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 2017

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2017	2016 (Restated)	Change
	RMB'000	*RMB'000*	
Continuing Operations:			
Turnover	**2,439,022**	2,407,969	1.3%
Gross profit margin	**15.8%**	15.6%	20 bps
Loss for the year from continuing operations	**(45,648)**	(310,420)	(85.3%)
Discontinued Operations (see note 3):			
(Loss)/profit for the year from discontinued operations	**(119,432)**	34,882	(442.4%)
Loss attributable to equity shareholders	**(236,382)**	(321,378)	(26.4%)

The board (the "Board") of directors (the "Directors") of Hengdeli Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017 (hereinafter referred 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 2017

(Expressed in Renminbi)

	Note	**2017**	2016 (Restated)
		RMB'000	*RMB'000*
Continuing operations			
Revenue	*3*	**2,439,022**	2,407,969
Cost of sales		**(2,052,571)**	(2,031,403)
Gross profit		**386,451**	376,566
Other revenue	*4*	**24,802**	15,943
Other net income	*4*	**14,649**	3,741
Distribution costs		**(251,871)**	(266,935)
Administrative expenses		**(137,958)**	(169,852)
Other operating income		**–**	1,050
Profit/(loss) from operations		**36,073**	(39,487)
Finance costs	*5(a)*	**(59,931)**	(166,969)
Loss before taxation	*5*	**(23,858)**	(206,456)
Income tax	*6(a)*	**(21,790)**	(103,964)
Loss for the year from continuing operations		**(45,648)**	(310,420)
Discontinued operations			
(Loss)/profit for the year from discontinued operations	*17*	**(119,432)**	34,882
Loss for the year		**(165,080)**	(275,538)
Attributable to:			
Equity shareholders of the Company			
– continuing operations		**(52,804)**	(318,805)
– discontinued operations		**(183,578)**	(2,573)
		(236,382)	(321,378)
Non-controlling interests			
– continuing operations		**7,156**	8,385
– discontinued operations		**64,146**	37,455
		71,302	45,840
Loss for the year		**(165,080)**	(275,538)
Basic and diluted losses per share	*8*		
– continuing operations		**RMB(0.011)**	RMB(0.066)
– discontinued operations		**RMB(0.039)**	RMB(0.001)
		RMB(0.050)	RMB(0.067)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017
(Expressed in Renminbi)

	2017	2016 (Restated)
	RMB'000	*RMB'000*
Loss for the year	**(165,080)**	(275,538)
Other comprehensive income for the year (after tax and reclassification adjustment)		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale securities: net movement in the fair value reserve	**220,626**	129,923
Exchange differences on translation of overseas subsidiaries' financial statements	**(161,136)**	(76,451)
Release of exchange reserve upon disposal of subsidiaries	**52,192**	–
	111,682	53,472
Items that will not be reclassified subsequently to profit or loss:		
Exchange differences on translation of the Company's financial statements	**(42,332)**	86,971
Total comprehensive income for the year	**(95,730)**	(135,095)
Attributable to:		
Equity shareholders of the Company		
– continuing operations	**(34,256)**	163,218
– discontinued operations	**(131,386)**	(351,835)
	(165,642)	(188,617)
Non-controlling interests		
– continuing operations	**5,766**	8,385
– discontinued operations	**64,146**	45,137
	69,912	53,522
Total comprehensive income for the year	**(95,730)**	(135,095)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2017
(Expressed in Renminbi)

		31 December 2017		31 December 2016	
	Note	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*
Non-current assets					
Investment properties			**145,100**		37,311
Other property, plant and equipment			**387,268**		1,561,199
			532,368		1,598,510
Intangible assets			**1,347**		73,758
Goodwill	*9*		**232,307**		455,827
Interest in joint ventures			**–**		58,323
Other investments			**398,724**		200,903
Prepayment and deposits	*13*		**25,416**		17,291
Deferred tax assets			**4,710**		139,806
			1,194,872		2,544,418
Current assets					
Inventories	*10*	**1,381,603**		5,607,412	
Trade and other receivables	*13*	**594,106**		1,366,222	
Cash and cash equivalents	*11*	**964,172**		2,791,572	
Deposits with banks	*12*	**668,720**		–	
		3,608,601		9,765,206	
Assets classified as held for sale	*17*	**–**		273,494	
		3,608,601		10,038,700	
Current liabilities					
Trade and other payables	*14*	**258,764**		1,623,890	
Bank loans	*15*	**24,838**		2,641,387	
Senior notes	*16*	**–**		709,083	
Current taxation		**553**		32,196	
		284,155		5,006,556	
Liabilities classified as held for sale	*17*	**–**		32,570	
		284,155		5,039,126	
Net current assets			**3,324,446**		4,999,574
Total assets less current liabilities			**4,519,318**		7,543,992

