Hengdeli Holdings Limited
亨 得 利 控 股 有 限 公 司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 3389)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2015	2014	Change
	RMB'000	*RMB'000*	*(%)*
Turnover	**13,302,724**	14,764,370	-9.9
Gross profit margin	**29.3%**	28.6%	+70 bps
Profit for the year	**190,164**	583,427	-67.4
Profit attributable to equity shareholders	**144,868**	504,220	-71.3

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 2015 (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 2015

(Expressed in Renminbi)

	Note	**2015**	2014
		RMB'000	*RMB'000*
Revenue	*3*	**13,302,724**	14,764,370
Cost of sales		**(9,402,177)**	(10,539,538)
Gross profit		**3,900,547**	4,224,832
Other revenue	*4*	**101,551**	95,473
Other net (loss)/income	*4*	**(141,954)**	31,531
Distribution costs		**(2,963,904)**	(2,926,425)
Administrative expenses		**(329,464)**	(394,583)
Other operating (expenses)/income		**(13,970)**	2,416
Profit from operations		**552,806**	1,033,244
Finance costs	*5(a)*	**(205,765)**	(225,834)
Share of losses of associates		**–**	(1,521)
Share of profits of joint ventures		**411**	1,388
Profit before taxation	*5*	**347,452**	807,277
Income tax	*6(a)*	**(157,288)**	(223,850)
Profit for the year		**190,164**	583,427
Attributable to:			
Equity shareholders of the Company		**144,868**	504,220
Non-controlling interests		**45,296**	79,207
Profit for the year		**190,164**	583,427
Earnings per share			
Basic	*8(a)*	**RMB0.030**	RMB0.105
Diluted	*8(b)*	**RMB0.030**	RMB0.105

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Profit for the year		**190,164**	583,427
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale securities: net movement in the fair value reserve		**(1,215)**	1,215
Exchange differences on translation of overseas companies' financial statements		**(10,472)**	5,720
Total comprehensive income for the year		**178,477**	590,362
Attributable to:			
Equity shareholders of the Company		**133,181**	511,155
Non-controlling interests		**45,296**	79,207
Total comprehensive income for the year		**178,477**	590,362

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

(Expressed in Renminbi)

		31 December 2015		31 December 2014	
	Note	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*
Non-current assets					
Investment properties			**39,298**		41,286
Other property, plant and equipment			**1,465,261**		1,404,669
			1,504,559		1,445,955
Intangible assets			**79,756**		86,601
Goodwill	*10*		**770,222**		802,521
Interest in joint ventures			**58,200**		55,423
Other investments			**63,487**		71,862
Deferred tax assets			**106,638**		72,167
			2,582,862		2,534,529
Current assets					
Inventories	*11*	**6,376,350**		6,612,693	
Trade and other receivables	*13*	**1,329,175**		1,615,836	
Deposits with banks		**–**		113,000	
Cash and cash equivalents	*12*	**1,910,351**		1,968,065	
		9,615,876		10,309,594	
Current liabilities					
Trade and other payables	*14*	**1,962,269**		2,240,209	
Bank loans	*15*	**704,374**		991,831	
Current taxation		**20,778**		25,960	
Provisions		**–**		94,668	
Convertible bonds		**–**		78,005	
		2,687,421		3,430,673	
Net current assets			**6,928,455**		6,878,921
Total assets less current liabilities			**9,511,317**		9,413,450

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 December 2015
(Expressed in Renminbi)

		31 December 2015		31 December 2014	
	Note	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*
Non-current liabilities					
Bank loans	*15*	**552,468**		494,508	
Long-term payables		**24,351**		–	
Senior notes	*16*	**2,288,436**		2,173,905	
Deferred tax liabilities		**105,705**		116,409	
			2,970,960		2,784,822
NET ASSETS			**6,540,357**		6,628,628
CAPITAL AND RESERVES					
Share capital	*7(b)*		**22,841**		22,920
Reserves			**5,907,946**		5,960,084
Total equity attributable to equity shareholders of the Company			**5,930,787**		5,983,004
Non-controlling interests			**609,570**		645,624
TOTAL EQUITY			**6,540,357**		6,628,628

Notes:

1. **BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The consolidated financial statements for the year ended 31 December 2015 comprise the Group and the Group's interest in 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 as explained in the accounting policies set out below:

– financial instruments 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 that are first effective for the current accounting period of the Group and the Company.

- Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions

- Annual Improvements to HKFRSs 2010-2012 Cycle

- Annual Improvements to HKFRSs 2011-2013 Cycle

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. **REVENUE**

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 (LOSS)/INCOME

Other revenue	**2015** ***RMB'000***	2014 *RMB'000*
Interest income	**16,023**	16,071
Dividend income from unlisted investments	**25,443**	33,494
Government grants	**30,644**	18,432
Rental income	**8,458**	7,050
Others	**20,983**	20,426
	101,551	95,473

Other net (loss)/income	**2015** ***RMB'000***	2014 *RMB'000*
Impairment loss on interest in an associate	**–**	(34,293)
Impairment loss on available-for-sale securities	**(63,284)**	–
Impairment of goodwill *(note 10)*	**(44,956)**	(38,000)
Loss on disposal of subsidiaries	**(1,042)**	–
Net foreign exchange loss	**(33,718)**	(10,152)
Net gain on disposal of fixed assets	**213**	113,976
Net gain on repurchase of senior notes	**833**	–
	(141,954)	31,531

Given there has been a significant decline in the fair value of the available-for-sale securities below cost, an objective evidence of impairment had been identified at the end of year 2015, and therefore the cumulative loss of RMB63,284,000 has been recognised in profit or loss for the year.

