

# CONTENTS

---

Corporate Information	<b>2</b>
Financial Highlights	<b>4</b>
Management Discussion and Analysis	<b>5</b>
Disclosure of Interests	<b>11</b>
Corporate Governance and Other Information	<b>17</b>
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	<b>19</b>
Condensed Consolidated Statement of Financial Position	<b>20</b>
Condensed Consolidated Statement of Changes in Equity	<b>22</b>
Condensed Consolidated Statement of Cash Flows	<b>23</b>
Notes to the Condensed Consolidated Financial Statements	<b>24</b>

---

## CORPORATE INFORMATION

Ernest Borel Holdings Limited ((the “**Company**”), and together with its subsidiaries, the “**Group**”)

### DIRECTORS

#### **Executive Directors**

Mr. Shang Jianguang

*(Chairman of the Board of Directors (the “**Board**”))*

Mr. Teguh Halim

*(Vice Chairman of the Board)*

Mr. Xiong Wei

Ms. Lam Lai

#### **Non-executive Directors**

Mr. Xiong Ying

Mr. Tao Li

*(appointed on 10 June 2019)*

#### **Independent Non-executive Directors**

Mr. To Chun Kei

Mr. Hui Cheuk Kit Frederick

*(appointed on 6 September 2019)*

Ms. Chan Lai Wa

Mr. Lui Wai Ming

*(resigned on 6 September 2019)*

### COMPANY SECRETARY

Mr. Lau Fan Yu

### AUDIT COMMITTEE

Mr. To Chun Kei

*(Chairman)*

Mr. Hui Cheuk Kit Frederick

*(appointed on 6 September 2019)*

Ms. Chan Lai Wa

Mr. Lui Wai Ming

*(resigned on 6 September 2019)*

### REMUNERATION COMMITTEE

Mr. To Chun Kei

*(Chairman)*

Mr. Teguh Halim

Mr. Xiong Wei

Mr. Hui Cheuk Kit Frederick

*(appointed on 6 September 2019)*

Ms. Chan Lai Wa

Mr. Lui Wai Ming

*(resigned on 6 September 2019)*

### NOMINATION COMMITTEE

Mr. Shang Jianguang

*(Chairman)*

Mr. Xiong Wei

Mr. To Chun Kei

Mr. Hui Cheuk Kit Frederick

*(appointed on 6 September 2019)*

Ms. Chan Lai Wa

Mr. Lui Wai Ming

*(resigned on 6 September 2019)*

### EXECUTIVE COMMITTEE

Mr. Shang Jianguang

*(Chairman)*

Mr. Teguh Halim

Mr. Xiong Wei

Ms. Lam Lai

### INVESTMENT COMMITTEE

Mr. Shang Jianguang

*(Chairman)*

Mr. Teguh Halim

Mr. Xiong Wei

Ms. Lam Lai

**AUTHORISED REPRESENTATIVES**

Ms. Lam Lai  
Mr. Lau Fan Yu

**COMPANY'S WEBSITE**

[www.ernestborel.ch](http://www.ernestborel.ch)

**REGISTERED OFFICE**

P.O. Box 10008, Willow House, Cricket Square  
Grand Cayman KY1-1001  
Cayman Islands

**HEAD OFFICE IN SWITZERLAND**

8, rue des Perrières  
2340 Le Noirmont  
Switzerland

**OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA**

Suite 701, Taikoo Hui Tower 1  
385 Tianhe Road, Guangzhou 510620  
People's Republic of China

**PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN HONG KONG**

Unit 1612–18, Level 16, Tower 1  
Grand Century Place  
193 Prince Edward Road West  
Mongkok, Kowloon  
Hong Kong

**PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS**

Tricor Services (Cayman Islands) Limited  
P.O. Box 10008, Willow House, Cricket Square  
Grand Cayman KY1-1001  
Cayman Islands

**HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

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

**INDEPENDENT AUDITOR**

BDO Limited  
*Certified Public Accountants*

**PRINCIPAL BANKER**

Hang Seng Bank Limited

## FINANCIAL HIGHLIGHTS

### FINANCIAL HIGHLIGHTS

- Revenue for the financial period ended 30 June 2019 (“**1HFY2019**”) decreased from HK\$84.3 million to HK\$55.7 million when compared with the corresponding period of last year (“**1HFY2018**”).
- Gross margin for 1HFY2019 decreased from 46.9% to 44.3%. Gross profit for 1HFY2019 decreased from HK\$39.5 million to HK\$24.7 million.
- Loss after tax decreased from HK\$43.1 million for 1HFY2018 to HK\$27.5 million for 1HFY2019.
- Basic loss per share was HK7.90 cents for 1HFY2019 and was HK12.41 cents for 1HFY2018.