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 December 2017
(Expressed in Renminbi)

		31 December 2017		31 December 2016	
	Note	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*
Non-current liabilities					
Bank loans	*15*	**84,282**		243,949	
Senior notes	*16*	**–**		790,116	
Deferred tax liabilities		**1,338**		143,478	
			85,620		1,177,543
NET ASSETS			**4,433,698**		6,366,449
CAPITAL AND RESERVES					
Share capital	*7(b)*		**22,429**		22,841
Reserves			**4,354,075**		5,723,456
Total equity attributable to equity shareholders of the Company			**4,376,504**		5,746,297
Non-controlling interests			**57,194**		620,152
TOTAL EQUITY			**4,433,698**		6,366,449

Notes:

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

The final results set out in this announcement do not constitute the consolidated financial statements of the Group for the year ended 31 December 2017 but are extracted therefrom.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– financial instruments classified as available-for-sale

Non-current assets and disposal group held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards ("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.

2. **CHANGES IN ACCOUNTING POLICIES**

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. 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. However, additional disclosure has been included to satisfy the new disclosure requirement introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. **REVENUE AND SEGMENT REPORTING**

Key events

Pursuant to an announcement dated 30 December 2016, the Company entered into a sale and purchase agreement to dispose of its entire equity interests in Shanghai Xinyu Fine Watch Service Co., Ltd. and its subsidiaries ("Xinyu Group") and 75.54% of equity interests in Harvest Max Holdings Limited ("Harvest Max") (collectively, the "Disposal Group").

Xinyu Group comprises the Group's mainland China retail segment, wholesale segment and watch repair and maintenance business (collectively, "the Mainland China Watch Business"). The very substantial disposal ("the VSD") transaction was approved by independent shareholders on 25 April 2017.

Pursuant to an announcement dated 28 June 2017, the Group completed the sale of its equity interests in the Disposal Group for a cash consideration of RMB3,468 million.

As a result, a single amount in the consolidated statement of profit or loss was presented in respect of the Disposal Group's financial performance (with comparative figures restated). Details of this disposal were set out in note 17 to the announcement.

(a) Revenue

The principal activities of the Group are retail and wholesale of watches and jewellery, comprehensive related customer services and maintenance, and watch accessories manufacturing.

Turnover represents the sales value of goods sold to customers, net of value added tax and 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 revenue.

Further details regarding the Group's principal activities are disclosed below.

(b) 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. As disclosed in note 17, the watches retail in Mainland China and Harvest Max in retail segments were disposed of during the year and classified as discontinued operations.

- Wholesale segment: this segment distributes numerous world renowned brand watches in Mainland China. As disclosed in note 17, the wholesale segment was disposed of during the year and classified as a discontinued operation.

(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 year is set out below.

	Continuing operations							
	Retail				All Others		Total	
	Hong Kong		Taiwan					
	2017	2016	**2017**	2016	**2017**	2016 (Restated)	**2017**	2016 (Restated)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**1,777,065**	1,770,824	**166,242**	167,152	**495,715**	469,993	**2,439,022**	2,407,969
Inter-segment revenue	**338**	–	**–**	–	**79,988**	18,519	**80,326**	18,519
Reportable segment revenue	**1,777,403**	1,770,824	**166,242**	167,152	**575,703**	488,512	**2,519,348**	2,426,488
Reportable segment gross profit	**258,641**	256,707	**50,708**	44,131	**77,102**	75,728	**386,451**	376,566
Reportable segment assets	**1,077,986**	1,275,659	**180,662**	172,111	**122,962**	98,726	**1,381,610**	1,546,496

The retail segment in Taiwan is mainly engaged in retail of watches and jewellery in Taiwan. During the year ended 31 December 2017, an impairment loss of RMB23,059,000 was recognised to fully reduce the carrying amount of the goodwill allocated to this segment (see note 9).