5. PROFIT BEFORE TAXATION

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

(a) Finance costs

	2015 ***RMB'000***	2014 *RMB'000*
Interest on bank loans wholly repayable within five years	**41,004**	68,404
Interest on loans over five years	**118**	68
Interest on convertible bonds	**2,960**	3,507
Interest on senior notes *(note 16)*	**145,246**	140,446
Bank charges	**16,437**	13,409
Finance costs	**205,765**	225,834

(b) Staff costs

	2015 *RMB'000*	2014 *RMB'000*
Contributions to defined contribution retirement plans	**104,088**	96,035
Equity-settled share-based payment expenses	**–**	(615)
Salaries, wages and other benefits	**700,400**	765,801
	804,488	861,221

(c) Other items

	2015 *RMB'000*	2014 *RMB'000*
Amortisation of intangible assets	**11,829**	10,920
Depreciation of fixed assets	**157,523**	149,100
Impairment losses		
– trade and other receivables	**15,095**	(2,428)
– interest in associates	**–**	34,293
– available-for-sale securities	**63,284**	–
– goodwill *(Note 10)*	**44,956**	38,000
	123,335	69,865
Net foreign exchange loss	**(33,718)**	(10,152)
Operating lease charges in respect of properties		
– minimum lease payments	**301,250**	287,374
– contingent rents	**461,623**	522,915
	762,873	810,289
Auditors' remuneration	**3,980**	4,390
Rental income from investment properties	**4,245**	4,620
Cost of inventories	**9,402,177**	10,539,538

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

(a) Taxation in the consolidated income statement represents:

	2015	2014
	RMB'000	*RMB'000*
Current tax		
Provision for Hong Kong profits tax for the year	**30,816**	54,514
Provision for Mainland China income tax for the year	**148,575**	177,892
Provision for Taiwan and Macau income tax for the year	**250**	3,311
Under-provision in respect of prior years	**2,027**	3,125
Sub-total	**181,668**	238,842
Deferred tax		
Origination and reversal of temporary differences	**(24,380)**	(14,992)
Sub-total	**(24,380)**	(14,992)
Total	**157,288**	223,850

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 2015 is calculated at 16.5% (2014: 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 2015 (2014: 25%).

The provision for Taiwan income tax for 2015 is calculated at 17% (2014: 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 2015 (2014: 12%).

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

	2015	2014
	RMB'000	*RMB'000*
Profit before taxation	**347,452**	807,277
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**141,232**	217,848
Tax effect of non-taxable income	**(6,361)**	(9,705)
Tax effect of non-deductible expenses	**3,466**	4,885
Under-provision in respect of prior years	**2,027**	3,125
Tax effect of tax losses not recognised	**16,924**	7,697
Actual tax expense	**157,288**	223,850

7. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	2015	2014
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting date of RMB Nil per ordinary share (2014: RMB0.032 per ordinary share)	**–**	153,100

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

	2015	2014
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year of RMB0.032 per share (2014: RMB0.025 per share)	**153,100**	119,978

(b) Share capital

(i) Authorised and issued share capital

	2015		2014	
	Number of shares	***Amount HKD***	*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

	2015		2014	
	Number of shares	***Amount HKD***	*Number of shares*	*Amount HKD*
Issued and fully paid:				
At 1 January	**4,799,130,959**	**23,995,654**	4,802,906,959	24,014,534
Share repurchase	**(19,320,000)**	**(96,600)**	(3,776,000)	(18,880)
At 31 December	**4,779,810,959**	**23,899,054**	4,799,130,959	23,995,654
		equivalent *RMB'000*		equivalent *RMB'000*
		22,841		22,920

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 2015, a total of 19,320,000 shares were repurchased on the Stock Exchange at an aggregate consideration of HKD27,801,000 (RMB equivalent: 22,611,000) which includes related transaction costs of HKD112,000 (RMB equivalent: 91,000).

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 RMB79,000 was transferred from the share premium to the capital redemption reserve. The premium paid on the repurchase of shares equivalent to RMB22,532,000 was charged against the share premium.

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

Exercise period	Exercise Price	2015 Number	2014 Number
30 September 2014 to 29 September 2016	HKD2.66	**385,000**	385,000

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 RMB144,868,000 (2014: RMB504,220,000) and the weighted average of 4,779,400,342 ordinary shares (2014: 4,799,648,231 ordinary shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2015	2014
Issued ordinary shares at 1 January	**4,799,130,959**	4,802,906,959
Effect of shares repurchased *(note 7(b)(ii))*	**(16,676,373)**	(3,258,728)
Effect of shares purchased under share award scheme	**(3,054,244)**	–
Weighted average number of ordinary shares at 31 December	**4,779,400,342**	4,799,648,231

(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 RMB144,868,000 (2014: RMB504,220,000) and the weighted average number of ordinary shares outstanding of 4,779,400,342 shares (2014: 4,799,648,231 shares).

The calculation of diluted earnings per share amount for the year ended 31 December 2015 and 2014 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 as it has 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 ("Harvest Max") for jewellery and watches 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	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	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	**5,786,672**	6,248,240	**1,898,540**	2,593,388	**178,279**	182,761	**1,509,863**	1,584,415	**3,389,379**	3,726,721	**539,991**	428,845	**13,302,724**	14,764,370
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**–**	–	**3,826,708**	3,558,352	**32,398**	–	**3,859,106**	3,558,352
Reportable segment revenue	**5,786,672**	6,248,240	**1,898,540**	2,593,388	**178,279**	182,761	**1,509,863**	1,584,415	**7,216,087**	7,285,073	**572,389**	428,845	**17,161,830**	18,322,722
Reportable segment gross profit	**1,693,648**	1,877,611	**358,979**	537,219	**43,934**	47,767	**1,253,313**	1,214,400	**387,925**	409,351	**162,748**	138,484	**3,900,547**	4,224,832
Reportable segment assets	**2,897,438**	3,136,954	**1,451,378**	1,527,848	**180,223**	199,983	**103,720**	115,969	**1,646,956**	1,579,018	**136,912**	105,393	**6,416,627**	6,665,165

Harvest Max Holdings Limited ("Harvest Max") carries out jewellery and watches retail business in Hong Kong and during the year ended 31 December 2015, an impairment loss of RMB31,845,000 was recognised in respect of the goodwill allocated to this segment.

Results and assets of the segment below the quantitative thresholds are mainly attributable to a watch accessories manufacture business and a watch repairing and maintenance business.