Note: In the case of any inconsistency between the Chinese translation and the English text of this interim report, the English text shall prevail.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Established since 1856 in Switzerland, Ernest Borel has a proud heritage spanning over 163 years. Throughout the course of its history and across its operations, the Group has upheld the principles of producing high precision “Swiss-made” products and implemented stringent quality controls. Under its own brand “Ernest Borel”, the Group is engaged in the design, production, marketing and sale of mechanical and quartz premium watches. As one of the oldest Swiss premium watchmakers, Ernest Borel has adopted the “dancing couple” as its icon, which embodies “romance and elegance”. Together with its distinctive market position, Ernest Borel has gained leadership among brands of watches for couples in Switzerland. The extensive distribution network of the Group covers retail markets in the People’s Republic of China (the “**PRC**”), (excludes the Hong Kong Special Administrative Region (“**Hong Kong**”), the Macau Special Administrative Region (“**Macau**”) and Taiwan), Hong Kong, Macau and other markets. For the six months ended 30 June 2019, the Group has a total of 808 points of sale (“**POS**”).

Ernest Borel recorded a revenue of HK\$55.7 million (1HFY2018: HK\$84.3 million), representing a year-on-year decrease of approximately 33.9%, and gross profit and gross profit margins declined to HK\$24.7 million (1HFY2018: HK\$39.5 million) and decreased to 44.3% (1HFY2018: 46.9%) respectively. Consequently, loss attributable to equity holders amounted to HK\$27.5 million.

#### *The PRC market*

The PRC remains the major market of the Group. As at 30 June 2019, the Group had 658 POS in the country. Revenue from the PRC segment declined from HK\$73.9 million for 1HFY2018 to HK\$46.9 million for 1HFY2019, accounting for approximately 84.2% of total revenue.

#### *Hong Kong and Macau markets*

As at 30 June 2019, the Group had 58 POS in Hong Kong and Macau markets. Sales in these markets decreased by approximately 8.5% from HK\$4.7 million for 1HFY2018 to HK\$4.3 million for 1HFY2019, accounting for approximately 7.7% of total revenue.

#### *Other markets*

As at 30 June 2019, the Group had 92 POS in the other markets, mainly in Southeast Asia and Europe. Sales in these markets decreased by approximately 21.1% from HK\$5.7 million for 1HFY2018 to HK\$4.5 million for 1HFY2019, accounting for approximately 8.1% of total revenue.

## FINANCIAL REVIEWS

### Revenue and segment information

Our revenue decreased by HK\$28.6 million, or approximately 33.9% from HK\$84.3 million for 1HFY2018 to HK\$55.7 million for 1HFY2019.

### Performance by geographical location

	1HFY2019 HKD (in million)	1HFY2018 HKD (in million)	Changes HKD (in million)	%
PRC market	46.9	73.9	(27.0)	(36.5)
Hong Kong and Macau markets	4.3	4.7	(0.4)	(8.5)
Other markets mainly in Southeast Asia and Europe	4.5	5.7	(1.2)	(21.1)
Total	55.7	84.3	(28.6)	(33.9)

### The PRC market

The PRC continues to be our major market, representing approximately 84.2% of our revenue for 1HFY2019. Sales in this region showed a decrease of approximately 36.5% from HK\$73.9 million for 1HFY2018 to HK\$46.9 million for 1HFY2019.

### Hong Kong and Macau markets

Hong Kong and Macau markets accounted for approximately 7.7% of our total revenue for 1HFY2019. Sales in this market decreased by approximately 8.5% from HK\$4.7 million for 1HFY2018 to HK\$4.3 million for 1HFY2019.

### Other markets

Revenue from other markets, mainly in Southeast Asia and Europe recorded a decrease from HK\$5.7 million for 1HFY2018 to HK\$4.5 million for 1HFY2019.

### **Cost of Sales**

Cost of sales decreased by approximately 30.6% from approximately HK\$44.7 million for 1HFY2018 to approximately HK\$31.0 million for 1HFY2019.

### **Gross profit**

Our gross profit decreased by HK\$14.8 million or approximately 37.5% from HK\$39.5 million for 1HFY2018 to HK\$24.7 million for 1HFY2019. The decrease in gross profit is mainly attributable to decrease in revenue as compared to the same period in 2018. The gross profit margin was recorded a decrease from 46.9% for 1HFY2018 to 44.3% for 1HFY2019.

### **Other gains and losses**

We recorded other gains of HK\$0.4 million for 1HFY2019, which was primarily attributable to the exchange net gain of HK\$0.2 million, and fair value gain on life insurance policies of HK\$0.2 million, as compared to losses of HK\$3.2 million for 1HFY2018.

### **Distribution costs**

Our selling and distribution costs decreased by HK\$16.7 million or approximately 46.0% from HK\$36.3 million for 1HFY2018 to HK\$19.6 million for 1HFY2019, representing approximately 35.2% of our total revenue for 1HFY2019 (1HFY2018: approximately 43.1%).

### **Administrative expenses**

Our administrative expenses increased to HK\$28.1 million for 1HFY2019 from HK\$26.3 million for 1HFY2018, representing an increase of HK\$1.8 million or approximately 6.8%.

### **Finance costs**

Our finance costs decreased by HK\$10.2 million or approximately 65.4% from HK\$15.6 million for 1HFY2018 to HK\$5.4 million for 1HFY2019.

### **Loss for the period attributable to owners of our Company**

Our net loss decreased from HK\$43.1 million for 1HFY2018 to HK\$27.5 million for 1HFY2019, representing a decrease of HK\$15.6 million or approximately 36.2%.