	Discontinued operations									
	Retail		Wholesale		Harvest Max		All Others		Total	
	Mainland China									
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016 (Restated)	**2017**	2016 (Restated)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**2,946,349**	5,608,866	**1,584,872**	3,193,651	**528,306**	1,010,773	**56,353**	112,892	**5,115,880**	9,926,182
Inter-segment revenue	**–**	–	**2,198,270**	4,207,550	**–**	–	**–**	26,512	**2,198,270**	4,234,062
Reportable segment revenue	**2,946,349**	5,608,866	**3,783,142**	7,401,201	**528,306**	1,010,773	**56,353**	139,404	**7,314,150**	14,160,244
Reportable segment gross profit	**891,917**	1,606,349	**198,814**	352,613	**464,554**	872,873	**39,141**	83,202	**1,594,426**	2,915,037
Reportable segment assets	**–**	2,560,035	**–**	1,532,301	**–**	82,513	**–**	12,433	**–**	4,187,282

Results and assets of the segment below the quantitative thresholds ("All Others") in continuing operations and discontinued operations are mainly attributable to the watch accessories manufacturing businesses and the watch repairing and maintenance businesses, respectively.

During the year ended 31 December 2017, an impairment loss of RMB12,978,000 was recognised to fully reduce the carrying amount of the trademarks with indefinite useful lives allocated to All Others in continuing operations.

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

	Continuing operations		**Discontinued operations**		**Total**	
	2017	2016 (Restated)	**2017**	2016 (Restated)	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue						
Revenues for reportable segments	**1,943,645**	1,937,976	**7,257,797**	14,020,840	**9,201,442**	15,958,816
Revenue for other segments	**575,703**	488,512	**56,353**	139,404	**632,056**	627,916
Elimination of inter-segment revenue	**(80,326)**	(18,519)	**(2,198,270)**	(4,234,062)	**(2,278,596)**	(4,252,581)
Consolidated revenue	**2,439,022**	2,407,969	**5,115,880**	9,926,182	**7,554,902**	12,334,151
Profit						
Gross profit for reportable segments	**309,349**	300,838	**1,555,285**	2,831,835	**1,864,634**	3,132,673
Gross profit for other segments	**77,102**	75,728	**39,141**	83,202	**116,243**	158,930
	386,451	376,566	**1,594,426**	2,915,037	**1,980,877**	3,291,603
Other revenue	**24,802**	15,943	**64,069**	114,773	**88,871**	130,716
Other net income/(loss)	**14,649**	3,741	**6,794**	(347,516)	**21,443**	(343,775)
Distribution costs	**(251,871)**	(266,935)	**(1,168,902)**	(2,265,095)	**(1,420,773)**	(2,532,030)
Administrative expenses	**(137,958)**	(169,852)	**(99,185)**	(183,532)	**(237,143)**	(353,384)
Other operating income/(expenses)	**–**	1,050	**(3,260)**	(43,370)	**(3,260)**	(42,320)
Finance costs	**(59,931)**	(166,969)	**(37,435)**	(35,954)	**(97,366)**	(202,923)
Share of profits of joint ventures	**–**	–	**835**	1,617	**835**	1,617
Consolidated (loss)/profit before taxation	**(23,858)**	(206,456)	**357,342**	155,960	**333,484**	(50,496)

Assets	**2017** ***RMB'000***	2016 *RMB'000*
Assets for reportable segments (inventories)	**1,258,648**	5,622,619
Assets for other segments (inventories)	**122,962**	111,159
Elimination of unrealised inter-segment profit	**(7)**	(43,853)
	1,381,603	5,689,925
Trade, other receivables, prepayment and deposits	**619,522**	1,414,773
Cash and cash equivalents	**964,172**	2,942,229
Deposits with banks	**668,720**	–
Tax recoverable	**–**	3,575
Investment properties	**145,100**	37,311
Other property, plant and equipment	**387,268**	1,564,100
Intangible assets	**1,347**	73,758
Goodwill	**232,307**	455,827
Interest in joint ventures	**–**	58,323
Other investments	**398,724**	200,903
Deferred tax assets	**4,710**	142,394
Consolidated total assets	**4,803,473**	12,583,118

(iii) Geographic information

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

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

	2017	2016
		(Restated)
Revenue from external customers	***RMB'000***	*RMB'000*
Hong Kong	**1,784,580**	1,770,824
Taiwan	**166,242**	167,152
Mainland China	**488,200**	469,993
Revenue from discontinued operations:		
– Mainland China	**4,587,574**	8,915,409
– Hong Kong	**528,306**	1,010,773
Total	**7,554,902**	12,334,151

	2017	2016
Specified non-current assets	***RMB'000***	*RMB'000*
Hong Kong	**666,437**	549,021
Mainland China	**396,911**	1,713,812
Taiwan	**126,814**	141,779
Total	**1,190,162**	2,404,612