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

Revenue	2015 RMB'000	2014 RMB'000
Total revenues for reportable segments	**16,589,441**	17,893,877
Revenue for other segments	**572,389**	428,845
Elimination of inter-segment revenue	**(3,859,106)**	(3,558,352)
Consolidated revenue	**13,302,724**	14,764,370

Profit	2015 RMB'000	2014 RMB'000
Total gross profit for reportable segments	**3,737,799**	4,086,348
Profit for other segments	**162,748**	138,484
	3,900,547	4,224,832
Other revenue	**101,551**	95,473
Other net (loss)/income	**(141,954)**	31,531
Distribution costs	**(2,963,904)**	(2,926,425)
Administrative expenses	**(329,464)**	(394,583)
Other operating (expenses)/income	**(13,970)**	2,416
Finance costs	**(205,765)**	(225,834)
Share of losses of associates	**–**	(1,521)
Share of profits of joint ventures	**411**	1,388
Consolidated profit before taxation	**347,452**	807,277

Assets	2015 RMB'000	2014 RMB'000
Total assets for reportable segments (inventories)	**6,279,715**	6,559,772
Assets for reportable segments (inventories)	**136,912**	105,393
Elimination of unrealised inter-segment profit	**(40,277)**	(52,472)
	6,376,350	6,612,693
Trade and other receivables	**1,329,175**	1,615,836
Deposits with banks	**–**	113,000
Cash and cash equivalents	**1,910,351**	1,968,065
Non-current assets	**2,582,862**	2,534,529
Consolidated total assets	**12,198,738**	12,844,123

(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 investment properties, other property, plant and equipment, intangible assets, goodwill, 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 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.

	2015	2014
Revenue from external customers	***RMB'000***	*RMB'000*
Mainland China	**9,583,576**	10,377,042
Hong Kong and Macau	**3,540,869**	4,204,567
Taiwan	**178,279**	182,761
Total	**13,302,724**	14,764,370

	2015	2014
Specified non-current assets	***RMB'000***	*RMB'000*
Mainland China	**1,767,067**	1,824,249
Hong Kong	**668,774**	595,551
Taiwan	**40,383**	42,166
Others	**–**	396
Total	**2,476,224**	2,462,362

10. GOODWILL

	RMB'000
Cost:	
At 1 January 2014 and 31 December 2014	840,521
Additions	12,657
At 31 December 2015	853,178
Accumulated impairment losses:	
At 31 December 2014 and 1 January 2015	(38,000)
Impairment charged during the year	(44,956)
At 31 December 2015	(82,956)
Carrying amount:	
At 31 December 2015	770,222
At 31 December 2014	802,521

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units identified according to places of operations and reportable segments as follows:

	2015	2014
	RMB'000	*RMB'000*
Retail – Mainland China	**243,473**	256,584
Retail – Hong Kong	**171,163**	171,163
Retail – Taiwan	**22,654**	22,654
Retail – Harvest Max	**271,788**	303,633
All others	**61,144**	48,487
	770,222	802,521

The recoverable amounts of the cash-generating units are determined based on value-in-use calculations. The key assumptions for the value-in-use calculations are the discount rate and revenue/gross profit growth rate. The Group prepares cash flow forecasts derived from the two-year financial budgets and extrapolates cash flows for the following three to five years based on estimated annual average growth rates in sales ranging from 2.6% to 14.8% (2014: 0% to 21%), growth rates in gross profit ratio ranging from 0% to 3% (2014: 0% to 2%), and a discount rate ranging from 15% to 16.5% (2014: 15% to 16.5%). The growth rates are determined by management based on the performance of the relevant cash-generating units and their estimated future development.

During the year ended 31 December 2015, as a result of the decrease in number of PRC tourists visiting Hong Kong, the business of Harvest Max segment was affected and more selling expenses were incurred to generate revenue. Accordingly, its operating result deteriorated as compared to the year ended 31 December 2014. Management estimated the recoverable amount of those related assets which generated cash inflows independently from other assets of the Group ("the cash-generating unit"). As at 31 December 2015, the carrying value of the cash-generating unit has been reduced to its recoverable amount of approximately RMB660,986,000 and an impairment loss of RMB31,845,000 was recognised in respect of the cash-generating unit which has been allocated to reduce the carrying amount of the goodwill. Any adverse change in the assumptions used in the calculation of the recoverable amount would result in further impairment losses.

As a result of the prolonged construction period of certain municipal infrastructure improvement projects, consumer traffic of certain stores in the PRC has been severely affected and the profitability of these stores for 2015 declined compared to 2014. Management estimated the recoverable amount of the cash-generating unit. As at 31 December 2015, the carrying amount of respective cash-generating unit has been reduced to its recoverable amount of approximately RMB461,424,000 and an impairment loss of RMB10,155,000 was recognised in respect of the cash-generating unit which has been allocated to reduce the carrying amount of the goodwill. Any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

In addition, due to the closure of certain retail shops, an impairment loss of RMB2,956,000 was recognised during the year ended 31 December 2015 to reduce the carrying amount of the goodwill allocated to these retail shops.

Goodwill of RMB12,657,000 arising from the acquisition of a subsidiary was recorded during the year ended 31 December 2015.

11. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2015	2014
	RMB'000	*RMB'000*
Raw materials	**45,675**	44,145
Work in progress	**36,483**	30,174
Finished goods	**6,294,192**	6,538,374
	6,376,350	6,612,693

12. CASH AND CASH EQUIVALENTS

	The Group	
	2015	2014
	RMB'000	*RMB'000*
Cash at bank and on hand	**1,910,351**	1,968,065

13. TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**977,642**	1,053,380
Less: allowance for doubtful debts	**(18,808)**	(3,393)
	958,834	1,049,987
Prepayments and deposits	**154,139**	333,381
Other receivables	**212,105**	226,789
Amount due from joint ventures	**4,097**	5,679
	1,329,175	1,615,836

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:

	2015	2014
	RMB'000	*RMB'000*
Current	**843,761**	964,427
Less than 1 month past due	**95,863**	49,339
1 to 3 months past due	**12,763**	13,376
More than 3 months but less than 12 months past due	**4,367**	17,213
More than 12 months past due	**2,080**	5,632
Amounts past due	**115,073**	85,560
	958,834	1,049,987

Trade receivables are due within 30 to 90 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:

	2015	2014
	RMB'000	*RMB'000*
Neither past due nor impaired	**843,761**	964,427
Less than 1 month past due	**95,326**	49,339
1 to 3 months past due	**12,751**	13,376
More than 3 months but less than 12 months past due	**4,108**	17,117
More than 12 months past due	**1,617**	5,452
	113,802	85,284
	957,563	1,049,711

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

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**1,544,354**	1,840,525
Other payables and accrued expenses	**342,188**	343,301
Advance receipts from customers	**75,727**	56,383
	1,962,269	2,240,209

As of the end of the reporting period, the ageing analysis of trade payables based on invoice date, is as follows:

	2015	2014
	RMB'000	*RMB'000*
Within 1 month	**890,850**	985,262
Over 1 month but less than 3 months	**627,792**	814,352
Over 3 months but less than 12 months	**12,778**	18,626
Over 1 year	**12,934**	22,285
	1,544,354	1,840,525

15. BANK LOANS

At 31 December 2015, the bank loans were secured as follows:

	2015	2014
	RMB'000	*RMB'000*
Bank loans within one year or on demand		
– Secured	**487**	496
– Unsecured	**703,887**	991,335
	704,374	991,831
Bank loans after one year		
– Secured	**4,547**	5,011
– Unsecured	**547,921**	489,497
	552,468	494,508
	1,256,842	1,486,339

At 31 December 2015, 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 RMB10,253,000 (2014: RMB10,282,000).