### **Inventory**

Inventory recorded a decrease from HK\$366.1 million as at 31 December 2018 to HK\$335.0 million as at 30 June 2019.

### ***Trade and other receivables and payables***

The Group's trade and other receivables amounted to approximately HK\$62.4 million and approximately HK\$44.3 million as at 31 December 2018 and 30 June 2019 respectively. Such decrease in trade and other receivables is attributable to decrease in trade receivable arising from decrease in revenue for 1HFY2019.

The Group's trade and other payables decreased from approximately HK\$41.0 million as at 31 December 2018 to approximately HK\$23.1 million as at 30 June 2019.

### ***Liquidity, financial resources and capital structure***

As at 30 June 2019, we had non-pledged cash and bank balances of HK\$24.9 million (31 December 2018: HK\$28.9 million). Based on the borrowings from bank and other group companies of HK\$195.6 million (31 December 2018: HK\$223.1 million) and shareholders' equity of HK\$196.9 million (31 December 2018: HK\$224.6 million), our gearing ratio (being loans divided by shareholders' equity) was approximately 99.3% (31 December 2018: approximately 99.3%). As at 30 June 2019, all of our borrowings amounting to HK\$195.6 million were repayable within one year.

### ***Foreign exchange exposure***

Certain members of our Group have foreign currency sales, which expose us to foreign currency exchange fluctuation risks. In addition, certain trade receivables, other receivables and deposits, bank balances, other payables and accrued expenses, and our intra-group balances were denominated in foreign currencies.

We will monitor foreign exchange trends and will consider hedging significant foreign currency exposure should the need arise.

### ***Charge on assets***

Our outstanding bank borrowings were secured by:

- (a) charges over our time deposits with a carrying amount of HK\$Nil (31 December 2018: HK\$1.0 million); and
- (b) charges over deposits placed for life insurance policies with a carrying amount of HK\$Nil (31 December 2018: HK\$17.2 million).

### **Material acquisition and disposal of subsidiaries or associated companies**

No material acquisition or disposal of any subsidiaries or associated companies was made during 1HFY2019.

### **Future plans for material investments and capital assets**

There was no definite future plan for material investments and acquisition of material capital assets as at 30 June 2019.

### **Contingent liabilities**

As at the close of business on 30 June 2019, the Group did not have any contingent liabilities.

### **Interim dividend**

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2019 (1HFY2018: Nil).

### **Employees and Remuneration Policies**

As at 30 June 2019, the Group has approximately 225 full time employees (31 December 2018: approximately 231). Total staff costs incurred during 1HFY2019 was approximately HK\$31.6 million (1HFY2018: approximately HK\$33.5 million).

All of our full-time employees are paid a fixed salary and may be granted other allowances based on their positions. Members of the sales staff are also eligible for commissions based on their ability to meet sales targets. In addition, year end bonuses may also be awarded to the employees at our discretion and based on employee performance. Yearly performance appraisals are conducted to ensure that the employees receive feedback on their performance. Our Company has adopted a share option scheme (the "**Share Option Scheme**") on 24 June 2014, which became effective on 11 July 2014 and will expire on 24 June 2024. No option has been granted under the Share Option Scheme during 1HFY2019.

The Group provides training to its employees on a regular basis to keep them abreast of their knowledge in the Group's products, technology developments and market conditions of its industry. In addition, the Group's senior management also participates in conferences and exhibitions to deepen their knowledge in the industry.

### **Commitments**

At 30 June 2019, the Group did not have capital commitments.

### **Prospects**

Looking into the second half of 2019, the global economy and the timepiece market environment in the PRC will still pose challenges for the Group. As one of the oldest Swiss premium watchmakers, the Group acknowledges the importance of “Swiss-made” watches and keeps on producing quality watches. At the same time, the Group also continues to improve its product design ability, with a view to designing and launching customized watch series for males, females and couples for our targeted customers, so as to promote and carry forward the craftsmanship spirit of “Swiss-made” watches.

The Group always endeavors to build and enhance the reputation of “Ernest Borel” brand through various marketing tactics as appropriate, including the appointment of renowned brand ambassadors, different promotion activities at each physical point of sale and the introduction of various digital and electronic advertisements, continuing to spread an energetic, youthful and international image and uphold the romantic culture of “Ernest Borel” brand. In addition, the Group continues to properly adjust and apply effective cost control strategies to utilize the Group’s resources, which enables the Company to reduce unnecessary operating cost expenses.

In the future, the Group will continue the use of effective sales strategies along with different marketing tactics, with a view to enhancing the sales of online platforms and offline point of sale in each of second-, third- and fourth-tier cities and thereby increasing the revenue of the Group. Meanwhile, the Group will continue to exercise tight control over its operating costs and deploy resources in an effective way. With the coordination of various aspects, the Group is positive and optimistic about its business prospects and ready to face an ever-changing market environment and challenges ahead. Last but not least, the Group will continue to pursue various investment opportunities to diversify and broaden its earning base, with a view to generating valuable and sustainable return for its shareholders in the future.

