HENGDELI HOLDINGS LIMITED
亨得利控股有限公司

(Incorporated in Cayman Islands with limited liability)
(Stock Code: 3389)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2014	2013	Change
	RMB'000	*RMB'000*	(%)
Turnover	**14,764,370**	13,375,443	+10.4
Gross profit margin	**28.6%**	27.2%	+140 bps
Profit for the year	**583,427**	468,872	+24.4
Profit attributable to equity shareholders	**504,220**	400,421	+25.9

Proposed final dividend of RMB3.2 cents, representing approximately 30% distribution from the profit attributable to equity shareholders of the Company for the financial year 2014.

The Board of Directors (the "Board") of Hengdeli Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to the "Group") for the year ended 31 December 2014 (hereinafter refer to as the "Year or year under review"), which have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

(Expressed in Renminbi)

	Note	2014 *RMB'000*	2013 *RMB'000*
Turnover	*3 & 9*	**14,764,370**	13,375,443
Cost of sales		**(10,539,538)**	(9,731,808)
Gross profit		**4,224,832**	3,643,635
Other revenue	*4*	**95,473**	139,278
Other net income/(loss)	*4*	**31,531**	(105,477)
Distribution costs		**(2,926,425)**	(2,376,215)
Administrative expenses		**(394,583)**	(326,654)
Other operating income/(expenses)		**2,416**	(5,583)
Profit from operations		**1,033,244**	968,984
Finance costs	*5(a)*	**(225,834)**	(291,074)
Share of losses of associates		**(1,521)**	(7,805)
Share of profits of joint ventures		**1,388**	3,250
Profit before taxation	*5*	**807,277**	673,355
Income tax	*6(a)*	**(223,850)**	(204,483)
Profit for the year		**583,427**	468,872
Attributable to:			
Equity shareholders of the Company		**504,220**	400,421
Non-controlling interests		**79,207**	68,451
Profit for the year		**583,427**	468,872
Earnings per share			
Basic	*8(a)*	**RMB0.105**	RMB0.083
Diluted	*8(b)*	**RMB0.105**	RMB0.083

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

(Expressed in Renminbi)

	2014	2013
	RMB'000	*RMB'000*
Profit for the year	**583,427**	468,872
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Net gain recognised from the remeasurement of investment in equity securities	**1,215**	–
Exchange differences on translation of overseas companies' financial statements	**5,720**	(31,181)
Total comprehensive income for the year	**590,362**	437,691
Attributable to:		
Equity shareholders of the Company	**511,155**	369,240
Non-controlling interests	**79,207**	68,451
Total comprehensive income for the year	**590,362**	437,691

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

(Expressed in Renminbi)

		2014		2013	
	Note	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*
Non-current assets					
Fixed assets					
– Investment property			**41,286**		242,704
– Other property, plant and equipment			**1,404,669**		1,452,763
			1,445,955		1,695,467
Intangible assets			**86,601**		109,793
Goodwill			**802,521**		840,521
Interest in associates	*18*		**–**		83,861
Interest in joint ventures			**55,423**		54,035
Other investments			**71,862**		797
Deferred tax assets			**72,167**		67,409
			2,534,529		2,851,883
Current assets					
Inventories	*10*	**6,612,693**		6,328,722	
Trade and other receivables	*13*	**1,615,836**		1,366,795	
Deposits with banks	*11*	**113,000**		100,000	
Cash and cash equivalents	*12*	**1,968,065**		2,185,922	
		10,309,594		9,981,439	
Current liabilities					
Trade and other payables	*14*	**2,240,209**		2,358,545	
Bank loans	*15*	**991,831**		1,354,737	
Current taxation		**25,960**		18,738	
Provision		**94,668**		–	
Convertible bonds	*17*	**78,005**		–	
		3,430,673		3,732,020	
Net current assets			**6,878,921**		6,249,419
Total assets less current liabilities			**9,413,450**		9,101,302

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2014

(Expressed in Renminbi)

		2014		2013	
	Note	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*
Non-current liabilities					
Bank loans	*15*	**494,508**		460,814	
Senior notes	*16*	**2,173,905**		2,159,231	
Convertible bonds	*17*	**–**		76,104	
Provisions		**–**		94,344	
Deferred tax liabilities		**116,409**		126,643	
			2,784,822		2,917,136
NET ASSETS			**6,628,628**		6,184,166
CAPITAL AND RESERVES					
Share capital	*7(b)*		**22,920**		22,935
Reserves			**5,960,084**		5,576,299
Total equity attributable to equity shareholders of the Company			**5,983,004**		5,599,234
Non-controlling interests			**645,624**		584,932
TOTAL EQUITY			**6,628,628**		6,184,166

Notes:

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2014 comprise the company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following asset is stated at its fair value set out below:

– **financial instrument classified as available-for-sale**

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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. Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities
- Amendments to HKAS 32, Offsetting financial assets and financial liabilities
- Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets
- Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting
- HK(IFRIC) 21, Levies

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. TURNOVER

The principal activities of the Group are retail and wholesale of watches and jewellery.

Turnover represents the sales value of goods sold to customers, net of value added tax and is after deduction of any sales discounts and returns.

The Group's customer base is diversified and includes no customer with whom transactions have exceeded 10% of the Group's revenues.

4. OTHER REVENUE AND NET INCOME/(LOSS)

Other revenue	**2014** *RMB'000*	2013 *RMB'000*
Interest income	**16,071**	64,992
Dividend income from unlisted investments	**33,494**	34,977
Government grants	**18,432**	15,753
Rental income	**7,050**	9,300
Others	**20,426**	14,256
	95,473	139,278

The Group purchased RMB1,339,450,000 (2013: RMB2,110,405,000) principal-protected wealth management products from banks during 2014. By the end of 2014, all of the principal and interest relating to these products had been received and the Group had recognised income of RMB2,925,842 on these products (2013: RMB35,626,000), which is included in the interest income above.

Other net income/(loss)	**2014** *RMB'000*	2013 *RMB'000*
Impairment loss on interest in an associate	**(34,293)**	(87,893)
Impairment of goodwill	**(38,000)**	–
Gain on disposal of an associate	**–**	4,487
Net foreign exchange (loss)/gain	**(10,152)**	25,540
Net gain/(loss) on disposal of fixed assets	**113,976**	(4,124)
Net loss on repurchase and redemption of convertible bonds	**–**	(43,487)
	31,531	(105,477)

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2014	2013
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**68,404**	82,434
Interest on over five years loans	**68**	–
Interest on convertible bonds (*note 17*)	**3,507**	69,185
Interest on senior notes (*note 16*)	**140,446**	130,759
Bank charges	**13,409**	8,696
Finance costs	**225,834**	291,074

(b) Staff costs

	2014	2013
	RMB'000	*RMB'000*
Contributions to defined contribution retirement plans	**96,035**	92,992
Equity-settled share-based payment expenses	**(615)**	(243)
Salaries, wages and other benefits	**765,801**	640,267
	861,221	733,016

(c) Other items

	2014	2013
	RMB'000	*RMB'000*
Amortisation of intangible assets	**10,920**	10,402
Depreciation of fixed assets	**149,100**	127,471
Impairment losses		
– trade and other receivables	**(2,428)**	5,583
– interest in associates	**34,293**	87,893
– goodwill	**38,000**	–
	69,865	93,476
Net foreign exchange (loss)/gain	**(10,152)**	25,540
Operating lease charges in respect of properties		
– minimum lease payments	**287,374**	299,550
– contingent rents	**522,915**	496,092
	810,289	795,642
Auditors' remuneration	**4,390**	4,190
Rental income from investment property	**4,620**	7,042
Cost of inventories	**10,539,538**	9,731,808

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(a) Taxation in the consolidated income statement represents:

	2014	2013
	RMB'000	*RMB'000*
Current tax		
Provision for Hong Kong profits tax for the year	**54,514**	63,038
Provision for Mainland China income tax for the year	**177,892**	152,471
Provision for Taiwan and Macau income tax for the year	**3,311**	882
Under-provision in respect of prior years	**3,125**	1,933
Sub-total	**238,842**	218,324
Deferred tax		
Origination and reversal of temporary differences	**(14,992)**	(13,841)
Sub-total	**(14,992)**	(13,841)
Total	**223,850**	204,483

Pursuant to the rules and regulations of the Cayman Islands, the Company is exempted from income tax in the Cayman Islands. In addition, subsidiaries located in jurisdictions other than Hong Kong, Mainland China, Taiwan and Macau, are not subject to any income tax in these jurisdictions.