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 Stock 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 2015.

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
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
Interest charged during the year	**145,246**
Derecognised due to repurchase by the Company during the year	**(25,637)**
Interest paid during the year	**(134,007)**
Foreign exchange loss	**(1,554)**
Foreign currency translation difference	**130,483**
As at 31 December 2015	**2,288,436**

In September and December 2015, the Group repurchased, by way of market acquisition, notes with a principal amount of USD4,000,000, for a total consideration of USD3,890,625 (RMB equivalent: 24,804,000).

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL REVIEW

The Group maintained a sound and stable financial position.

Revenue

During 2015, the Group recorded revenue of RMB13,302,724,000 (2014: RMB14,764,370,000), representing a year-on-year decrease of 9.9%. Retail sales amounted to RMB9,373,354,000 (2014: RMB10,608,804,000), representing a year-on-year decrease of 11.6%. Revenue from industrial sector and others amounted to RMB539,991,000 (2014: RMB428,845,000), representing a year-on-year increase of 25.9%.

In 2015, the global economy remained sluggish while China was adapting to the change of development model and economic restructuring with its economic growth slowing down. Moreover, the consumers' shopping locations and consumption patterns have been also changing constantly. As a result, the overall operating environment was very difficult and had full impact on the business development of the Group. Despite the weak sales in the watch market, especially the watch market in Hong Kong, the Group's industrial sector achieved relatively good results due to a series of reform and innovation.

Sales breakdown (for the year ended 31 December 2015):

	2015		2014	
	RMB'000	***%***	*RMB'000*	*%*
Retail Business				
Mainland China	**5,786,672**	**43.5**	6,248,240	42.3
Hong Kong	**1,898,540**	**14.3**	2,593,388	17.6
Taiwan	**178,279**	**1.3**	182,761	1.3
Harvest Max	**1,509,863**	**11.4**	1,584,415	10.7
Wholesale Business	**3,389,379**	**25.5**	3,726,721	25.2
Industrial Sector and Others	**539,991**	**4.0**	428,845	2.9
Total	**13,302,724**	**100**	14,764,370	100

Gross profit and gross profit margin

During 2015, the Group's gross profit showed a 7.7% year-on-year decrease and reached approximately RMB3,900,547,000 (2014: RMB4,224,832,000). Gross profit margin was approximately 29.3% (2014: 28.6%), representing a year-on-year increase of 70 bps. If excluding the contribution from Harvest Max, the gross profit margin of the Group's retail business remained basically flat. Despite the subdued market environment, the Company still managed to maintain relatively stable discount offerings.

Profit for the year

The Group recorded net profit of RMB190,164,000 (2014: RMB583,427,000), representing a year-on-year decrease of 67.4%. Profit attributable to equity shareholders amounted to RMB144,868,000 (2014: RMB504,220,000), representing a year-on-year decrease of 71.3%. Decrease in the profit was mainly due to the one-off revenue from disposal of properties, which was included in the profit for the year of 2014, the drop in sales and gross profit and impairment of goodwill and available-for-sale securities.

Financial status and net debt to equity ratio

As at 31 December 2015, the Group had total equity of RMB6,540,357,000 (2014: RMB6,628,628,000) and net current assets of RMB6,928,455,000 (2014: RMB6,878,921,000), with bank deposits of RMB1,910,351,000 (2014: RMB1,968,065,000) and total bank loans of RMB1,256,842,000 (2014: RMB1,486,339,000).

As at 31 December 2015, bank loans amounting to RMB140,607,000 (2014: RMB879,244,000) bore interests at fixed rates ranging from 2.10% to 6.44% (2014: 0.92% to 6.44%), and the remaining bank loans bore interests at floating rates ranging from HIBOR+1.25% to 2.52% (2014: 1.92% to 6.56%). As at 31 December 2015, approximately 8% (2014: 21%), 86% (2014: 75%), 2% (2014: 0%) and 4% (2014: 4%) of bank loans were denominated in RMB, HKD, USD and NTD, respectively. The maturity profile of bank loans is set out in note 15 to the financial statements.

During the year under review, there was no sign of significant changes in the Group's demand for loans in a particular quarter.

As at 31 December 2015, the aggregate principal amount of the USD-settled senior notes due in 2018 (the "Senior Notes") was USD350 million (2014: USD350 million), of which USD4,000,000 had been repurchased but had not been cancelled during the year.

Combining the net amount of these Senior Notes with bank loans, the Group's total debt amounted to RMB3,545,278,000 (2014: RMB3,738,249,000). The net debt to equity ratio of the Group was approximately 25.0% (2014: 26.7%). 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 their funding liquidity and financing requirements regularly.

Operating cash flow

During the year under review, based on its prudent 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 were managed properly. Accordingly, the Group was not exposed to significant risks associated with foreign exchange fluctuations.

The Group has not entered into foreign exchange hedging arrangements to manage foreign exchange risk but has been actively monitoring its foreign exchange risk.

Pledge of assets

As at 31 December 2015, the Group had land and buildings equivalent to RMB10,253,000 (2014: RMB10,282,000) pledged as securities for mortgage.

Contingent liabilities

As at 31 December 2015, the Group had no material contingent liabilities (2014: nil).