4. OTHER REVENUE AND NET INCOME/(LOSS)

	2017	2016 (Restated)
Other revenue	***RMB'000***	*RMB'000*
Continuing operations:		
Interest income	**14,623**	845
Government grants	**1,305**	1,771
Rental income from operating leases, other than those relating to investment properties	**618**	1,842
Rental income from investment properties	**1,220**	–
Others	**7,036**	11,485
	24,802	15,943
Discontinued operations:		
Interest income	**8,110**	15,674
Government grants	**39,337**	41,719
Rental income from operating leases, other than those relating to investment properties	**1,583**	3,786
Rental income from investment properties	**2,275**	4,286
Dividend income from unlisted investments	**–**	25,554
Others	**12,764**	23,754
	64,069	114,773
Other net income/(loss)		
Continuing operations:		
Impairment of goodwill *(note 9)*	**(23,059)**	–
Impairment of intangible assets	**(12,978)**	–
Net foreign exchange gain	**1,809**	21,653
Net loss on redemption and repurchase of senior notes *(note 16)*	**(31,292)**	(16,509)
Net gain/(loss) on disposal of other property, plant and equipment	**935**	(1,403)
Gain on disposal of a subsidiary	**79,234**	–
	14,649	3,741
Discontinued operations:		
Impairment of goodwill *(note 9)*	**–**	(314,395)
Net foreign exchange gain/(loss)	**6,931**	(33,034)
Net loss on disposal of other property, plant and equipment	**(137)**	(87)
	6,794	(347,516)

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	2017	2016 (Restated)
	RMB'000	*RMB'000*
Continuing operations:		
Interest on bank loans wholly repayable within five years	**18,747**	35,006
Interest on loans over five years	**–**	105
Interest on senior notes *(note 16)*	**35,706**	122,476
Bank charges	**5,478**	9,382
	59,931	166,969
Discontinued operations:		
Interest on bank loans wholly repayable within five years	**27,668**	30,834
Interest on other borrowings	**6,220**	–
Bank charges	**3,547**	5,120
	37,435	35,954

(b) Staff costs

	2017	2016 (Restated)
	RMB'000	*RMB'000*
Continuing operations:		
Salaries, wages and other benefits	**115,144**	146,193
Contributions to defined contribution retirement plans	**13,671**	9,667
	128,815	155,860
Discontinued operations:		
Salaries, wages and other benefits	**352,114**	524,901
Contributions to defined contribution retirement plans	**42,503**	87,616
	394,617	612,517

(c) Other items

	2017	2016 (Restated)
	RMB'000	*RMB'000*
Continuing operations:		
Amortisation of intangible assets	**512**	781
Depreciation of investment properties and other property, plant and equipment	**27,439**	34,298
Operating lease charges in respect of properties		
– minimum lease payments	**140,628**	160,744
– contingent rents	**2,536**	–
Auditors' remuneration	**1,573**	1,359
Cost of inventories#	**2,052,571**	2,031,403

	2017	2016 (Restated)
	RMB'000	*RMB'000*
Discontinued operations		
Amortisation of intangible assets	**5,870**	9,623
Depreciation of investment properties and other property, plant and equipment	**46,666**	106,114
Impairment of trade and other receivables	**3,260**	42,320
Operating lease charges in respect of properties		
– minimum lease payments	**57,305**	118,172
– contingent rents	**229,777**	438,261
Auditors' remuneration	**606**	2,741
Cost of inventories#	**3,521,454**	7,011,145

Cost of inventories in continuing operations and discontinued operations include RMB81,472,000 (2016 (restated): RMB93,166,000) and RMB635,000 (2016 (restated): RMB1,452,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges respectively, which amounts are also included in the respective total amounts disclosed separately above or in note 5(b) for each type of expenses.

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

(a) Continuing operations

(i) Taxation in the consolidated statement of profit or loss represents:

	2017	2016 (Restated)
	RMB'000	*RMB'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**2,975**	10,560
Over-provision in respect of prior years	**(2,804)**	(324)
	171	10,236
Current tax – Overseas		
Provision for PRC Corporate Income Tax for the year	**21,735**	3,412
Under-provision in respect of prior years	**–**	4,010
Provision for Taiwan Income Tax for the year	**16**	176
Withholding tax	**56,205**	29,662
	77,956	37,260
Deferred tax		
Origination and reversal of temporary differences	**(56,337)**	56,468
Total	**21,790**	103,964