### **Events after the Reporting Period**

There are no material events undertaken by the Group after the reporting period.

## DISCLOSURE OF INTERESTS

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2019, the interests or short positions of the Directors and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company or the associated corporations of the Company, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") which were required: (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), are as follows:

#### Long Positions in the Company's Shares or shares in associated corporation of the Company

Name of Directors	Company/Name of associated corporation	Capacity/ Nature of Interest	Number of Shares held	Approximate Percentage of interest in the total issued Shares in the Company <sup>(4)</sup> / associated corporation
Mr. Shang Jianguang	Citychamp Watch & Jewellery Group Limited ("Citychamp")	Beneficial owner/ Personal Interest	5,300,000	0.12%
Mr. Teguh Halim	Citychamp	Beneficial owner/ Personal Interest/ Interest of Spouse <sup>(3)</sup>	6,000,000	0.14%
Mr. Xiong Wei	Company	Interest in controlled corporation/ Corporate Interest <sup>(1)</sup>	37,935,000	10.92%
Mr. Tao Li <sup>(2)</sup>	Citychamp	Beneficial owner/ Personal Interest	5,000,000	0.11%

Notes:

1. Prime Route Investment Limited ("**Prime Route**") is wholly owned and controlled by Mr. Xiong Wei ("**Mr. Xiong**"). Mr. Xiong is therefore deemed to be interested in the shares held by Prime Route.
2. Mr. Tao Li resigned as the Chief Executive Officer ("**CEO**") of the Company on 10 June 2019 and was appointed as a Non-executive Director on 10 June 2019.
3. 3,000,000 shares were held by Mr. Teguh Halim's wife.
4. Calculated based on the number of issued Shares as at 30 June 2019 (i.e. 347,437,000 shares).

Saved as disclosed above, as at 30 June 2019, none of the Directors and the Chief Executive of the Company and their respective associates had or was deemed to have any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

So far as is known to any Director or Chief Executive of the Company, as at 30 June 2019, the persons or corporations (not being a Director or Chief Executive of the Company) who or which had an interest or short position in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

### **Long Position in the Company's Shares**

<b>Name</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximately % of total number of issued Shares <sup>(5)</sup></b>
VGB Limited <sup>(1)</sup>	Beneficial owner	222,634,485	64.08%
Citychamp <sup>(1)</sup>	Interest in controlled corporation	222,634,485	64.08%
Sincere View International Limited <sup>(1)</sup>	Interest in controlled corporation	222,634,485	64.08%
Full Day Limited <sup>(1)</sup>	Interest in controlled corporation	222,634,485	64.08%
Hon Kwok Lung <sup>(2,3)</sup>	Interest in controlled corporation	222,634,485	64.08%
Lam Suk Ying <sup>(2,3)</sup>	Interest in controlled corporation	222,634,485	64.08%
Prime Route <sup>(4)</sup>	Beneficial owner	37,935,000	10.92%

Notes:

1. 222,634,485 shares in the issued share capital of the Company were directly held by VGB Limited. VGB Limited is wholly owned and controlled by Citychamp. Citychamp was the controlled corporation of each of Sincere View International Limited ("**Sincere View**") and Full Day Limited ("**Full Day**"). Accordingly, each of Citychamp, Sincere View and Full Day was deemed to be interested in the shares of the Company held by VGB Limited.
2. Mr. Hon Kwok Lung ("**Mr. Hon**") held the entire issued share capital of Full Day. Sincere View was the controlled corporation of each of Mr. Hon and Ms. Lam Suk Ying ("**Ms. Lam**"), the spouse of Mr. Hon. Accordingly, each of Mr. Hon and Ms. Lam was deemed to be interested in the shares of the Company held by VGB Limited.
3. Mr. Hon and Ms. Lam also directly held 3,500,000 shares and 1,374,000 shares in the issued share capital of Citychamp, respectively.
4. Prime Route is wholly owned and controlled by Mr. Xiong. Mr. Xiong is therefore deemed to be interested in the shares held by Prime Route.
5. Calculated based on the number of issued Shares as at 30 June 2019 (i.e. 347,437,000 shares).

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

## **SHARE OPTION SCHEME**

The Company conditionally adopted a Share Option Scheme on 24 June 2014, which was effective upon 11 July 2014 and will expire on 24 June 2024. The purpose of the Share Option Scheme is to help motivate eligible persons to optimize their future performance and efficiency to the Group and/or reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

Eligible persons include (a) any Executive Director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of the Group, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; (b) a director or proposed director (including an Independent Non-Executive Director) of any member of the Group; (c) a direct or an indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and (g) an associate of any of the persons referred to in (a) to (c) above.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 34,700,000 Shares, representing approximately 9.99% of the issued share capital as at the date of this interim report.

No option may be granted to any participant of the Share Option Scheme such that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK\$1.00 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheets on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the adoption date, after which no further options will be granted or offered.

From the date on which the Share Option Scheme became effective and up to the date of this interim report, no share options were granted, exercised or cancelled or lapsed under the Share Option Scheme.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Board is of the view that the Company has complied with all code provisions as set out in the Corporate Governance Code and the Corporate Governance Report contained in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”) throughout the six months ended 30 June 2019 except for the deviations as explained below.