Current assets

As at 31 December 2015, the current assets of the Group amounted to approximately RMB9,615,876,000 (2014: RMB10,309,594,000), comprising inventories of approximately RMB6,376,350,000 (2014: RMB6,612,693,000), trade and other receivables of approximately RMB1,329,175,000 (2014: RMB1,615,836,000), cash and cash equivalents of approximately RMB1,910,351,000 (2014: RMB1,968,065,000).

As at 31 December 2015, cash and cash equivalents of approximately 80% (2014: 61%), 19% (2014: 38%) and 1% (2014: 1%) were denominated in RMB, HKD and other currencies, respectively.

Current liabilities

As at 31 December 2015, the current liabilities of the Group amounted to approximately RMB2,687,421,000 (2014: RMB3,430,673,000), comprising bank loans of approximately RMB704,374,000 (2014: RMB991,831,000), trade and other payables of approximately RMB1,962,269,000 (2014: RMB2,240,209,000), and current tax payable of approximately RMB20,778,000 (2014: RMB25,960,000).

Capital structure

The Company's capital structure is composed of issued share capital, reserves and accumulated profits. As at 31 December 2015, the number of issued share of the Company was 4,779,810,959 (2014: 4,799,130,959) shares, with reserves and accumulated profits of RMB5,907,946,000 (2014: RMB5,960,084,000) in total.

Material investment, acquisition and disposal

Save as disclosed in the notes to the financial statements, there was no material acquisition or disposal of subsidiaries and joint ventures during the year under review.

Save as disclosed in the notes to the financial statements, there was no other significant investment held by the Company during the year under review.

Final dividend

The Company does not recommend the payment of a final dividend for the financial year ended 31 December 2015 (2014: RMB3.2 cents per share).

II. BUSINESS REVIEW

For the year under review, the Group's business primarily focused on the retail and distribution of internationally renowned branded watches, comprehensive related customer services and maintenance, watch accessories manufacturing and e-commerce in the Greater China region with a core presence in Mainland China and Hong Kong.

Retail network

The Group's retail network spanned across the Greater China region where retail stores mainly included "Prime Time"/"Hengdeli", "Elegant", and certain single-brand boutiques. "Prime Time"/"Hengdeli" is mainly located in Mainland China and Taiwan, selling mid-end and mid-to-high-end internationally renowned brands, while "Elegant" is mainly located in Hong Kong, selling high-end internationally renowned brands. Following adjustments and optimization, the Group operated a total of 482 retail outlets in Mainland China, Hong Kong, Macau and Taiwan as at 31 December 2015, as detailed below:

	As at 31 December 2015			
	Mainland China	**Hong Kong and Macau**	**Taiwan**	**Total**
Prime Time/Hengdeli	365	5(Harvest Max)	32	402
Elegant	14	5	1	20
Brand boutiques	33	13	14	60
Total	412	23	47	482

As a pacesetter in the sale of internationally renowned watch brands in the world, the Group has maintained sound business relationships with many world-renowned brand watch suppliers over the years, including SWATCH Group, LVMH Group, RICHEMONT Group, ROLEX Group and KERING Group, etc. As at 31 December 2015, the Group was engaged in the distribution of over 50 international brands from the above five major brand suppliers and other independent watchmakers, including Breguet, Bulgari, Cartier, Girard-Perregaux, Harry Winston, IWC, Jaeger-LeCoultre, Longines, Mido, Omega, Rolex, Vacheron-Constantin, Zenith, Parmigiani Fleurier, Tissot, and Van Cleef & Arpels, etc. During the year under review, the Group continued to step up its efforts in aligning mid-end and mid-to-high-end brands in both Mainland China and Hong Kong to enhance its brand portfolio, paving the way for long-term business development and stabilizing overall sales performance.

The business condition in 2015 remained unstable. The increasingly diversified shopping locations and consumption patterns of Mainland China consumers aggravated the harsh sales environment generally in the Greater China region, especially in Hong Kong, and the growth pattern and momentum of the jewelry and watch industry has plunged into deep adjustment. Businesses were faced with loss of customers and rise of labor cost. Adhering to the principle of "soundness and sustainability" and "aiming for optimizing inventory and guaranteeing profit", the Group insisted on complementing and interacting with each other within the Greater China region including Mainland China and Hong Kong, with mid-end brands as the mainstay in its brand mix in order to meet the affordability of the general public, and second, third and fourth tier cities as the main sales regions. The Group also continued to adjust the layout of its retail network, improve store performance and optimize inventory mix. We carefully steered business forward through strengthened scientific management and prudent operation. Overall sales remained relatively stable despite the momentum is slowing down.

Mainland China

The Group has developed a comprehensive and fully-fledged network of retail outlets in Mainland China, with a broad presence in key regions including Beijing, Shanghai, Zhejiang, Jiangsu, Henan, Shanxi, Hubei, Northeastern and Southwestern China where its market share has been concentrated and stable. Meanwhile, the Group's market shares in Central, Southern and Northwestern China as well as other regions are on the rise, thus improving our market position in those regions.

The retail outlet "Prime Time" has been positioned to sell mid-end and mid-to-high-end internationally renowned branded watches in Mainland China. This marketing strategy is mainly 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 2015, the Group had 412 retail outlets in Mainland China, including 365 "Prime Time" shops. The Group's "Elegant" shops, which are mainly image stores and sell high-end watches, have a relatively small coverage in Mainland China. Most of the 14 "Elegant" shops are located in first-tier developed cities such as Shanghai, Beijing, Hangzhou, Shenyang and Chengdu, with no new shop being opened during the year under review.

During the year under review, the Group's main retail strategy in Mainland China did not have much change from that of last year. The focus was on mid-end watches and second, third and fourth tier cities and also to enhance the re-alignment and network layout of mid-end stores within each region and major city. The strategy involved a core operational principle of "maintaining steady sales and profit, and promoting inventory structure enhancement in full swing", and the retail region management structure adjustment aimed at "leanness, professionalism and efficiency" was expedited. The Group kept pace with the market adjustment to integrate retail outlets and furthered its refined management for better performance of individual outlets; and continued to step up its efforts in streamlining outlets in the first tier market and high-end watch retail market, and reasonably adjusted its brand portfolio and enhanced its inventory structure in response to the changing market conditions in a timely manner; the Group also enhanced the sales skills of frontline staff and improved customer relationship management at outlets.