The provision for Hong Kong profits tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year.

The applicable income tax rate of the Group's Mainland China subsidiaries is 25% in 2014 (2013: 25%).

The provision for Taiwan income tax for 2014 is calculated at 17% (2013: 17%) of the estimated assessable profits for the year end.

The provision for Macau income tax is calculated based on progressive rates up to 12% and the assessable profits for the year ended 31 December 2014 (2013: 12%).

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2014	2013
	RMB'000	*RMB'000*
Profit before taxation	**807,277**	673,355
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**217,848**	201,200
Tax effect of non-taxable income	**(9,705)**	(11,669)
Tax effect of non-deductible expenses	**4,885**	4,163
Under-provision in respect of prior years	**3,125**	1,933
Tax effect of tax losses not recognised	**7,697**	8,856
Actual tax expense	**223,850**	204,483

7. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2014	2013
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting date of RMB0.032 per ordinary share (2013: RMB0.025 per ordinary share)	**153,100**	119,978

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2014	2013
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year of RMB0.025 per share (2013: RMB0.04 per share)	**119,978**	174,651

(b) Share capital

(i) Authorised and issued share capital

	2014 *Number of shares*	*Amount HKD*	2013 *Number of shares*	*Amount HKD*
Authorised:				
Ordinary shares of HKD0.005 each	**10,000,000,000**	**50,000,000**	10,000,000,000	50,000,000

	2014 *Number of shares*	*Amount HKD*	2013 *Number of shares*	*Amount HKD*
Issued and fully paid:				
At 1 January	**4,802,906,959**	**24,014,534**	4,392,439,054	21,962,195
Share repurchase	**(3,776,000)**	**(18,880)**	(26,160,000)	(130,800)
Issuance of bonus shares	**–**	**–**	436,627,905	2,183,139
At 31 December	**4,799,130,959**	**23,995,654**	4,802,906,959	24,014,534
		Equivalent *RMB'000*		Equivalent *RMB'000*
		22,920		22,935

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Purchase of own shares

During the year ended 31 December 2014, a total of 3,776,000 shares were repurchased on the Stock Exchange at an aggregate consideration of HKD6,182,000 (RMB equivalent: 4,884,000) which includes related transaction costs of HKD19,000 (RMB equivalent: 15,000).

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of Cayman Islands Companies Law, an amount equivalent to the par value of the shares cancelled of RMB15,000 was transferred from the retained profits to the capital redemption reserve. The premium paid on the repurchase of shares equivalent to RMB4,869,000 was charged to the retained profits.

(iii) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	**Exercise price**	**2014 Number**	2013 Number
30 September 2014 to 29 September 2016	HKD2.66	**385,000**	1,485,000

Each option entitles the holder to subscribe for one ordinary share in the Company.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB504,220,000 (2013: RMB400,421,000) and the weighted average of 4,799,648,231 ordinary shares (2013: 4,805,423,906 ordinary shares after adjusting for the bonus issue in May 2013) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2014	2013
Issued ordinary shares at 1 January	**4,802,906,959**	4,395,043,600
Effect of shares repurchased (*note 7(b) (i)*)	**(3,258,728)**	(29,124,054)
Effect of bonus issue (*note 7(b) (i)*)	**–**	439,504,360
Weighted average number of ordinary shares at 31 December	**4,799,648,231**	4,805,423,906

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company (diluted) of RMB504,220,000 (2013: RMB400,421,000) and the weighted average number of ordinary shares outstanding of 4,799,648,231 shares (2013: 4,805,423,906 shares).

The calculation of diluted earnings per share amount for the year ended 31 December 2014 and 2013 has not included the potential effects of the deemed issue of shares under the Company's shares option scheme for nil consideration into ordinary shares and the potential effects of the deemed conversion of the convertible bonds into ordinary shares as they have anti-dilutive effect on the basic earnings per share amount during the year.

9. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography (mainly in Mainland China, Hong Kong and Taiwan).

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has presented the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Retail segments (includes three segments for watches retail in Mainland China, Taiwan and Hong Kong and one segment for jewellery, watches and duty free commodities retail in Hong Kong): given the importance of the retail division to the Group, the Group's retail business is segregated further into four reportable segments on a geographical and products and services basis, as the divisional managers for each of these regions report directly to the senior executive team. All segments primarily derive their retail revenue through their own retail network.

- Wholesale segment: this segment distributes numerous world renowned brand watches in Mainland China and Hong Kong.

(i) Segment results and assets

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the profit or loss and assets attributable to each reportable segment on the following basis:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. However, other than reporting inter-segment sales, assistance provided by one segment to another, including sharing of assets, is not measured.

The measure used for reporting segment profit is "gross profit".

Segment assets represent inventories only, without eliminating the unrealised inter-segment profits.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Retail													
	Mainland China		Hong Kong		Taiwan		Harvest Max		Wholesale		All others		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**6,248,240**	5,598,929	**2,593,388**	3,151,948	**182,761**	206,454	**1,584,415**	1,021,302	**3,726,721**	3,118,244	**428,845**	278,566	**14,764,370**	13,375,443
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**–**	–	**3,558,352**	2,631,246	**–**	–	**3,558,352**	2,631,246
Reportable segment revenue	**6,248,240**	5,598,929	**2,593,388**	3,151,948	**182,761**	206,454	**1,584,415**	1,021,302	**7,285,073**	5,749,490	**428,845**	278,566	**18,322,722**	16,006,689
Reportable segment profit	**1,877,611**	1,747,421	**537,219**	683,102	**47,767**	63,649	**1,214,400**	735,824	**409,351**	326,687	**138,484**	86,952	**4,224,832**	3,643,635
Reportable segment assets	**3,136,954**	3,171,910	**1,527,848**	1,507,122	**199,983**	239,496	**115,969**	120,253	**1,579,018**	1,291,340	**105,393**	66,768	**6,665,165**	6,396,889

Harvest Max Holdings Limited ("Harvest Max") carries out jewellery, watches and duty free commodities retail business in Hong Kong.

Results and assets of the segment below the quantitative thresholds are mainly attributable to a watch repairing and maintenance business, a packaging and decoration business, a watch case manufacturing business, a hotel business, and a property management business.

(ii) Reconciliations of reportable segment revenues and profit or loss

Revenue	2014 RMB'000	2013 RMB'000
Total revenues for reportable segments	**17,893,877**	15,728,123
Revenue for other segments	**428,845**	278,566
Elimination of inter-segment revenue	**(3,558,352)**	(2,631,246)
Consolidated turnover	**14,764,370**	13,375,443

Profit	2014 RMB'000	2013 RMB'000
Total profit for reportable segments	**4,086,348**	3,556,683
Profit for other segments	**138,484**	86,952
	4,224,832	3,643,635
Other revenue	**95,473**	139,278
Other net (loss)/income	**31,531**	(105,477)
Distribution costs	**(2,926,425)**	(2,376,215)
Administrative expenses	**(394,583)**	(326,654)
Other operating income/(loss)	**2,416**	(5,583)
Finance costs	**(225,834)**	(291,074)
Share of losses of associates	**(1,521)**	(7,805)
Share of profits of joint ventures	**1,388**	3,250
Consolidated profit before taxation	**807,277**	673,355

Assets	2014 RMB'000	2013 RMB'000
Total assets for reportable segments (inventories)	**6,559,772**	6,330,121
Assets for reportable segments (inventories)	**105,393**	66,768
Elimination of unrealised inter-segment profit	**(52,472)**	(68,167)
	6,612,693	6,328,722
Trade and other receivables	**1,615,836**	1,366,795
Deposits with banks	**113,000**	100,000
Cash and cash equivalents	**1,968,065**	2,185,922
Non-current assets	**2,534,529**	2,851,883
Consolidated total assets	**12,844,123**	12,833,322

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, intangible assets, goodwill, interest in associates, interests in joint ventures and other investments ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interest in associates, interests in joint ventures and other investments.