#### ***Code Provision A.6.7***

Pursuant to the Code provision A.6.7, Independent Non-executive Directors and other Non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Lui Wai Ming, the Independent Non-executive Director, was unable to attend the Company’s annual general meeting held on 29 May 2019 due to other business engagements.

### **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2019.

## REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code. The duties of our Audit Committee are, among others, to make recommendations to our Board on the appointment, re-appointment and removal of external auditors, and to assist our Board in fulfilling its responsibilities by providing an independent review and supervision of our financial and other reporting, by reviewing our internal control, risk management systems and internal audit functions.

During the six months ended 30 June 2019, the Audit Committee comprises all of our three Independent Non-executive Directors, namely Mr. Lui Wai Ming, Mr. To Chun Kei and Ms. Chan Lai Wa, with Mr. Lui Wai Ming being the chairman of the Audit Committee. Our unaudited interim results and the interim report for the six months ended 30 June 2019 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results and report complied with the applicable accounting standards and requirements, and that adequate disclosures have been made. The Audit Committee has recommended the Board to adopt the same.

As at the date of this interim report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. To Chun Kei, Mr. Hui Cheuk Kit Frederick and Ms. Chan Lai Wa.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchases, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2019.

## CHANGE IN DIRECTOR’S INFORMATION

Change in the information of Director of the Company since the disclosure made in the 2018 annual report of the Company and up to the date of this interim report, that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

1. Mr. Tao Li has resigned as the CEO of the Company on 10 June 2019 and was appointed as a Non-executive Director on 10 June 2019.
2. With effect from 6 September 2019, Mr. Lui Wai Ming (“**Mr. Lui**”) has resigned as the Independent Non-executive Director, the chairman of the Audit Committee and Remuneration Committee as well as the member of Nomination Committee. Following the resignation of Mr. Lui, Mr. Hui Cheuk Kit Frederick has been appointed as an Independent Non-executive Director, a member of Audit Committee, Remuneration Committee and Nomination Committee with effect from 6 September 2019. In addition, Mr. To Chun Kei has been appointed as the chairman of Audit Committee and Remuneration Committee with effect from 6 September 2019. For details, please refer to the announcement of the Company dated 6 September 2019.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	NOTES	For the six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	3	55,734	84,276
Cost of sales		(31,036)	(44,741)
Gross profit		24,698	39,535
Other gains and losses, net	4	399	(3,163)
Other income	5	628	466
Distribution expenses		(19,577)	(36,297)
Administrative expenses		(28,124)	(26,250)
Finance costs	6	(5,360)	(15,623)
Loss before tax		(27,336)	(41,332)
Income tax expense	7	(122)	(1,789)
Loss for the period attributable to owners of the Company	8	(27,458)	(43,121)
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit scheme		(1,316)	485
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		1,054	(1,056)
Other comprehensive income for the period		(262)	(571)
Total comprehensive income for the period		(27,720)	(43,692)
Loss per share — (expressed in HK cents)			
Basic and diluted	10	(7.90)	(12.41)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	50,669	37,944
Life insurance policies		–	17,226
		<b>50,669</b>	55,170
<b>Current assets</b>			
Inventories		335,017	366,118
Trade and other receivables	12	44,322	62,356
Pledged bank deposits		–	1,039
Bank balances and cash		24,866	28,946
		<b>404,205</b>	458,459
<b>Current liabilities</b>			
Trade and other payables	13	23,050	40,968
Tax payable		2,395	2,352
Lease liabilities		7,044	–
Amount due to a related company	14	–	25,141
Amounts due to fellow subsidiaries	14	69,375	11,443
Amount due to ultimate holding company	14	126,174	176,446
Bank borrowings	15	–	10,048
		<b>228,038</b>	266,398
<b>Net current assets</b>		<b>176,167</b>	192,061
<b>Total assets less current liabilities</b>		<b>226,836</b>	247,231

		<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Lease liabilities		5,739	–
Deferred tax liabilities		20,218	20,468
Pension obligation		3,973	2,137
		<b>29,930</b>	<b>22,605</b>
<b>Net assets</b>		<b>196,906</b>	<b>224,626</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	16	3,474	3,474
Reserves		193,432	221,152
<b>Total equity</b>		<b>196,906</b>	<b>224,626</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Share capital	Share premium	Other reserve	Convertible bond equity reserve	Actuarial gain and loss reserve	General reserve	Translation reserve	Retained profits/ (accumulated losses)	Total
	HKD'000	HKD'000	HKD'000 (note (i))	HKD'000	HKD'000	HKD'000 (note (ii))	HKD'000	HKD'000	HKD'000
At 1 January 2018 (audited)	3,474	182,099	15,500	14,491	(2,325)	1,547	1,886	100,914	317,586
Loss for the period	-	-	-	-	-	-	-	(43,121)	(43,121)
Other comprehensive income for the period	-	-	-	-	485	-	(1,056)	-	(571)
At 30 June 2018 (unaudited)	3,474	182,099	15,500	14,491	(1,840)	1,547	830	57,793	273,894
At 1 January 2019 (audited)	3,474	182,099	15,500	-	185	1,547	3,274	18,547	224,626
Loss for the period	-	-	-	-	-	-	-	(27,458)	(27,458)
Other comprehensive income for the period	-	-	-	-	(1,316)	-	1,054	-	(262)
At 30 June 2019 (unaudited)	3,474	182,099	15,500	-	(1,131)	1,547	4,328	(8,911)	196,906