As the shopping locations and consumption patterns of consumers have been changing, consumption motivation has shifted from business related purpose to personal use and consumers have become more price sensitive than ever. The pressure on prices due to the availability of overseas surrogate shopping, electronic platform and other channels has led to exceptionally fierce market competition. Hence, the overall consumption situation of Mainland China was lackluster for the year. Despite the Group's various efforts, we were unable to stem the decline in sales as affected by the adverse macro condition and subdued consumer demand. Retail sales from Mainland China decreased by 7.4% as compared with that of the previous year. However, the Group's profitability on sales, inventory turnover and account receivables in Mainland China all performed relatively well as a result of effective operation strategies and enhanced management skills. That has helped to stabilize the Group's market share in Mainland China and paved the way to sustainable growth in the medium and long term.

It is noted that in 2015, China experienced a change in development mode and was in a transition period of economic structure adjustment, a slowdown in its pace of economic growth was observed. Nevertheless, considering the accelerating industrialisation and urbanisation process, rapid growth of the second, third and fourth tier cities and a burgeoning middle class in Mainland China, the sales strategy of targeting at mid-end and mid-to-high-end internationally renowned branded watches will still be the major direction of the Group in Mainland China in the short and medium term.

Hong Kong and Macau

The Group's retail business in Hong Kong mainly focuses on high-end brands, including Blancpain, Breguet, Cartier, Chopard, Dewitt, Franck Muller, Girard-Perregaux, IWC, Jaeger-LeCoultre, Omega, Panerai, Piaget, Vacheron-Constantin, Zenith, Parmigiani Fleurier, Bulgari, Harry Winston as well as independent watchmakers namely Christophe Claret, MB&F, HYT, Greubel Forsey, etc. The sales of such high-end brands fully complemented our retail business in Mainland China and Taiwan, thus creating good synergy. To adapt to the change in the mix and consumption patterns of visitors in recent years, the Group also started to deploy multi-layer brand positioning in Hong Kong, introducing certain mid-end brands in order to expand market share and maintain its leading position in Hong Kong.

As at 31 December 2015, Elegant operated a total of 18 retail outlets in Hong Kong, of which 5 were multi-brand "Elegant" shops and the rest were single-brand boutiques or image stores. Currently, the shops operated by the Group in Hong Kong are mainly located in prime commercial districts such as Tsim Sha Tsui, Central and Causeway Bay.

Amidst the macro economic constraints, Hong Kong's retail sector was still lackluster during the year, as witnessed by continued weakness of consumer demand for high-end brands. According to the Census and Statistics Department of Hong Kong, the Hong Kong retail value index for jewelry, timepieces and precious gifts continued to record a double-digit decline when compared to the same period of the previous year. Under the dismal overall conditions, sales of Elegant decreased by 26.8% year-on-year along with the market trend. In addition, as operation costs such as rental expenses had not followed the market with significant changes, profit also decreased. However, sales of Elegant was still promising with the Group's extensive, solid and loyal client base in Hong Kong, the interaction between retail outlets in Mainland China and Hong Kong, the favorable cooperation with brand suppliers, as well as the comprehensive after-sale service network across the Greater China region which provided assured after-sale warranty for Mainland tourists shopping in Hong Kong.

Elegant strengthened operation management besides spending efforts on sales during the year under review, including merging of single-brand boutiques to lower cost while strengthening the staff training at different levels and enhancing the knowledge in watches and the service standards of the frontline staff. Efforts were also made to upgrade the management model and build up a talent pool to foster a world-class professional sales force for expanding market share.

Meanwhile, Elegant continued to strengthen its marketing campaigns. Resources were committed to collaborate more closely with a broadened portfolio of international brands in advertising, VIP events and other promotional activities. Social networking platforms such as Facebook, Weibo and WeChat were developed to establish and maintain sound interaction with consumers, aiming to enhance their awareness and loyalty for Elegant and hence uplift the international reputation of “Elegant” brand.

In light of the adjustment stage of the high-end consumer goods industry in Hong Kong, Elegant will, by capitalising on its strengths, follow the pace of the market, and identify opportunities to capture more market share and improve profitability under the adverse market condition.

The situation of the overall operations and sales of the Group’s store in Macau is basically the same as that in Hong Kong. The Macau store was closed due to expiration of lease. The Group will further look for new business opportunities in Macau.

Taiwan

During the year under review, the Group’s retail business in Taiwan was in the process of network building and nurturing. Clinging to a similar sales strategy as in Mainland China, the Group focused on the sales of mid-end and mid-to-high-end watches in Taiwan. The Group operated a total of 47 retail outlets in Taiwan as at 31 December 2015, mainly located in prime districts including Taipei, Taichung, Kaohsiung, Hsinchu and Chiayi. Except for one “Elegant” shop which sells top-end watches and certain single-brand boutiques, all other retail outlets are “Hengdeli” shops which sell mid-end and mid-to-high-end watch brands like Certina, Hamilton, Longines, Rado, TAG Heuer and Tissot, etc.

Sales in Taiwan have been stable for the year and have not deviated much from that of previous year. Currently, the target consumers in Taiwan are mainly local customers. However, as the cross-strait business relations and the economic ties among Mainland China, Taiwan and Hong Kong become closer, it is expected that an increasing number of Mainland tourists will travel to Taiwan, creating new opportunities for Taiwan’s retail industry.

Industrial Sector

The industrial sector which is engaged in the manufacture of watch accessories made substantial progress during the year under review. According to the contemplated strategy and through more than one year’s re-alignment and integration, the industrial sector has established a new business model comprising upstream and downstream operations of the watch industrial chain spanning from watchcase manufacturing, packaging products, commercial space design, production and decoration, as well as self-developed brands. A number of companies in the sector have earned a goodwill in their respective fields.

During the year, the industrial sector has put in place a modern management structure which clearly defined the respective authorities and duties of the headquarters, branch companies and subsidiaries and promoted sharing of interests. The efficient information management system used by the industrial sector was further enhanced, among others, as follows: a modernized office automation system has been launched; an upgrade was made to production automation; and branch companies and subsidiaries began to adopt a corporate management system developed jointly with an ERP management company specially for the industrial sector. Industrial chain and customer resources were further enriched, and overall sales plans covering watchcase manufacturing to shop decoration were implemented. A wide customer base covering China, Switzerland, the U.S. and other nations in the Asia Pacific region has been established. Co-operation with brand suppliers has been increasing and a close collaborative relationship with mutual trust and interest sharing was formed.