The Group's business is mainly managed in three principal economic environments, Mainland China, Hong Kong and Taiwan.

	2014	2013
Revenue from external customers	***RMB'000***	*RMB'000*
Mainland China	**10,377,042**	8,948,022
Hong Kong and Macau	**4,204,567**	4,220,967
Taiwan	**182,761**	206,454
Total	**14,764,370**	13,375,443

	2014	2013
Specified non-current assets	***RMB'000***	*RMB'000*
Mainland China	**1,824,249**	1,855,985
Hong Kong	**595,551**	697,759
Taiwan	**42,166**	230,066
Others	**396**	664
Total	**2,462,362**	2,784,474

10. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2014	2013
	RMB'000	*RMB'000*
Raw materials	**44,145**	31,922
Work in progress	**30,174**	30,673
Finished goods	**6,538,374**	6,266,127
	6,612,693	6,328,722

11. DEPOSITS WITH BANKS

The Group

	2014	2013
	RMB'000	*RMB'000*
Deposits with original maturities over three months	**113,000**	100,000

Deposits with original maturities over three months are time deposits within banks in mainland China.

12. CASH AND CASH EQUIVALENTS

	The Group		**The Company**	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and cash equivalents in the statement of financial position and cash flow statement	**1,968,065**	2,185,922	**79,526**	338,786

13. TRADE AND OTHER RECEIVABLES

The Group

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**1,053,380**	901,227
Amount due from associates	**–**	2,021
Less: allowance for doubtful debts	**(3,393)**	(5,821)
	1,049,987	897,427
Prepayments and deposits	**333,381**	206,943
Other receivables	**226,789**	231,309
Amount due from associates	**–**	20,583
Amount due from joint ventures	**5,679**	10,533
	1,615,836	1,366,795

All of the trade and other receivables are expected to be recovered within one year.

(a) Ageing analysis

An ageing analysis of trade receivables (net of allowance for doubtful debts) is as follows:

The Group

	2014	2013
	RMB'000	*RMB'000*
Current	**964,427**	844,218
Less than 1 month past due	**49,339**	2,371
1 to 3 months past due	**13,376**	29,890
More than 3 months but less than 12 months past due	**17,213**	19,672
More than 12 months past due	**5,632**	1,276
Amounts past due	**85,560**	53,209
	1,049,987	897,427

Trade receivables are due within 30 to 60 days from the date of billing.

(b) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

The Group

	2014	2013
	RMB'000	*RMB'000*
Neither past due nor impaired	**964,427**	844,218
Less than 1 month past due	**49,339**	2,371
1 to 3 months past due	**13,376**	29,890
More than 3 months but less than 12 months past due	**17,117**	19,467
More than 12 months past due	**5,452**	1,241
	85,284	52,969
	1,049,711	897,187

Receivables that were neither past due nor impaired relating to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relating to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

14. TRADE AND OTHER PAYABLES

The Group

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**1,840,525**	1,923,219
Amounts due to associates	**–**	5,095
	1,840,525	1,928,314
Other payables and accrued expenses	**343,301**	387,731
Advance receipts from customers	**56,383**	42,500
	2,240,209	2,358,545

As of the end of the reporting period, the ageing analysis of trade payables and amount due to associates, based on invoice date, is as follows:

The Group

	2014	2013
	RMB'000	*RMB'000*
Within 1 month	**985,262**	1,072,438
Over 1 month but less than 3 months	**814,352**	814,882
Over 3 months but less than 12 months	**18,626**	26,328
Over 1 year	**22,285**	14,666
	1,840,525	1,928,314

15. BANK LOANS

At 31 December 2014, the bank loans were secured as follows:

The Group

	2014	2013
	RMB'000	*RMB'000*
Bank loans within one year or on demand		
– Secured	**496**	23,856
– Unsecured	**991,335**	1,330,881
	991,831	1,354,737
Bank loans after one year		
– Secured	**5,011**	110,740
– Unsecured	**489,497**	350,074
	494,508	460,814
	1,486,339	1,815,551

At 31 December 2014, the secured bank loans are all drawn down under certain bank facilities secured by mortgages over certain land and buildings and investment properties of the Group with an aggregate carrying value of RMB10,282,000 (2013: RMB434,591,000).

16. SENIOR NOTES

In January 2013, the Company issued 6.25% senior notes due in 2018 in the aggregate principal amount of United States Dollars("USD") 350,000,000 ("the Notes"), which are listed on the Exchange. The Notes are interest-bearing at 6.25% per annum and payable semi-annually in arrears. The Notes will mature on 29 January 2018, unless redeemed earlier in accordance with the terms of the Notes. The net proceeds, after deducting the direct issuance costs, amounted to approximately USD343,969,622 (RMB equivalent: 2,158,949,000).

Pursuant to the terms of the Notes, the Notes are subject to the fulfilment of covenants relating to limitations on indebtedness and certain transactions of the Group. The Company regularly monitors its compliance with these covenants. The Group has complied with the imposed senior notes covenants for the year ended 31 December 2014.

The Company may redeem part or all of the Notes or, upon the occurrence of certain events, the Company should make an offer to purchase all outstanding portions of the Notes at a price specified in the terms of the Notes.

The movement of the Notes is set out below:

	RMB'000
Upon the completion of the issuance of the Notes:	
Proceeds received for the issuance of the Notes	2,197,668
Transaction costs on issuance of the Notes	(38,719)
Interest charged during the year	130,759
Interest paid during the year	(67,685)
Foreign exchange loss	2,166
Foreign currency translation difference	(64,958)
As at 31 December 2013	2,159,231
Interest charged during the year	140,446
Interest paid during the year	(133,630)
Foreign exchange loss	430
Foreign currency translation difference	7,428
As at 31 December 2014	2,173,905

17. CONVERTIBLE BONDS

On 20 October 2010, the Company issued the HKD Settled 2.5% Convertible Bonds due 2015 (the "2015 Convertible Bonds") in the aggregate principal amount of HKD2,500,000,000. The 2015 Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited.

The movement of the liability component and the equity component of the 2015 Convertible Bonds for the year is set out below:

	Liability component *RMB'000*	**Equity component** *RMB'000*	**Total** *RMB'000*
As at 1 January 2013	2,023,009	60,412	2,083,421
Interest charged during the year	69,185	–	69,185
Interest paid during the year	(46,632)	–	(46,632)
Derecognised due to repurchase by the Company during the year	(247,211)	(7,443)	(254,654)
Derecognised due to redemption by the Company during the year	(1,690,367)	(50,673)	(1,741,040)
Foreign currency translation difference	(31,880)	–	(31,880)
As at 31 December 2013 and 1 January 2014	76,104	2,296	78,400
Interest charged during the year	3,507	–	3,507
Interest paid during the year	(1,870)	–	(1,870)
Foreign currency translation difference	264	–	264
As at 31 December 2014	78,005	2,296	80,301

No conversion of the 2015 Convertible Bonds has occurred up to 31 December 2014.