(ii) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2017	2016 (Restated)
	RMB'000	*RMB'000*
Loss before taxation	**(23,858)**	(206,456)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**8,581**	(6,066)
Tax effect of non-taxable income	**(4,014)**	(514)
Tax effect of non-deductible expenses	**1,583**	778
(Over)/under-provision in respect of prior years	**(2,804)**	3,686
Withholding tax on profits distributions	**–**	90,502
Effect of tax losses not recognised	**18,444**	15,578
Actual tax expense	**21,790**	103,964

(b) Discontinued operations

(i) Taxation in the consolidated statement of profit or loss represents:

	2017	2016 (Restated)
	RMB'000	*RMB'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**1,176**	–
Over-provision in respect of prior years	**–**	(31)
	1,176	(31)
Current tax – Overseas		
Provision for Mainland China Income Tax for the year	**87,029**	146,138
Under/(over)-provision in respect of prior years	**2,330**	(265)
	89,359	145,873
Deferred tax		
Origination and reversal of temporary differences	**(7,274)**	(24,764)
	83,261	121,078

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

	2017	2016 (Restated)
	RMB'000	*RMB'000*
Profit before taxation	**357,342**	155,960
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**90,256**	108,746
Tax effect of non-taxable income	**(209)**	(7,040)
Tax effect of non-deductible expenses	**514**	5,247
Under/(over)-provision in respect of prior years	**2,330**	(296)
Effect of tax losses not recognised	**2,426**	14,421
Effect of reversal of tax losses previously recognised	**309**	–
Effect of recognition of tax losses previously not recognised	**(12,365)**	–
Actual tax expense	**83,261**	121,078

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

The provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year.

The applicable income tax rate of the Group's Mainland China subsidiaries is 25% (2016: 25%) for the year.

The provision for Taiwan income tax is calculated at 17% (2016: 17%) of the estimated assessable profits for the year.

7. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

	2017	2016
	RMB'000	*RMB'000*
Special dividend declared and paid of RMB0.25 per ordinary share (2016: RMB nil per ordinary share)	**1,170,866**	–
Final dividend proposed after the end of the reporting date of RMB nil per ordinary share (2016: RMB nil per ordinary share)	**–**	–
	1,170,866	–

(b) Share capital

(i) Authorised and issued share capital

	2017		2016	
	Number of shares	**Amount HK$**	Number of shares	Amount HK$
Authorised:				
Ordinary shares of HK$0.005 each	**10,000,000,000**	**50,000,000**	10,000,000,000	50,000,000
Issued and fully paid:				
At 1 January	**4,779,810,959**	**23,899,054**	4,779,810,959	23,899,054
Share repurchased	**(95,284,000)**	**(476,420)**	–	–
At 31 December	**4,684,526,959**	**23,422,634**	4,779,810,959	23,899,054
		Equivalent		Equivalent
		RMB'000		*RMB'000*
		22,429		22,841

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, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

Month/Year	**Number of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate price paid**
		HK$	*HK$*	*HK$'000*
June 2017	26,512,000	0.72	0.69	18,840
July 2017	68,772,000	0.72	0.67	48,162
				67,002
				Equivalent
				RMB'000
				57,970

The total amount paid on the repurchased shares of RMB57,970,000 was paid with cash consideration.

8. LOSSES PER SHARE

(a) Basic losses per share

The calculation of basic losses per share is based on the loss attributable to equity shareholders of the Company of RMB236,382,000 (2016: RMB321,378,000) and the weighted average of 4,730,187,957 ordinary shares (2016: 4,776,144,537 ordinary shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2017	2016
Issued ordinary shares at 1 January	**4,779,810,959**	4,779,810,959
Effect of shares repurchased *(note 7(b)(i))*	**(46,764,986)**	–
Effect of shares under share award scheme	**(2,858,016)**	(3,666,422)
Weighted average number of ordinary shares at 31 December	**4,730,187,957**	4,776,144,537

(ii) Consolidated loss attributable to ordinary equity shareholders of the Company

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Loss attributable to equity shareholders of the Company		
– continuing operations	**52,804**	318,805
– discontinued operations	**183,578**	2,573
	236,382	321,378

(iii) Losses per share

	2017	2016 (Restated)
Basic losses per share		
– continuing operations	**RMB0.011**	RMB0.066
– discontinued operations	**RMB0.039**	RMB0.001
	RMB0.050	RMB0.067

(b) Diluted losses per share

There were no dilutive potential ordinary shares during the years ended 31 December 2017 and 2016, and therefore, diluted losses per share are the same as basic losses per share.

