instruments

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

- the fair values of listed equity investments, precious metal, debt instruments and investment fund units classified under due from banks, trading portfolio investments, financial asset at fair value through other comprehensive income and due to clients are determined by reference to their quoted market prices at the reporting date 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 certain equity investments under financial assets at fair value through other comprehensive income is determined based on the fair value of their underlying net assets.

- the fair values of unlisted debt instruments and investment fund units classified under trading portfolio investments have been determined using significant inputs, which are market observable, directly or indirectly.

- the fair values of derivative financial assets and liabilities 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 fair value of unlisted financial product investments is determined based on the latest transaction price.

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

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

Level 2: observable direct and indirect inputs other than quoted prices included within Level 1; and

Level 3: unobservable inputs are inputs for which market data are not available.

30. Fair Value Measurements of Financial Instruments (Continued)

	30 June 2019			
	Level 1 HK$'000 (Unaudited)	**Level 2 HK$'000 (Unaudited)**	**Level 3 HK$'000 (Unaudited)**	**Total HK$'000 (Unaudited)**
Assets				
Due from banks – precious metal	**–**	**67,997**	**–**	**67,997**
Trading portfolio investments	**104,042**	**58,586**	**–**	**162,628**
Derivative financial assets	**–**	**4,370**	**–**	**4,370**
Financial assets at fair value through other comprehensive income	**546,720**	**5,690**	**–**	**552,410**
	650,762	**136,643**	**–**	**787,405**
Liabilities				
Due to clients – precious metal	**–**	**67,663**	**–**	**67,663**
Derivative financial liabilities	**–**	**33,554**	**–**	**33,554**
	–	**101,217**	**–**	**101,217**

	31 December 2018			
	Level 1 HK$'000 (Audited)	Level 2 HK$'000 (Audited)	Level 3 HK$'000 (Audited)	Total HK$'000 (Audited)
Assets				
Due from banks – precious metal	–	74,301	–	74,301
Trading portfolio investments	80,329	43,277	–	123,606
Derivative financial assets	–	7,694	–	7,694
Financial assets at fair value through other comprehensive income	621,489	5,711	–	627,200
	701,818	130,983	–	832,801
Liabilities				
Due to clients – precious metal	–	73,950	–	73,950
Derivative financial liabilities	–	20,866	–	20,866
	–	94,816	–	94,816

30. 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.

31. Events after Reporting Period

(a) Entering into a facility agreements

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

(b) Redemption of corporate bonds

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

CITYCHAMP Watch & Jewellery Group Limited
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