### Notes:

- (i) Other reserve of HK\$15,500,000 represents amount arising from capitalisation of loans from former shareholders of a subsidiary of the Company.
- (ii) General reserve represents the legal reserve being allocated from the retained profits of certain subsidiaries of the Company, as required under the relevant legislation of Switzerland and the People's Republic of China (the "PRC"), respectively.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>17,164</b>	11,101
<b>INVESTING ACTIVITIES</b>		
Refund of deposit paid for acquisition of a subsidiary	–	25,000
Additions of property, plant and equipment	(4,061)	(3,468)
Pledged bank deposits placed	–	(1,033)
Pledged bank deposits withdrawn	1,039	1,026
Proceeds from the withdrawal of life insurance policies	17,428	–
Interest received	45	38
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>14,451</b>	21,563
<b>FINANCING ACTIVITIES</b>		
New bank borrowings raised	–	9,415
Repayment of bank borrowings	(10,048)	(11,613)
Repayment of lease liabilities	(3,451)	–
Repayment of notes payable	–	(40,000)
Interest paid	(1,267)	(10,972)
Repayment of loan from a related company	(25,141)	–
Loan from fellow subsidiaries	58,975	–
Repayment of loan from ultimate holding company	(54,365)	–
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(35,297)</b>	(53,170)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,682)</b>	(20,506)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>28,946</b>	56,177
Effect of foreign exchange rate changes	(398)	453
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>24,866</b>	36,124

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard 34 ("**IAS 34**") "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**") as well as the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange (the "**Listing Rules**").

The condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2018 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2019. This is the first set of the Group's financial statements in which International Financial Reporting Standard 16 Leases ("**IFRS 16**") has been adopted. Details of any changes in accounting policies are set out in below. Except for the adoption of IFRS 16, the adoption of the new and revised IFRSs have no material effect on these condensed consolidated interim financial statements. The Group has not early adopted any new and revised IFRSs that has been issued but not yet effective in the current accounting period.

The preparation of these condensed consolidated interim financial statements in compliance with IAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars ("**HK\$**"), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (the "**IFRSs**") and should be read in conjunction with the 2018 consolidated financial statements.

### 2. PRINCIPAL ACCOUNTING POLICIES

The IASB has issued a number of new or amended IFRSs that are first effective for the current accounting period of the Group.

- IFRS 16, Leases
- IFRIC-Int 23, Uncertainty over Income Tax Treatments
- Amendments to IFRS 9, Prepayment Features and Negative Compensation
- Amendments to IAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 included in Annual Improvements to IFRSs 2015-2017 Cycle

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The impact of the adoption of IFRS 16 Leases have been summarised in below. The other new or amended IFRSs 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 IFRS 16

IFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces IAS 17 Leases ("IAS 17"), IFRIC-Int 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases — Incentives and SIC 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 IAS 17. For details of IFRS 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 IFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied IFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The following tables summarised the impact of transition to IFRS 16 on condensed consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	HK\$'000 (Unaudited)
Condensed consolidated statement of financial position as at 1 January 2019	
Right-of-use assets presented in property, plant and equipment	7,428
Lease liabilities (non-current)	2,265
Lease liabilities (current)	5,163

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (i) Impact of the adoption of IFRS 16 (Continued)

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

#### *Reconciliation of operating lease commitment to lease liabilities*

	HK\$'000 (Unaudited)
Operating lease commitment as of 31 December 2018	8,441
Less: short term leases for which lease terms end within 31 December 2019	(748)
Less: future interest expenses	(265)
	<hr/>
Total lease liabilities as of 1 January 2019	7,428
	<hr/>

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%.

### (ii) The new definition of a lease

Under IFRS 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 IAS 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.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (iii) Accounting as a lessee (Continued)

Under IFRS 16, all leases (irrespective of whether 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 IFRS 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 a straight-line basis over the lease term.

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

#### *Right-of-use asset*

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

#### *Lease liability*

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

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

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

## **2. PRINCIPAL ACCOUNTING POLICIES (Continued)**

### **(iv) Transition**

As mentioned above, the Group has applied IFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained profits/(accumulated losses) at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying IAS 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 follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (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; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) IFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC-Int 4.

## **3. REVENUE AND SEGMENT INFORMATION**

Revenue represents the amount received or receivable for the sales of watches products, less returns and trade discounts, during the interim period. The revenue of the Group are recognised at point in time.