9. GOODWILL

	RMB'000
Cost:	
At 1 January 2016	853,178
Reclassification to assets classified as held for sale	(303,633)
At 31 December 2016	549,545
At 1 January 2017	549,545
Disposals of discontinued operations *(note 17)*	(294,584)
At 31 December 2017	254,961
Accumulated impairment losses:	
At 1 January 2016	(82,956)
Impairment loss *(note 4)*	(314,395)
Reclassification to assets classified as held for sale	303,633
At 31 December 2016	(93,718)
At 1 January 2017	(93,718)
Exchange adjustments	405
Impairment loss *(note 4)*	(23,059)
Disposals of discontinued operations *(note 17)*	93,718
At 31 December 2017	(22,654)
Carrying amount:	
At 31 December 2017	232,307
At 31 December 2016	455,827

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:

	2017	2016
	RMB'000	*RMB'000*
Retail – Mainland China	**–**	200,866
Retail – Hong Kong	**171,163**	171,163
Retail – Taiwan	**–**	22,654
All Others	**61,144**	61,144
	232,307	455,827

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 3% to 13% (2016: 4.3% to 14.8%), growth rates in gross profit ratio ranging from 0% to 3% (2016: 0% to 3%), and a discount rate ranging from 14% to 15% (2016: 15% to 16.5%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. The growth rates are determined by management based on the performance of the relevant cash-generating units and their estimated future development.

Retail – Taiwan

During the year ended 31 December 2017, as a result of the decrease in number of mainland tourists visiting Taiwan, the profitability of certain retail business of the Taiwan segment was severely affected. Management estimated the recoverable amount of the cash-generating unit. As at 31 December 2017, the carrying amount of the cash generating unit has been reduced to its recoverable amount of approximately RMB71,067,000 and an impairment loss of RMB23,059,000 was recognised in respect of the cash generating unit which has been allocated to reduce the carrying amount of the goodwill.

10. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2017	2016
	RMB'000	*RMB'000*
Raw materials	**15,604**	29,149
Work in progress	**30,565**	36,279
Finished goods	**1,335,434**	5,624,497
	1,381,603	5,689,925
Reclassification to assets classified as held for sale	**–**	(82,513)
	1,381,603	5,607,412

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2017	2016
	RMB'000	*RMB'000*
Cash at bank and on hand	**964,172**	2,942,229
Reclassification to assets classified as held for sale	**–**	(150,657)
	964,172	2,791,572

12. DEPOSITS WITH BANKS

	2017	2016
	RMB'000	*RMB'000*
Deposits with original maturities over three months	**668,720**	–

13. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Current assets		
Trade receivables	**179,781**	1,051,939
Less: allowance for doubtful debts	**–**	(18,266)
	179,781	1,033,673
Prepayment and deposits	**148,957**	167,123
Other receivables	**265,368**	195,106
Amounts due from joint ventures	**–**	1,580
	594,106	1,397,482
Reclassification to assets classified as held for sale	**–**	(31,260)
	594,106	1,366,222
Non-current assets		
Prepayment and deposits	**25,416**	17,291
	619,522	1,383,513

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

(a) Ageing analysis

An ageing analysis of trade receivables (net of allowance for doubtful debts) at the end of the reporting period, based on the payment due date is as follows:

	2017	2016
	RMB'000	*RMB'000*
Current	**176,941**	939,657
Less than 1 month past due	**73**	64,251
1 to 3 months past due	**–**	14,634
More than 3 months but less than 12 months past due	**6**	12,000
More than 12 months past due	**2,761**	3,131
	2,840	94,016
	179,781	1,033,673

Trade receivables are due within 30 to 90 days from the date of billing.

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Impairment losses on trade receivables are assessed and provided based on management's estimate of the specific element of the expected credit losses to be incurred, which is estimated by taking into account the credit history of the respective debtors, which include the landlords of certain in-store shops, and other current market and customer-specific conditions and a collective element of ageing and historical experience to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is objective evidence of a recovery in the value of receivables which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**18,266**	18,808
Impairment loss recognised	**2,009**	5,526
Reversal of impairment loss upon receipts	**(2,779)**	(5,357)
Uncollectible amounts written off	**–**	(711)
Disposals of discontinued operations *(note 17)*	**(17,496)**	–
At 31 December	**–**	18,266

(c) **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:

	2017	2016
	RMB'000	*RMB'000*
Current	**176,941**	939,657
Less than 1 month past due	**73**	56,571
1 to 3 months past due	**–**	13,761
More than 3 months but less than 12 months past due	**6**	7,893
More than 12 months past due	**2,761**	1,804
	2,840	80,029
	179,781	1,019,686