18. INTEREST IN ASSOCIATES

The Group

	2014 ***RMB'000***	2013 *RMB'000*
Interest in associates	**–**	245,812
Less: impairment loss	**–**	(161,951)
	–	83,861

Pursuant to announcements made by Ming Fung during 2014, Ming Fung acquired a target company which is the exclusive distributor of certain products bearing the trademarks of Girard-Perregaux and JeanRichard in the territories of mainland China, Macau, Hong Kong and Taiwan and issued a number of Ming Fung's ordinary shares as consideration. Upon the completion of this acquisition, the Group is no longer the largest shareholder of Ming Fung.

As a result, management of the Group has reassessed whether it continues to have significant influence over Ming Fung and concluded that the Group's significant influence over Ming Fung ceased during 2014. Accordingly, the investment in Ming Fung has been accounted for as other investment in equity securities.

MANAGEMENT DISCUSSION AND ANALYSIS

Amidst 2014's global economic instability, China gradually set itself a new normality and began fine-tuning its economy from fastpaced to more moderate growth. While adhering to its established prudent growth strategies, the Group adopted an approach of "seeking sustainable profits to underpin healthy growth". As a result, we secured business stability and safeguarded shareholder interests by recording a sound operating performance in a highly challenging market.

I. FINANCIAL REVIEW

Turnover

During 2014, the Group recorded turnover of RMB14,764,370,000; an increase of 10.4% year-on-year. Retail sales amounted to RMB10,608,804,000; an increase of 6.3% year-on-year. Of this figure, retail sales in Mainland China posted a year-on-year increase of 11.6% to reach RMB6,248,240,000 while Elegant Hong Kong's retail sales experienced a year-on-year decrease of 17.7% to RMB2,593,388,000. Excluding the impact of foreign exchange gains and losses, the decrease was 16.6%.

The sales growth of the Group in 2014 remained at the same level as in 2013, indicating the normalisation of our business operations moving from rapid to more stable expansion. Growth of our total retail sales was mainly generated by domestic retail outlets and mid-end brands. While continuing weak sales of high-end watches had some impact on the total retail sales, the new normality of China's economy and our strategy of aligning operations with market dynamics has paid off. As a result, the decline in sales of high-end watches in Mainland China began to slowdown. Meanwhile, sales of mid-end brands remained favourable, posting a year-on-year growth of 16.1%. Same-store sales of mid-end brands also grew by 2.2%, which is above the Group's average growth for the year.

Sales breakdown for year ended 31 December 2014:

	2014		2013	
	RMB'000	*%*	*RMB'000*	*%*
Retail Business				
Mainland China	**6,248,240**	**42.3**	5,598,929	41.9
Hong Kong	**2,593,388**	**17.6**	3,151,948	23.6
Taiwan	**182,761**	**1.3**	206,454	1.5
Harvest Max	**1,584,415**	**10.7**	1,021,302	7.6
Wholesale Business	**3,726,721**	**25.2**	3,118,244	23.3
Customer Services and Others	**428,845**	**2.9**	278,566	2.1
Total	**14,764,370**	**100**	13,375,443	100

Gross profit and gross profit margin

During 2014, the Group's gross profit showed a 16.0% year-on-year growth and reached approximately RMB4,224,832,000. Gross profit margin stood at around 28.6%, representing an increase of 140 basis points year-on-year. Excluding Harvest Max's contribution, the gross profit margin for the Group's retail business showed a slight decrease, which was mainly due to the more flexibility in discount offerings during the sale of high-end brands amidst intensified market competition and the relative subdued economic environment.

Profit for the year

The Group recorded net profit of RMB583,427,000; an increase of 24.4% year-on-year. Profit attributable to equity shareholders amounted to RMB504,220,000; an increase of 25.9% as compared with the same period last year. This was largely due to our effective business expansion and management refinement plans and other contributions.

Financial status and net debt to equity ratio

The Group maintained a sound and stable financial position.

As at 31 December 2014, the total equity of the Group was RMB6,628,628,000 and net current asset value was RMB6,878,921,000. Bank deposits amounted to RMB1,968,065,000 while bank loans totalled RMB1,486,339,000.

As at 31 December 2014, the aggregate principal amount of HKD-settled convertible bonds due in 2015 issued by the Company on 20 October 2010 was HKD95,000,000. The aggregate principal amount of the USD-settled senior notes ("Senior Notes") due in 2018 was USD350,000,000. Combining the net amount of these convertible bonds and Senior Notes, with bank loans, the Group's total debt amounted to RMB3,738,249,000. The net debt to equity ratio of the Group was approximately 26.7%. Including fixed deposits in banks, the effective net debt to equity ratio was 25.0%. The Directors of the Company believe that the net debt to equity ratio remains within a healthy and manageable range.

The Group adopts prudent treasury policies in financial and cash management, managing bank credit availability and monitoring risks of credit cost centrally in various ways. The Group maintains a good partnership with a number of banks which provide facilities, and reviews the funding liquidity and financing requirements regularly.

Operating cash flow

During the Year under review, based on its prudent and proactive business objective and market-oriented policies, the Group continuously improved the inventory structure and enhanced financial management while continuing developing business so as to ensure a steady and healthy operating cash flow which has laid a sound foundation for further business development.

Foreign exchange risk

The Group's transactions are mainly denominated in RMB, HKD and USD. During the Year under review, the foreign exchange movements of such currencies continued to be managed as cautiously as always. As a result, the Group was not exposed to any significant risks associated with foreign exchange fluctuations.

The Group has been actively monitoring its foreign exchange risk.

Pledge of assets

As at 31 December 2014, the Group had land and buildings of RMB10,282,000 pledged as security for various mortgages.

Contingent liabilities

As at 31 December 2014, the Group did not have any material contingent liabilities.

Current assets

During the Year under review, the Group's current assets amounted to approximately RMB10,309,594,000. Comprising inventories of approximately RMB6,612,693,000, trade and other receivables of approximately RMB1,615,836,000, cash and cash equivalents of approximately RMB1,968,065,000, and deposits with banks valued approximately RMB113,000,000.

Current liabilities

During the year under review, the Group's current liabilities was approximately RMB3,430,673,000, comprising bank loans of approximately RMB991,831,000, trade and other payables of approximately RMB2,240,209,000, and current tax payable of approximately RMB25,960,000, provision of approximately RMB94,668,000 and convertible bonds of approximately RMB78,005,000.

Capital structure

The Company's capital structure is composed of issued share capital, convertible bonds, reserves and accumulated profits. As at 31 December 2014, the issued share capital of the Company was 4,799,130,959 shares, and the principal amount of convertible bonds due in 2015 was HKD95,000,000 (equivalent to approximately RMB78,005,000). Reserves and accumulated profits totalled RMB5,960,084,000.

Material investment, acquisition and disposal

Save as disclosed in the notes to the financial statements, there was no other material acquisition or disposal of subsidiaries and associated companies, nor was there any other significant investment held by the Company during the year under review.

Final dividend

The Company recommends the payment of a final dividend of RMB3.2 cents per share for the financial year ended 31 December 2014 in return for shareholders' support subject to approval by shareholders at the annual general meeting to be held on 15 May 2015. The proposed cash dividend will be paid on or before 8 June 2015 to shareholders whose names appear on the register of members of the Company on 20 May 2015.

II. BUSINESS REVIEW

During the year under review, the Group's business remained primarily focused on the retail business of internationally renowned branded watches, comprehensive customer service, manufacturing of packaging and display products, the distribution of internationally renowned branded watches and e-commerce, etc. in the Greater China Region with a core presence in Mainland China and Hong Kong.

Retail network

Amidst 2014's global economic instability, China gradually set itself a new normality and began fine-tuning its economy from fast-paced to more moderate growth. While adhering to its established prudent growth strategies, the Group adopted an approach of establishing its new normality and "seeking sustainable profits to underpin healthy growth". Two key directions were followed – striving to stabilise existing operations and seeking new profit sources as foundations for sustainable growth of the Group.