The Group's principal activities are manufacturing and sales of watches. Information reported to the chief operating decision makers, being the executive directors of the Company, for resources allocation and performance assessment, is based on the Group's overall performance, which is considered as a single operating segment. Segment revenue and results are therefore the same as the respective amounts presented in the condensed consolidated statement of profit or loss and other comprehensive income and the condensed consolidated statement of financial position. Entity-wide disclosures of segment information are set out below.

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

#### *Geographical information*

The following table sets out information about the geographical location of the Group's revenue from external customers based on the location of customers.

	Revenue from external customers For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
People's Republic of China ("PRC")	46,923	73,924
Hong Kong and Macau	4,327	4,746
Others	4,484	5,606
	55,734	84,276

#### *Information about major customers*

During the period, there is no revenue from customers contributing over 10% of the total sales of the Group (1HFY2018: Nil).

### 4. OTHER GAINS AND LOSSES, NET

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Loss on disposal of property, plant and equipment	(4)	–
Exchange gain/(loss), net	226	(3,324)
(Allowance for)/reversal of impairment loss on trade and other receivables	(25)	161
Fair value gain on life insurance policies	202	–
	399	(3,163)

## 5. OTHER INCOME

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest income on life insurance policies	–	343
Bank interest income	45	38
Maintenance service income	–	47
Sundry income	583	38
	<b>628</b>	<b>466</b>

## 6. FINANCE COSTS

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest on:		
Bank borrowings	168	208
Notes payable	–	5,804
Liability component of convertible bond	–	9,611
Loan from a related company	100	–
Loan from a fellow subsidiary	637	–
Loan from ultimate holding company	4,093	–
Interest on lease liabilities	362	–
	<b>5,360</b>	<b>15,623</b>

## 7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	–	–
Switzerland income tax	130	1,938
PRC Enterprise Income Tax	–	–
	130	1,938
Deferred tax credit	(8)	(149)
Income tax expense for the period	122	1,789

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods. No provision for Hong Kong profits tax has been made for both periods as the Group has no assessable profits arising in Hong Kong.

Switzerland income tax is calculated at certain tax rates on the assessable income for both periods. Under relevant Tax Law in Switzerland, the Group's subsidiary incorporated in Switzerland was subject to Direct Federal Tax ("**DFT**") of 8.5% (six months ended 30 June 2018: 8.5%) and Cantonal Communal Tax ("**CCT**") of 16.18% (six months ended 30 June 2018: 16.53%).

Swiss Federal withholding tax is levied at a rate of 35% on the distribution of the profit of the company incorporated in Switzerland for both periods.

Under the laws of PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of EIT Law, the tax rate of the PRC subsidiary is 25% (six months ended 30 June 2018: 25%). No provision for Enterprise Income Tax has been made for both periods as the Group has no assessable profits arising in the PRC.

## 8. LOSS FOR THE PERIOD

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging/(crediting):		
Cost of inventories recognised as expenses, including	31,036	44,741
— Reversal of allowance for inventories	(2,735)	(1,477)
Depreciation of property, plant and equipment	7,672	8,108

## 9. DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

## 10. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the six months ended 30 June 2019 is based on the loss attributable to the owners of the Company of HK\$27,458,000 (six months ended 30 June 2018: HK\$43,121,000) and on the weighted average number of 347,437,000 (six months ended 30 June 2018: 347,437,000) ordinary shares in issue during the period.

Diluted loss per share amount for the six months ended 30 June 2018 were not presented because the impact of the exercise of the convertible bonds was anti-dilutive. Potential ordinary shares are dilutive when and only when their conversion into ordinary shares would increase loss per share attributable to owners of the Company.

There is no potential dilutive ordinary shares outstanding for the six months ended 30 June 2019 and thus the dilute loss per share is the same as the basic loss per share.

## 11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2019, the Group acquired property, plant and equipment of HK\$4,061,000 (six months ended 30 June 2018: HK\$3,468,000).

In addition, the Group has entered into several leases contracts for premises in Hong Kong, the PRC and Switzerland during the six month ended 30 June 2019. Right-of-use assets arising from these lease contracts amounted to HK\$8,806,000 has been recognised during the current period.

## 12. TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
Trade receivables, gross	56,235	75,329
Less: impairment loss allowance	(20,616)	(20,611)
Trade receivables, net	<b>35,619</b>	54,718
Other receivables	929	901
Other tax recoverable	1,615	1,308
Prepayments	3,218	2,296
Deposits	2,941	3,133
	<b>8,703</b>	7,638
Total trade and other receivables	<b>44,322</b>	62,356

Included in the trade receivables, amounts of HK\$648,000 (2018: HK\$513,000) are due from the fellow subsidiaries of the Company.

The Group allows a credit period ranging from 30 to 120 days to its trade customers. The following is an ageing analysis of trade receivables, net of impairment loss allowance, presented based on the invoice date which approximates the respective revenue recognition date:

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
0–90 days	22,689	41,702
91–180 days	5,176	9,932
181–270 days	4,682	1,958
Over 270 days	3,072	1,126
	<b>35,619</b>	54,718

### 13. TRADE AND OTHER PAYABLES

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
Trade payables	5,031	8,098
Other payables	1,762	3,575
Accruals	15,501	28,983
Contract liabilities arising from sales of goods	756	312
	<b>23,050</b>	<b>40,968</b>

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting periods:

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
1–30 days	3,089	2,747
31–60 days	1,428	4,437
Over 60 days	514	914
	<b>5,031</b>	<b>8,098</b>

The credit period for trade purchases ranges from 30 to 90 days.