Benefiting from quality management and bold innovations, overall performance of the industrial sector improved remarkably with sales increasing by approximately 35% year-on-year, reflecting a healthy uptrend and promising growth potential.

In the coming year, the industrial sector is going to utilize internal funds on continuous technology upgrades. In particular, opportunities in technological advancement concerning Industry 4.0 will be sought in order to promote the use of production automation and semi automation to raise labor productivity. The industrial sector will seek to develop new technical methods, processes and new products to satisfy market demand; on the other hand, it will deepen co-operation with brand suppliers. We are confident that the industrial sector will become a strong driving force for the Group's development and turn into an important business arm of the Group in the foreseeable future.

E-Commerce

Following deliberate preparation and improvements, a new consumption model known as "Internet + Hengdeli" 盛时.com (www.censh.com) was officially put online during the year under review. "censh.com" is a media-based e-commerce cross-platform within the Group that runs its major flagship "盛時.com"(www.censh.com). "censh.com" draws together a number of mobile internet softwares including WeChat, Weibo and other mobile communication applications and provides one-stop solution for six major functions, namely e-commerce, ERP, product data management, customer resources management, call center and WeChat by capitalising on advanced technology. It offers a comprehensive online to offline service experience to watch lovers. The O2O model of "censh.com" combines the Group's hundreds of stores and the large group of frontline staff into one online store, who acts as a private assistant to a potential customer offering one-on-one personalized and one-stop 24 hour services over the whole process from watch selection, consultation, comparison, purchase, repairs and maintenance and after-sale services. In doing so, a "vertical ecology for the watch business through internet and digitalization" can be created, overcoming the distance barrier and limitations of physical stores. "censh.com" is also a one-stop shop in which all stocks from all our stores are available for sale. The entire inventory management has been transformed in a way that boosted inventory turnover and cash flows. "censh.com" has put into practice a customer behavioral analysis model which is comprehensive and scientific and serves as a scientific basis for the formulation of guidelines for the Group's business strategies.

盛时.com inherits the values of "enthusiasm, innovation, mutual trust, self-actualization". Unlike traditional e-commerce operators who stress "speed" and "low price", "censh.com" is more than a website for interactive online and offline sales of watches – it is a platform for communication among customers and a culture carrier for the dissemination of the watch culture. Its emphasis is on "experience" and "authenticity" and its mission is to reduce the gap among people through the diffusion of the ideas of buying watches as gifts, as tokens, and a way to pursue stylish life. The Group believes that with the successful online operation of "censh.com", the online and offline resources will become highly synergistic, consequently contributing to the development of the Group.

Customer Service and Maintenance

"Cutting-edge technology, joint warranty network, efficient management, and considerate services" have always been the aspirations of the customer services of the Group. As the top-notch leading retail group for internationally renowned watch brands, the customer service network of the Group has been integrated and is comprehensive. Coupled with the continuing training provided by brand suppliers to the Group's technical personnel, the human resources policy of recruiting talents worldwide has ensured the Group to stay at the cutting edge of maintenance expertise internationally. The warranty covering the Greater China region including Mainland China, Hong Kong, Macau and Taiwan, as well as the interactive customer service network consisting of "repairs and maintenance service centres", "repair service stations" and "repair service points", ensure the delivery of widespread all-round services to customers. The service hotline 4008 acts as the Group's centralised service channel for the general public, offering timely advice and providing customers with assurance and confidence.

High-calibre maintenance technicians have been the foundation of the Group's customer services. During the year under review, the Group designated maintenance technicians to attend overseas training courses for a number of times, and maintained good partnerships with brand suppliers in Switzerland and watch maintenance technical schools in foreign countries like Sweden and Japan, so as to secure consistent supply of high-calibre maintenance technicians. Also, the scale of maintenance technical training courses in the second and third tier cities was also expanded, with overseas senior technicians in charge of course planning and teaching, so as to provide stringent training for the front-line maintenance technicians in a timely and phased manner. As a result, the Group's high level customer services on par with the international standards are guaranteed.

Both for brand suppliers and consumers, more emphasis is being put on the integration of the global services of internationally renowned watch brands. As the linking bridge between brand suppliers and consumers, the Group has continued to win their confidence with comprehensive service coverage. Capitalising on its sound services and high-tech service quality, the Group continues to broaden and deepen the cooperation with these brands. During the year under review, the Group added the CK brand into the comprehensive customer services arrangements with brand suppliers including Tissot, Mido, and Certina , etc. from the SWATCH Group. The Group also entered into exclusive watch maintenance agent agreements with Movado, Milus, Blita, LOCMAN and Million Horn, etc. To date, the Group has become the maintenance agent for 74 international brands such as brands from the SWATCH Group and LVMH Group, of which the Group is the exclusive maintenance agent for 45 brands.

During the period under review, the initial stage of the integration of customer services of the Group was completed, and it has improved the working system of the customer services department in various aspects such as organisational structure, talent pool, and the construction of information systems; and during the same period, the regional expansion of our service network has been faster and more efficient. The Group has achieved initial success as to the vision to maintain both service quality and efficiency.

During the year, Group repairs technician He Yanqiang was granted the title of "Chief Technician" by the People's Government of Shanghai. A number of technicians in the customer service department of the Group have been granted this title.

Brand Distribution

In the brand distribution business, the Group has always sought cooperation with brand suppliers and retailers by adopting the most market-oriented approach, leveraging each other's strengths to strive for a coordinated division of labour in the integration of sale and supply.

During the year under review, growth in total value of brand distribution by the Group continued to slow down in light of the difficult market environment caused by the downbeat business condition and continuous changing shopping locations and consumption patterns of consumers. Nonetheless, under the concerted effort of the staff of the Group, higher sales were recognized as compared to that of the previous year. The Group worked closely with brand suppliers to respond to the changing market by actively adjusting brand distribution strategies and streamlining and improving inventory mix for a healthy and sustainable development of the brands in Mainland China. At the same time, based on joint market research, a number of incentive policies more closely aligned with market needs and sales plans tailor-made based on regional characteristics were developed, to provide retailers with more comprehensive and caring services to stimulate their enthusiasm in the retail end.

The Group has about 400 wholesale customers in over one hundred cities across China, distributing and exclusively distributing world-famous watch brands including Hamilton, Certina, Balmain, Tissot, Mido, and CK of Swatch Group, and Bulgari of LVMH Group.