On branded watches distribution and sales, the Group continued to follow existing strategies such as respectively focusing on mid-end brands in Mainland China and high-end brands in Hong Kong which mutually reinforces each other; continuing developing mid-end brands while stabilising high-end brands; expanding business network into Mainland China's second, third, and fourth-tier cities while securing market shares in first-tier cities; and establishing a multi-level sales system across Mainland China and Hong Kong. At the same time, the Group continued to intensify management refinement and work closely with brand suppliers. The Group also moved forward with structural adjustment and inventory optimisation aimed at boosting single store output. Such effective measures helped generate solid results. As a result, retail sales increased by 6.3% year-on-year, while retail sales in Mainland China which focuses on mid-end brands grew by 11.6%. Decline in sales of high-end brands recorded a slowdown, while sales of mid-end brands experienced an encouraging growth of 16.1% with same-store sales growth of mid-end brands reaching 2.2%, which is above the Group's average. After optimisation, adjustment and effective expansion, the Group operated a total of 513 retail outlets in the Greater China region of Mainland China, Hong Kong, Macau and Taiwan as at 31 December 2014 and the performance of each individual store also improved steadily.

In continuing to set the pace in the global sale of internationally renowned watches, the Group maintains strong business relationships with many world-renowned watch brand suppliers, including SWATCH Group, LVMH Group, RICHEMONT Group, ROLEX Group and KERING Group, etc. As at 31 December 2014, The Group distributed over 50 international brands from these five major suppliers and other independent watchmakers including Breguet, Bulgari, Cartier, Girard-Perregaux, IWC, Jaeger-LeCoultre, Longines, Mido, Omega, Rolex, Scatola del Tempo, TAG Heuer, Tissot, Vacheron-Constantin, Van Cleef & Arpels and Zenith, etc. During the year, several new brands such as Manufacture Royale, MB&F and Vulcain were introduced. During the year, the Group continued to step up efforts to bring in and align mid-end, mid-to-high end and high-end brands across both Mainland China and Hong Kong to optimize the brand portfolio in order to pave the way for long-term business development and the ongoing enhancement of overall sales performance.

The Group's retail network covers the Greater China Region, where retail stores mainly includes "Prime Time"/"Hengdeli", "Elegant" as well as certain other single-brand boutiques. "Prime Time"/"Hengdeli" mainly sells mid-end and mid-to-high-end international brands, while "Elegant" focuses on top-end internationally renowned brands. After effective expansion, adjustment and integration, as at 31 December 2014, the Group operated a total of 513 retail outlets across Mainland China, Hong Kong, Macau and Taiwan as classified and detailed in the table below:

	As at 31 December 2014				
	Mainland China	Hong Kong	Taiwan	Macau	Total
Prime Time/ Hengdeli	381	7 (Harvest Max)	34	–	422
Elegant	17	5	1	–	23
Brand boutiques	30	17	20	1	68
Total	428	29	55	1	513

Mainland China

The Group has developed a fully-fledged and comprehensive network of retail outlets in Mainland China with a broad core presence by consolidating our share of key markets such as Beijing, Shanghai, Zhejiang, Jiangsu, Henan, Shanxi, Hubei, Northeastern and Southwestern China. We are also a significant market player in Central, Southern, Northwestern and other regions of China.

"Prime Time" is the major retail outlet arm of the Group in Mainland China and mainly sells internationally renowned mid-end and mid-to-high-end branded watches. This chain's positioning is designed to cater for the actual demand of Mainland consumers and complement the Group's high-end watch business strategy in Hong Kong. As at 31 December 2014, the Group operated 428 retail outlets in Mainland China, 381 of which were "Prime Time" shops. The Group's "Elegant" shops mainly sell high-end watches and have a relatively small coverage in Mainland markets. Most of the Group's 17 existing "Elegant" shops in Mainland China are located in more mature first-tier cities such as Shanghai, Beijing, Hangzhou, Nanjing, Shenyang and Chengdu and are predominantly brand image shops. The "Elegant" brand opened no new shops during the year.

During the year under review, the Group's operational strategy in Mainland China focused mainly on keeping pace with market adjustments. The top priority here remains the ongoing intensification of management refinement so as to enhance the performance of individual outlets and also the effective expansion of the Group's existing sales network. As current market dynamics dictate that the growth in demand for mid-end brands remains higher than that for their high-end counterparts, the Group continued to concentrate on re-positioning and adjusting its mid-end outlets. Our over-riding intention here is to steadily expand our mid-end watches retail network by widening our activities in Mainland China. To further increase market share, new outlets have already been set up in the regions with the highest sales records. Specific examples include store openings in third, fourth and even fifth-tier cities with the highest potential as well as emerging areas in second and third-tier cities. In attempting to solidify and improve single store output, the Group has also combined standardised and refined management so as to further improve overall business processes and ultimately boost efficiency. In responding to changing market conditions, we have also carried out a timely and reasonable adjustment of our brand portfolio. We have also optimised our inventory structure, enhanced the sales skills of our frontline staff and improved customer relationship management capabilities at various outlets.

Our ambitious management refinement and effective expansion strategies have already succeeded in achieving encouraging results. Following necessary adjustment, the year under review saw our "Prime Time" retail chain become one of the biggest contributors to the Group's net increase in sales across all outlets. Retail sales in Mainland China recorded a year-on-year growth of 11.6%. While the decline in sales of high-end watches experienced a slowdown, revenues from mid-end watches grew steadily, achieving a year-on-year increase of 16.1%. These results stabilised and reinforced our market shares in and leadership of different key regions across Mainland China. As such, they are paving the way for sales sustainability in both the medium- and long-term.

The several main key drivers of our business in Mainland China continue to include accelerating urbanisation and the public's stronger spending power on better quality of goods and services. The rapid expansion of Mainland China's second, third and fourth-tier cities and the ingoing rise of the country's new middle class are other factors that are helping to lay a sound foundation for mid-end brands' sustained growth. As a result, a sales strategy of continuing to target mid-end and mid-to-high-end internationally renowned branded watches will remain the Group's Mainland China focus for both the short- and medium-terms.

Hong Kong and Macau

The Group's retail business in Hong Kong mainly focuses on high-end brands. As at 31 December 2014, we operated 22 retail outlets in the Territory under the "Elegant" brand name. Around 5 of these shops sold high-end watches, while 17 were single-brand boutiques or image stores. Currently, outlets operated by the Group in Hong Kong are mainly located in prime districts such as Tsim Sha Tsui, Central, Causeway Bay and Shatin.

High-end brands we currently market in retail outlets across Hong Kong include Blancpain, Breguet, Cartier, Chopard, Dewitt, Franck Muller, Girard-Perregaux, IWC, Jaeger-LeCoultre, Omega, Panerai, Piaget, Vacheron-Constantin and Zenith. We also offer consumers products from leading independent watchmakers such as Christophe Claret, Heuge and Scatola del Tempo, etc. During the year under review, several new brands including Manufacture Royale, MB&F and Vulcain were introduced. Such high-end additions to our product portfolio continue to fully complement and create tremendous synergies with our retail business in Mainland China and Taiwan. In order to better adapt to ongoing changes in the mix of mainland visitors, we started to deploy multi-layer sales models and brand positioning in Hong Kong. To this end, we introduced several mid-end brands targeting at satisfying the market's growing demand of a more diversified customer group. In doing so, we are continuing to expand and consolidate our market share and maintain our leading status in Hong Kong.

Facing tough macro-economic constraints beyond our control, Hong Kong's retail market remained sluggish. Subdued consumer demand for high-end brands indicated that recovery was yet to be felt in this retail sector. Amidst the various market volatility during the year under review, the "Elegant" brand's Hong Kong retail sales decreased by approximately 17.7%. Excluding the impact of foreign exchange gains and losses, the effective decrease was 16.6%. The decline in the second half of the year was more noticeable. On a more positive note, the said sales volatility was far smaller than the industry average. This was largely attributable to our extensive, solid and loyal Hong Kong client base, our favourable partnership with brand suppliers and the beneficial interaction between our retail outlets in Mainland China and Hong Kong. The more comprehensive after-sale service network of our Greater China Region also helped guarantee exceptional after-sales care and attention for Mainland China tourists shopping in Hong Kong.