#### 14. AMOUNTS DUE TO A RELATED COMPANY, FELLOW SUBSIDIARIES AND ULTIMATE HOLDING COMPANY

At 30 June 2019, amounts due to a related company, fellow subsidiaries and ultimate holding company were unsecured, interest-free and repayable within next 12 months except for the followings:

- Amount due to a fellow subsidiary of principal amount of RMB10,000,000 (equivalent to HK\$11,373,000) was unsecured, interest bearing at 6% per annum and repayable on 5 December 2019.
- Amount due to a fellow subsidiary of principal amount of RMB10,000,000 (equivalent to HK\$11,373,000) was unsecured, interest bearing at 6% per annum and repayable on 22 January 2020.
- Amount due to ultimate holding company of principal amount of HK\$105,535,000 was unsecured, interest bearing at 5% per annum and repayable on 31 December 2019.
- Amount due to ultimate holding company of principal amount of HK\$15,000,000 was unsecured, interest bearing at 5% per annum and repayable on 31 January 2020.

#### 15. BANK BORROWINGS

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
Bank loan, secured	—	3,866
Import trade loans, secured	—	6,182
	—	10,048
The borrowing repayable based on scheduled repayment date set out in the loan agreements, are as follows:		
Within one year	—	10,048

## 15. BANK BORROWINGS (Continued)

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
--	---	---

The carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable:

Within one year

–	10,048
---	--------

The exposure of the Group's borrowings are as follows:

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
--	---	---

Variable-rate borrowings

–	10,048
---	--------

The Group's variable-rate borrowings carry interest at Hong Kong Interbank Offered Rate ("**HIBOR**") or London Interbank Offered Rate ("**LIBOR**") plus certain basis points.

The ranges of effective interest rate on the Group's borrowings are as follow:

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
--	---	---

Effective interest rate:

Variable-rate borrowings

–	3.56% to 4.96%
---	----------------

Details of assets that have been pledged as collateral to secure borrowings are set out in note 18.

## 16. SHARE CAPITAL

	Number of ordinary shares '000	Par value HK\$	Amount HK\$'000
Authorised:			
At 1 January 2018, 30 June 2018, 31 December 2018 and 30 June 2019	10,000,000	0.01	100,000
Issued and fully paid:			
At 1 January 2018, 30 June 2018, 31 December 2018 and 30 June 2019	347,437	0.01	3,474

All the shares issued rank pari passu with the existing shares in all respects.

## 17. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
<b>Financial assets</b>		
Fair value through profit or loss	–	17,226
Amortised cost	61,414	85,604
<b>Financial liabilities</b>		
Amortised cost	200,580	231,176

## 17. FINANCIAL INSTRUMENTS (Continued)

### (b) Fair value hierarchy

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3:	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Life insurance policies	–	17,226	–	17,226

The fair value of the life insurance policies is determined with reference to the surrender cash value if the Group withdrew from the life insurance policies.

The Group withdrew from the life insurance policies during the six months ended 30 June 2019.

## 18. PLEDGE OF ASSETS

The Group's bank borrowings are secured by:

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Fixed charges over:		
Bank deposits	–	1,039
Life insurance policies	–	17,226

## 19. RELATED PARTY TRANSACTIONS

- (i) During the six months ended 30 June 2019, the Group entered into the following transactions with related parties:

Name of related party	Relationship	Nature of transaction	For the six months ended 30 June	
			2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Guangdong Juxin Watch Co., Limited (廣東鉅信鐘錶連鎖有限公司)	Fellow subsidiary	Sales of goods	4	–
Liaoning Hengjia Horologe Co., Limited (遼寧恒嘉鐘錶有限公司)	Fellow subsidiary	Sales of goods	88	–
Shenzhen Permanence Commerce Co., Limited (深圳市恒譽嘉時貿易有限公司)	Fellow subsidiary	Sales of goods	1,292	–
Corum Watches (M) Sdn Bhd	Fellow subsidiary	Sales of goods	141	–
Eterna S.A.	Fellow subsidiary	Assembly services	19	–
Zhuhai Rossini Watch Industry Limited (珠海羅西尼表業有限公司)	Fellow subsidiary	Loan interest expenses	637	–
Fair Future Industrial Limited	Related company	Loan interest expenses	100	–
Citychamp Watch & Jewellery Group Limited	Ultimate holding company	Loan interest expenses	4,093	–

**19. RELATED PARTY TRANSACTIONS (Continued)**

- (ii) The details for balances with related parties are disclosed in note 12 and 14 to the condensed consolidated financial statements.
- (iii) The compensations to key management personnel of the Group (i.e. the Company's directors) are as follows:

	<b>For the six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Fees	2,681	1,419
Basic salaries and other benefits	82	–
Pension scheme contributions	42	18
	<b>2,805</b>	<b>1,437</b>