The Group maintained a sound co-operative relationship with brand suppliers and numerous brand retailers and has received general support from them. For the coming year, the Group will continue to maintain and deepen the relationship, while exploring new measures under the new normal to achieve harmonious growth and win-win situation.

III. OUTLOOK

In 2016, as the road for full global economic recovery is still long and winding, China's economy will also be faced with significant downward pressure. We believe that under the new normal, the growth of sales of watches in the Greater China region will continue to lose steam. However, the long term economic trend in China remains fundamentally favorable, thus presenting unprecedented opportunities and challenges. By leveraging its core competitiveness, the Group will identify and grasp any new opportunities to achieve breakthroughs and expand business despite the current headwinds and challenges. We remain cautiously optimistic about the future prospects of the Group.

In the coming year, the Group will hold on to a stable and healthy growth policy, while at the same time harboring a pragmatic view and innovative spirit in the search of a new development model for the Group. It can be condensed into a few words: making structural adjustment, keeping healthy growth and seeking sustainability. In practice, the Group will maintain a healthy and stable level of sales and inventory on one hand, and more resources will be invested in the industrial sector to help bolster development on the other. The aim is to open up a road of continuous development for the Group amid the "new normal" economic climate and generate greater value for the shareholders and the community at large.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 4 May 2016 to Friday, 6 May 2016 (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, 3 May 2016.

PURCHASE, SALE OR REPURCHASE OF SECURITIES

During the year under review, the Company repurchased a total of 19,320,000 (2014: 3,776,000) listed shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by way of acquisition from the market. The total consideration paid was approximately HKD27,801,000, including related expenses. The details are as follows:

Month of repurchase	Number of shares repurchased	Highest price per share paid (HKD)	Lowest price per share paid (HKD)	Approximate aggregate consideration (HKD) (excluding related expenses)
January 2015	14,760,000	1.48	1.34	20,952,440
June 2015	4,208,000	1.51	1.44	6,260,240
July 2015	352,000	1.36	1.34	476,080

Upon the completion of the settlement of such repurchases, the Company has cancelled all of the repurchased shares. The repurchases are in the interests of the Company and its shareholders as a whole with a view to enhancing the net assets value per share of the Company.

During the year under review, senior notes with an aggregate principal amount of USD4,000,000 were repurchased by the Company on the Stock Exchange at the consideration of USD3,890,625 but had not been cancelled during the year. The Company redeemed convertible bonds which was listed on the Singapore Exchange Securities Trading Limited, in the principal amount of HKD95,000,000 on 20 October 2015, being the maturity date of such bonds, for a total consideration of HKD101,329,850. The redeemed bonds have been cancelled in accordance with the terms of bonds. To date, all the convertible bonds listed on the Singapore Exchange Securities Trading Limited on 22 October 2010 have been redeemed and cancelled in full.

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

As at 31 December 2015, the number of issued share of the Company was 4,779,810,959 (2014: 4,799,130,959) shares. The Company held USD-settled USD350 million (of which USD4,000,000 had been repurchased but had not been cancelled during the year; 2014: USD350 million) 6.25% senior notes due in 2018, which were listed on the Stock Exchange on 30 January 2013.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The audit committee comprises three independent non-executive directors (the "Directors") of the Company, 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 2014 and the 2015 interim report. The Company has adopted and implemented the terms of reference of the audit committee.

During the year, meetings were held on 17 March 2015, 25 August 2015 and 8 December 2015 to review the annual and interim financial reports and new terms of reference of the audit committee 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.

According to the terms of reference of the remuneration committee adopted by the Company, 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 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. 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 Listing Rules. 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 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; and
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 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; and
- 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 and risk control of finance and business operation. Such departments conduct audits and examination of all aspects and at all departments once or twice a year, so as to enhance internal control and ensure the sound development of the enterprise. The audit committee and the Board has reviewed the effectiveness of our internal control system and completed its annual review on the risk management and internal control systems (including their effectiveness). Based on the reviews made by independent review organisations of the risk management and internal control systems of the Group, the Group considers that these systems are effective and adequate, and will continue to review the effectiveness of these systems as well as improve the internal administration and control systems of the Company if required.

ATTENDANCE OF THE DIRECTORS AT THE MEETINGS

In 2015, a total of seven 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	Frequency of attendance at the general meeting	Rate of Attendance
Zhang Yuping	7	100%	1	100%
Huang Yonghua	7	100%	1	100%
Lee Shu Chung, Stan	7	100%	1	100%
Shi Zhongyang	7	100%	1	100%
Cai Jianmin	7	100%	1	100%
Wong Kam Fai, William	7	100%	1	100%
Liu Xueling	7	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.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed Director will be given an introductory session so as to ensure that he/she will gain appropriate understanding of the Group's business and of his/her duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements. The Company provides regular updates on the business development of the Group. The Directors are continually updated on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance with and upkeep of good corporate governance practices.

The Directors are committed to complying with provision A.6.5 of the Corporate Governance Code on Directors' training so as to ensure that their contribution to the Board remains informed and relevant. During the year under review, the Directors attended relevant training in accordance with the Listing Rules and had provided the relevant records of training to the Company. According to the records, details of directors' attendance at the training sessions during the year under review are as follows:

	Updates on corporate governance, laws and regulations		Accounting/financial/ management and other professional expertise	
Name	**Material reading**	**Seminar/ training attending**	**Material reading**	**Seminar/ training attending**
Zhang Yuping	✓	✓	✓	✓
Huang Yonghua	✓	✓	✓	✓
Lee Shu Chung, Stan	✓	✓	✓	✓
Shi Zhongyang	✓	✓	✓	✓
Cai Jianmin	✓	✓	✓	✓
Wong Kam Fai, William	✓	✓	✓	✓
Liu Xueling	✓	✓	✓	✓

INDEPENDENCE OF THE BOARD

The Board has received confirmation from all independent Directors regarding their independence made in accordance with Rule 3.13 of the Listing Rules. 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 and remain independent.

SECURITIES TRANSACTIONS BY DIRECTORS

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 Listing Rules 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 had complied with the standard as required by the above code.

By Order of the Board
Zhang Yuping
Chairman

Hong Kong, 17 March 2016

As at the date of this announcement, 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.