During the year under review, "Elegant" opened a new Montblanc boutique at Causeway Bay's World Trade Centre in Hong Kong. The new outlet is now complementing our already well-established multi-brand shop and single-brand boutiques in Times Square and so helping to consolidate and expand our market share in this world famous shopping hub. To further enhance sales and upgrade its overall image, "Elegant" also adjusted the brand mix in its multi-brand shop at Shatin's New Town Plaza by introducing Panerai and Cartier during the year.

During the year under review, the operations of "Elegant" teams in Hong Kong focused on management refinement. In addition to strengthening staff training at different levels, their specific activities included enhancing employees' specialist knowledge of watches and frontline service standards. As always, the over-arching aim here was to further improve service quality and add to customer satisfaction. The brand also did everything possible to secure and expand market share by upgrading its management model and building up a talent pool capable of supporting a world-class professional sales force. In moving forward, "Elegant" will continue to strengthen customer loyalty by beefing up its marketing campaigns and so further uplifting its products' international visibility. During the year under review, the Group committed resources and began collaborating more closely with a broader portfolio of international brands via advertising, VIP events and other promotional activities. Through the brand's own official website and top social networking platforms such as Facebook, Weibo and WeChat, the Group publicised brand developments, market movements and company updates so as to establish and maintain sound interaction with consumers and "Elegant" loyalists.

Currently, Hong Kong's high-end consumer goods sector continued to follow a correction trajectory. Capitalising on its strengths in synergy with the Mainland China market, brand equity and network coverage, "Elegant" will carry on capitalising on market dynamics in an attempt to consolidate and capture more market share during a period of major economic adversity. In doing so, the brand will strive to maximise its profit upside and once again cement the Group's pre-eminence in the Territory's watch retail market.

In adapting to changes in the mix of mainland visitors to Hong Kong, the Group also started to deploy multi-layer sales models and brand positioning. These market expansion initiatives succeeded in achieving measurable results by introducing various mid-end brands and centralised marketing to visitors in the Territory.

During the year under review, the Group's business in Macau was still poised. In recent years, watch and jewellery retail sales in Macau accounted for a significant weight of, and a sizeable increase in, Macau's total retail sales. Coupled with rational industrial diversification and Macau's growing economic importance, the Group's Hong Kong and Macau businesses are sure to achieve synergy and further consolidate the Group's regionwide leadership.

Taiwan

Our Taiwanese retail business adheres to a similar sales strategy as that now harnessed in Mainland China and focuses on the sale of mid-end and mid-to-high-end watches. Our operations here are currently in the process of network building and nurturing initiative. As at 31 December 2014, the Group operated a total of 55 retail outlets in Taiwan. These outlets were mainly located in prime districts of major cities such as Taipei, Taichung, Kaohsiung, Hsinchu and Chiayi. With the exception of one "Elegant" shop which sells top-end watches and various single-brand boutiques, all other retail outlets are "Hengdeli" shops. Each store operated under this brand name markets mid-end and mid-to-high-end watch brands such as Certina, Hamilton, Longines, Rado, TAG Heuer and Tissot, etc.

During the year under review, sales revenues in Taiwan remained roughly the same as those achieved during the previous year. Currently, our target consumers in Taiwan are mainly local customers. In the context of globalisation and regional economic integration, Taiwan's economy remains on course yet to start exploring transformation possibilities. As cross-strait business relations and economic ties between Mainland China, Taiwan and Hong Kong strengthen, Taiwan is sure to open up more markets and welcome more visitors from Mainland China.

E-commerce

Currently still in its initial ramp-up stages, our e-commerce platform mainly focuses on single-brand flagship stores which have been franchised by brand owners. During the year under review, our existing single-brand stores performed well in both page views and transaction volume. The independent e-commerce portal for "Prime Time" is now being tested and fine-tuned and an online-to-offline interactive sales platform will shortly be launched. Upon its full commissioning, the new platform will enable us to establish interactive operations incorporating two-way traffic diversions, online customer services, a 3D experience and cultural communications. Coupled with popular social networking platforms such as Weibo and WeChat, we are confident the new platform will make positive contributions to our long-term growth.

The Group continues to attach great importance to its e-commerce platform which is regarded as a pivotal future bridge via which to reach out to customers. Franchised by brand suppliers, such sound interaction between online and offline single-brand and multi-brand stores can also be expected to contribute to ourselves and our brand partners' mutual benefit. Designed to seamlessly combine speedy access to information from internationally renowned branded watches and the privileged shopping experience customers desire, the new platform will help instil a cosmopolitan global culture in which branded watches become integral to consumers' daily lives. In other words, in addition to its positioning as a trading portal for world famous branded watches, our e-commerce platform will form an integral part of an effective information channel. As such, it will help connect customers to brands, also serving as a carrier for communications regarding the culture of watches.

Customer service and maintenance

High quality after-sales service remains a cornerstone of the Group's continued success. In addition to being mirrored at store level and in customer management systems, our highest assurance for our consumers and brand suppliers embraces advanced technology, joint warranty across our customer service network, considerate services and efficient follow-up. Coupled with continual training of our technical personnel by brand suppliers, our proven human resources policy of recruiting talents worldwide continues to maintain our position at the forefront of maintenance expertise internationally. Comprehensive joint warranties covering the Greater China region including Mainland China, Hong Kong, Macau and Taiwan, as well as an interactive customer service network consisting of "repair and maintenance service centres", "repair service stations" and "repair service points", ensure the delivery of consistently excellent all-round, one-stop services for customers. Our handy 4008 service hotline also acts as a centralised service channel, offering callers timely advice and further enhancing customers' confidence in ourselves and our brands.

During the year under review, we launched a "Hengdeli customer service account" with WeChat. The new facility ensures up-to-the-minute online customer services and promotional activities that are perfectly aligned with our existing offline customer services.

During the year under review, we also established a customer care and maintenance centre in Chengdu, our first such facility in Southwestern China. The centre is now providing greater convenience for consumers in Southwestern China and so further underlining their confidence in patronising our products.

The year under review also saw us launch a Hengdeli Group customer care and maintenance centre in Hong Kong, the Group's first such facility outside Mainland China and sixth customer care centre overall. In addition to providing greater convenience to Hong Kong customers, the centre is also further expanding the scope of our customer service and warranty support across the Greater China region and so once again adding to consumer confidence.

Given that watch suppliers are increasingly seeking integration, diversity and comprehensiveness of global services for their brands. Leveraging our operations' tried and tested sound service and expertise, we continue to build on our strong links to such brand suppliers. To this end, we have entered into an exclusive watch maintenance agent agreement covering brands such as Girard-Perregaux, Bottega Veneta, Zegna and JeanRichard, etc, with the KERING Group during the year under review. We are also consolidating our partnerships in the area of comprehensive customer services arrangements with SWATCH Group brands such as Tissot, Mido and Certina, etc. As at 31 December 2014, we served as an official maintenance agent for 68 international brands. Some 45 of these brand partners have appointed us as their exclusive maintenance agent.

High-calibre maintenance technicians have long been the foundation via which we have guaranteed our customers after-sales services to truly world-class standard. As a result of our close cooperation with the LVMH and KERING groups, the year under review saw us dispatch several maintenance technicians to achieve remarkable results on various overseas training courses. We also continued to maintain good partnerships with brand suppliers in Switzerland as well as respected watch maintenance technical schools in foreign countries such as Sweden and Japan. In doing so, we have done everything possible to enhance our technical staff's skill sets and also support our growing network of retail outlets in Mainland China's second, third and fourth-tier cities. Our scale of maintenance technical training courses was further expanded when various overseas senior technicians were given full responsibility for course planning and teaching. The ultimate aim here remains the provision of top-notch training for frontline maintenance technicians in a timely and phased manner.

During the year, Group technicians Li Zansong and Bu Jianmin, were promoted to "Chief Technician" level by the People's Governments of Beijing and Shanghai.

The year also saw the improvement of customer service consultations at strategic level, with tasks being accelerated towards the achieving of already established objectives. We believe that our adopting of a dual-pronged approach targeting services and profits will mark the start of a new chapter in the Group's customer services capabilities. As always, our key commitment continues to be paving the way for sustained long-term development.

Packaging and display products

The Group sees the packaging and display segment as one of its most lucrative long-term potential profit generators. During the year under review, we consolidated the operations of our industrial business segment under our established strategy. In doing so, we continued to strive to attract and retain talents through measures such as enhanced working conditions, labour intensity and employee benefits. In delivering on our promise to boost productivity, we optimised our mix of labour resources, increased our investment in mechanisation and automation and further strengthened product research and development. A new matrix of channels designed to source orders was also implemented. In striving to transform our strategic goals in this segment into realities, we developed a three-year plan aimed at achieving moderate to high double-digit composite growth in profit for the next three years via expansion and enhanced research and development.

Our packaging and display activities remain vital ancillaries for the Group's watch sales. We believe that, backed by our new strategy and vast groupwide resources, our outstanding branch and subsidiary teams and proven management and technological expertise, we will succeed in transforming packaging and display into an integral part of our watch business. In doing so, we will create yet another stable profit source to secure our long-term growth.

Brand distribution

In the area of brand distribution, the Group has always worked hard to explore the market by achieving functional division and cooperation with brand suppliers and retailers. As part of this process, we leverage our and our partners' strengths and attempt to coordinate the development of a truly integrated sale and supply chain. During the year under review, we continued to work closely with our brand supply partners in responding to changing market dynamics by streamlining and improving our inventory mix as well as optimising upstream and downstream links along the supply chain. As always, our main aim remained the bringing about of healthier and more sustainable development. Based on jointly conducted research, a number of incentive policies and sales programs were closely aligned with market needs and regional characteristics. These developments empowered our retailers with more comprehensive and thoughtful services with which to stimulate their frontline staff's enthusiasm when serving customers.

The Group has maintained good and well-coordinated partnerships with key brand suppliers and retailers. Backed by our partners' unwavering support, our operations have been able to achieve truly harmonious and mutually beneficial development. The year under review also saw both sales and gross profit from brand distribution post encouraging steady improvement.

The Group has approximately 400 wholesale partners in over 100 cities across China. Each wholesaler helps us to distribute or exclusively represent world-renowned watch brands such as TAG Heuer, Zenith and Bulgari of the LVMH Group, plus Hamilton, Certina, Balmain, Tissot, Mido and CK of the SWATCH Group.

III. HUMAN RESOURCES AND TRAINING

Committed to the belief that people will always be a successful business's most precious assets, the Group strives to practise an entrepreneurial spirit of "mutual respect, shouldering responsibility, close collaboration and ongoing innovations". As our business moves forward, we will continue to utilise this philosophy as the cornerstone of both our corporate management and corporate social responsibility (CSR) policies.

As at 31 December 2014, the Group employed 9,713 employees in Mainland China, Hong Kong, Macau and Taiwan. We have always been determined to continually develop and add value to our resources in the area of human capital. For this reason, we implement a standardised recruitment system and allocate resources to various training initiatives for our managers, frontline service staff and maintenance technicians. The resultant skills enhancement workshops cover topics such as the art of management, sales skills, brand knowledge and service awareness. Our primary objective in running them is to enhance our people's knowledge, marketing know-how and service capabilities. We also work closely with our brand suppliers and provide regular training for frontline service staff and maintenance technicians spanning key disciplines such as brand knowledge and maintenance expertise.

The Group offers its workforce a competitive remuneration package enriched with various attractive incentives and regularly reviews its rewards structure mechanisms so as to better reflect future corporate development needs. Over the years, we have granted share options to management staff and associates in recognition of their contributions to our success and in order to motivate them to achieve still higher levels of excellence in the future. We also offer various competitive welfare schemes such as pension and MPF plans, insurance, housing and meal allowances to our general staff.

Such a solid rewards system has ensured we have been able to create a high level of harmony between employees of different nationalities and cultural backgrounds under one shared vision. Outstanding staff members have also been recognised with the "Capital Labour Medal" and the "May 1st Labour Medal" for their efforts. We remain justifiably proud of our track record in recruiting and retaining talented senior sales persons and repair technicians. During the year, two Group technicians in Beijing and Shanghai were promoted to "Chief Technician" level.

IV. OUTLOOK

Looking forward to 2015, China's economy looks likely to continue to evolve despite ongoing global economic uncertainties. We believe that the resultant new normality will continue to create exciting fresh opportunities for the Group. As a result, our future development looks likely to benefit from more diversified growth drivers and a more visible macro outlook due to the increased stability of China's business environment and further releasing of market catalysts. Combined with our well established core competitive advantages, such a set of circumstances ensures we remain cautiously optimistic about our future prospects.

The coming year will also see us continue to stabilise our existing growth of inventory in a more down-to-earth yet innovative manner. At the same time, we will actively foster new profit sources and continue to adhere to our proven approach of "stabilisation + expansion". Continued "stabilisation" will require us to maintain the smooth and efficient running of our existing businesses, while "expansion" will necessitate the bolstering of structural adjustments and the implementation of improvements aimed at upgrading our strategic deployment. These two pursuits will together create a complementary unified whole that will help take our business to the next level. In the coming year, we foresee mid-end brands will continue to provide us with the key for successful expansion into the second, third and fourth-tier cities in Mainland China with the most lucrative potential. In moving forward, we will also seek to cement progress within stability by further refining our management and inventory mix and upgrading the quality of our retail outlets and the image of our retail brands. We will also continue to leverage tried and tested advantages under new strategies so as to address evolving market circumstances. To this end, we will accelerate the pace of development across our industrial segment, customer services and e-commerce. The down-to-earth and innovative manner we adopt in doing so is sure to prove invaluable in our quest for the sustainable profits needed to underpin healthy growth and create greater value for both our shareholders and society as a whole.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 13 May 2015 to Friday, 15 May 2015 (both days inclusive) to confirm the members on the register of members who are eligible to attend and vote at the annual general meeting. In order to establish entitlements to attending and voting at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 12 May 2015.

The register of members will be closed on Thursday, 21 May 2015 to Friday, 22 May 2015 to confirm the members on the register of members who are entitled to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 20 May 2015.

PURCHASE, SALE OR REPURCHASE OF SECURITIES

During the year under review, the Company repurchased 3,776,000 listed shares on The Stock Exchange of Hong Kong Limited by way of acquisition from the market. The total consideration paid was HKD6,182,000. Upon the completion of the settlement of such repurchase, the Company has cancelled all repurchased shares.

Saved as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during 2014.

As at 31 December 2014, the issued share capital of the Company was 4,799,130,959 shares. The Company held nominal value HKD95,000,000 2.5% convertible bonds due 2015, which were listed on the Singapore Exchange Securities Trading Limited on 22 October 2010, and USD-settled USD350 million 6.25% senior notes due 2018, which were listed on The Stock Exchange of Hong Kong Limited on 30 January 2013.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Listing Rules. The audit committee comprises three independent non-executive Directors, namely, Messrs. Cai Jianmin (Chairman), Wong Kam Fai, William and Liu Xueling, with the primary duties of reviewing the accounting principles and practices adopted by the Company as well as material extraordinary items, internal controls and financial reporting matters, which included a review on the audited annual results for the year ended 31 December 2013 and 2014 interim report. The Company has adopted and implemented the terms of reference of the audit committee.

During the year, two meetings were held on 25 March 2014 and 19 August 2014 to review the annual and interim financial reports of the Group respectively. All members of the committee namely, Messrs. Cai Jianmin, Wong Kam Fai, William and Liu Xueling, attended the meetings.

REMUNERATION COMMITTEE

The Company has established a remuneration committee in compliance with the Listing Rules. During the year under review, the remuneration committee comprises three Directors including Messrs. Liu Xueling (Chairman) and Cai Jianmin, both of whom are independent non-executive Directors, and Mr. Zhang Yuping, the Chairman and an executive Director of the Group. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management.

One meeting was held during the year to review matters related to the remuneration structure of the Directors and senior management of the Company. All members, namely Messrs. Liu Xueling, Cai Jianmin and Zhang Yuping, attended the meeting.

The Company has adopted and implemented the new terms of reference of the remuneration committee. According to the terms of reference of the remuneration committee, the remuneration committee acts as a consultant regarding the remuneration matters of the Directors and senior management of the Company, while the Board retains the ultimate power to approve the remuneration of the Directors and senior management.

NOMINATION COMMITTEE

The Company has established a nomination committee in compliance with the Listing Rules. During the year under review, the nomination committee comprises Mr. Zhang Yuping (Chairman), the Chairman and an executive Director of the Group, and independent non-executive Directors Messrs. Cai Jianmin and Liu Xueling. The Company has adopted and implemented the new terms of reference of the nomination committee. The nomination committee is mainly responsible for making recommendations to the Board on the appointment of Directors and succession planning for the Board.

One meeting was held during the year to review matters related to the structure, size and composition of the Board of the Company, retirement by rotation and re-election of Directors, formulate board diversity policy and related measurable objectives, and review procedures for achieving such objectives. All members, namely Messrs. Zhang Yuping, Cai Jianmin and Liu Xueling, attended the meeting.

CORPORATE GOVERNANCE

Since its establishment, the Company has been committed to maintaining a high standard of corporate governance practice to ensure transparency of the Group's management, so that the interests of our shareholders, customers, employees as well as the long term development of the Group can be safeguarded. The Group has established the Board, an audit committee, a remuneration committee and a nomination committee that are up to the requirements as being diligent, accountable and professional. KPMG has been appointed as the Group's external auditors.

Compliance with the Corporate Governance Code

The Company has adopted the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Directors are of the opinion that the Company complied with the Corporate Governance Code except for a deviation from provision A.2.1 during the period under review. Given the existing corporate structure, the roles of the chairman and chief executive officer have not been separated, and both are performed by Mr. Zhang Yuping. Although the roles and duties of the chairman and chief executive officer have been performed by the same individual, all major decisions would only be made (where applicable) after consultation with the Board. There are three independent non-executive Directors in the Board. All of them possess adequate independence and therefore the Board considers that the Company has achieved balance of power and provided sufficient assurance for scientific decision-making.

Composition of the Board

To maintain a high level of independence and objectivity in decision making, and to exercise its power of supervising the management of the Group in a comprehensive and equitable manner, the Board comprises three executive Directors (Messrs. Zhang Yuping (Chairman of the Group), Huang Yonghua and Mr. Lee Shu Chung, Stan), one non-executive Director (Mr. Shi Zhongyang) and three independent non-executive Directors (Messrs. Cai Jianmin, Wong Kam Fai, William and Liu Xueling).

To ensure the Board operates in an independent and accountable manner, the three executive Directors have been assigned with different responsibilities within our operation. Mr. Zhang Yuping, the Chairman, is in charge of the Group's overall management and strategic development, while Mr. Lee Shu Chung, Stan is in charge of the overall business operation of the Group, and Mr. Huang Yonghua is responsible for coordination and supervision.

Each of the three independent non-executive Directors has professional expertise and extensive experience in the areas of accounting, economics, law, computing control and management, and business administration respectively. We believe the independent non-executive Directors can adequately act for the benefits of our shareholders. Their respective terms of office are as follows:

Cai Jianmin: 26/9/2014-25/9/2017;
Wong Kam Fai, William: 26/9/2014-25/9/2017;
Liu Xueling: 1/6/2013-31/5/2016.

One non-executive Director has professional expertise and extensive experience in the areas of law and business administration; he can offer supervision to the daily operation, and provide corresponding opinions and recommendations in a timely manner, which is beneficial to the standardised operation of the Company and the safeguarding of the interests of our shareholders. His term of office is as follows:

Shi Zhongyang:15/2/2015-14/2/2018.

Duties of the Board

The Board of the Company is responsible to the general meetings and performs the following major duties: report duties to the general meetings; execute the resolutions of the general meetings; determine investment solutions and profit distribution solutions of the Company; formulate solutions as to increase or decrease of the registered capital of the Company, draft solutions in respect of the split-up, consolidation, alteration and dissolution of the Company, appoint, dismiss and determine the remunerations of the general manager of the Company.

In respect of the corporate governance functions, during the year under review, the Board formulated the terms of reference on the corporate governance duties and performed corporate governance duties in accordance with the terms of reference. To be specific, the Board mainly performed the following corporate governance duties during the year under review:

- To review the Company's policies and practices on corporate governance;

- To review and monitor the training and continuous professional development of directors and senior management;

- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

- To review and monitor the code of conduct applicable to directors and employees;

- To review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

Members of the Board are provided with appropriate and sufficient information in a timely manner for their understanding of the latest developments of the Group, which in turn supports the discharge of their duties.

The management of the Company is responsible to the Board and performs the following major duties: report duties to the Board; execute the resolutions of the Board; and complete all the tasks assigned by the Board.

Internal Control

In order to ensure the interests of our shareholders, the Group established departments dedicated to the supervision of finance and business operation. Such departments conduct audits and examination of all aspects and at all departments on a regular and on an ad hoc basis, so as to enhance internal control and ensure the sound development of the enterprise. The Board has reviewed the effectiveness of our internal control system and completed its annual review on this system. Based on the reviews made by independent review organisations of the internal control system of the Group, the Group will continue to improve the internal administration and control systems of the Company.

ATTENDANCE OF THE DIRECTORS AT THE MEETINGS

In 2014, a total of eight meetings were held by the Board. Further, an annual general meeting was held. The attendance of the Directors at the meetings was as follows:

Name	Frequency of attendance at the Board meetings	Rate of Attendance	Remarks	Frequency of attendance at the general meeting	Rate of Attendance	Remarks
Zhang Yuping	8	100%		1	100%	
Huang Yonghua	8	100%		1	100%	
Lee Shu Chung, Stan	8	100%		1	100%	
Cai Jianmin	8	100%		1	100%	
Wong Kam Fai, William	8	100%		0	0	Absent with Leave
Liu Xueling	7	87.5%	Entrusted Mr Cai Jianmin for 1 time	1	100%	
Shi Zhongyang	8	100%		1	100%	

Members of the Board will be provided with appropriate and sufficient information in a timely manner for their understanding in the latest developments of the Group, which in turn supports the discharge of their duties.

The Board has received confirmation from all independent Directors regarding their independence made in accordance with Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange. The Board considers that all current independent Directors have met the requirements of the guidelines set out in Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange and remain independent.

The Board of the Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange as the Company's own code for securities transactions by its Directors. Following specific enquiry made by the Company with all Directors, the Company has confirmed that during the Year under review, all Directors of the Company had complied with the standard as required by the code mentioned above.

By Order of the Board
Zhang Yuping
Chairman

Hong Kong, 17 March 2015

As at the date hereof, the Executive Directors of the Company are Mr. Zhang Yuping (chairman), Mr. Huang Yonghua and Mr. Lee Shu Chung Stan, the Independent Non-executive Directors are Mr. Cai Jianmin, Mr. Wong Kam Fai William and Mr. Liu Xueling, the Non-executive Director is Mr. Shi Zhongyang.