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

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**162,035**	1,234,330
Other payables and accrued expenses	**81,147**	375,283
Advance receipts from customers	**15,582**	46,758
	258,764	1,656,371
Reclassification to liabilities classified as held for sale	**–**	(32,481)
	258,764	1,623,890

The ageing analysis of trade payables based on invoice date is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**133,578**	895,782
Over 1 month but less than 3 months	**8,095**	314,312
Over 3 months but less than 12 months	**20,075**	12,148
Over 12 months	**287**	12,088
	162,035	1,234,330

15. BANK LOANS

As at 31 December 2017, the bank loans were repayable as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year or on demand	**24,838**	2,641,387
After 1 year but within 2 years	**3,755**	158,213
After 2 years but within 5 years	**11,678**	13,500
After 5 years	**68,849**	72,236
	84,282	243,949
	109,120	2,885,336

As at 31 December 2017, the bank loans were secured as follows:

	2017	2016
	RMB'000	*RMB'000*
Bank loans within one year or on demand		
– Secured	**3,687**	541
– Unsecured	**21,151**	2,640,846
	24,838	2,641,387
Bank loans after one year		
– Secured	**84,282**	90,095
– Unsecured	**–**	153,854
	84,282	243,949
	109,120	2,885,336

The secured bank loans are all drawn down under certain bank facilities secured by mortgages over certain land and buildings of the Group with an aggregate carrying value of RMB116,200,000 (2016: RMB113,839,000).

As at 31 December 2016, all of the Group's banking facilities were subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. As at 31 December 2016, none of the covenants relating to drawn down facilities had been breached. As at 31 December 2017, the banking facilities were not subject to the fulfilment of the covenants based on the lending arrangements with financial institutions.

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 would mature on 29 January 2018, unless redeemed earlier in accordance with the terms of the Notes.

All of the outstanding Notes were redeemed in full on 26 July 2017 ("the Redemption Date") at a redemption price equal to 101.5625% of the principal amount thereof, plus accrued and unpaid interest, if any, to (but not including) the Redemption Date.

The movement of the Notes is set out as follows:

	RMB'000
At 1 January 2016	2,288,436
Interest charged	122,476
Derecognised due to repurchase by the Company	(47,108)
Derecognised due to redemption by the Company	(863,166)
Interest paid	(115,825)
Foreign exchange loss	1,096
Foreign currency translation difference	113,290
At 31 December 2016	1,499,199
At 1 January 2017	1,499,199
Interest charged	35,706
Derecognised due to redemption by the Company	(1,437,235)
Interest paid	(72,718)
Foreign exchange loss	4,844
Foreign currency translation difference	(29,796)
At 31 December 2017	–

A loss of RMB31,292,000 was recognised on redemption of senior notes in the Group's consolidated statement of profit or loss, being the difference between the carrying amount of senior notes redeemed and the consideration paid, plus the transaction costs incurred.

17. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATION

As disclosed in note 3, on 30 December 2016, the Group entered into a sale and purchase agreement to dispose of its equity interest in the Disposal Group. The disposal was completed on 28 June 2017, on which date control of the Disposal Group passed to the acquirer. As at 31 December 2016, assets and liabilities held for sale only covered Harvest Max as the VSD transaction was then subject to independent shareholders' approval and the Group considered that even if the VSD transaction would not receive approval, the Group would continue to dispose of Harvest Max and/or its assets, for which independent shareholders' approval was not required.

The consolidated profit for the period/year from the discontinued operations is set out below. The comparative figures in the consolidated statement of profit or loss have been restated.

	2017	2016
		(Restated)
	RMB'000	*RMB'000*
Profit for the period/year from discontinued operations	**274,081**	34,882
Loss on disposal of discontinued operations	**(393,513)**	–
	(119,432)	34,882

(a) Analysis of the results of discontinued operations is as follows:

	Note	**2017** ***RMB'000***	2016 (Restated) *RMB'000*
Revenue	*3*	**5,115,880**	9,926,182
Cost of sales		**(3,521,454)**	(7,011,145)
Gross profit		**1,594,426**	2,915,037
Other revenue	*4*	**64,069**	114,773
Other net income/(loss)	*4*	**6,794**	(347,516)
Distribution costs		**(1,168,902)**	(2,265,095)
Administrative expenses		**(99,185)**	(183,532)
Other operating expenses		**(3,260)**	(43,370)
Profit from operations		**393,942**	190,297
Finance costs	*5(a)*	**(37,435)**	(35,954)
Share of profits of joint ventures		**835**	1,617
Profit before taxation	*5*	**357,342**	155,960
Income tax	*6(b)*	**(83,261)**	(121,078)
Profit for the period/year		**274,081**	34,882
Attributable to:			
Equity shareholders of the Company		**209,935**	(2,573)
Non-controlling interests		**64,146**	37,455
		274,081	34,882

(b) Analysis of the cash flows of discontinued operations is as follows:

	2017 ***RMB'000***	2016 (Restated) *RMB'000*
Net cash generated from operating activities	**942,034**	777,246
Net cash generated from/(used in) investing activities	**602,360**	(412,151)
Net cash used in financing activities	**(2,028,705)**	(348,943)
Net cash (used in)/generated from discontinued operations	**(484,311)**	16,152

(c) Analysis of assets and liabilities of the Disposal Group is as follows:

	2017
	RMB'000
Investment properties	**55,539**
Other property, plant and equipment	**937,260**
Intangible assets	**57,672**
Goodwill	**200,866**
Interest in joint ventures	**58,539**
Other investments	**797**
Deferred tax assets	**137,326**
Inventories	**3,913,265**
Trade and other receivables	**1,184,251**
Cash and cash equivalents	**1,115,054**
Trade and other payables	**(1,806,290)**
Bank loans	**(1,485,000)**
Current taxation	**(39,790)**
Deferred tax liabilities	**(77,445)**
Net assets disposed of	**4,252,044**
Loss on disposal of discontinued operations:	
Consideration received in cash	**3,467,885**
Net assets disposed of	**(4,252,044)**
Non-controlling interests	**580,313**
Withholding tax in relation to the disposal of Xinyu Group	**(137,475)**
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on disposal of the subsidiaries	**(52,192)**
	(393,513)
Net cash inflow arising from disposal:	
Consideration received in cash	**3,467,885**
Cash and cash equivalents disposed of	**(1,115,054)**
	2,352,831

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL REVIEW

The Group maintained a sound and stable financial position.

Material Investment, Acquisition and Disposal

The Company has completed a very substantial disposal and connected transaction during the year under review. The Company sold to Mr. Zhang Yuping, the chairman and executive director of the Company, 100% interests in 上海新宇鐘錶服務有限公司 (translated as Shanghai Xinyu Fine Watch Service Co., Ltd. for illustration only), and 75.54% interests in Harvest Max Holdings Limited, at an aggregate cash consideration of approximately RMB3.5 billion. The purposes which were taken into consideration by the Company at the time of the disposal were mainly to release the Company's high risk in its financial position and focus on high potential growth segments including the luxurious niche brands. The Company believes that the disposal will effectively reduce the Group's financial risks and currency risks as well as achieve a healthier financing model to ensure the safety of the Company and lay a new foundation for future development. For further information on the disposal, please see the circular titled "Very Substantial Disposal and Connected Transaction" dated 29 March 2017 and the notes to the financial statements attached hereto.

After the completion of the disposal, the Group's current businesses mainly cover the sales of internationally renowned watches in Hong Kong, Macau and Taiwan and the manufacturing of watch accessories. The items stated hereinafter are all within this scope of business.

Revenue

For the year ended 31 December 2017, the Group recorded revenue of RMB2,439,022,000 (2016: RMB2,407,969,000), representing a year-on-year increase of 1.3%, among which retail sales amounted to RMB1,943,307,000 (2016: RMB1,937,976,000), representing a year-on-year increase of 0.3%; the revenue from watch accessories and other businesses amounted to RMB495,715,000 (2016: RMB469,993,000), representing a year-on-year increase of 5.5%.

In 2017, global and Chinese economies presented trends of recovery with return of economic slowdown seen in the first half of the year and gradual recovery seen in the second half of the year, showing an overall stable and sound environment. Therefore, the Group's sale of watches improved and its watch accessories business continued to be prosperous.

Breakdown of revenue (for the year ended 31 December 2017):

	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Retail Business				
Hong Kong	**1,777,065**	**72.9**	1,770,824	73.6
Taiwan	**166,242**	**6.8**	167,152	6.9
Watch accessories manufacturing and others	**495,715**	**20.3**	469,993	19.5
Total	**2,439,022**	**100**	2,407,969	100

Gross Profit and Gross Profit Margin

For the year ended 31 December 2017, the Group's gross profit showed a 2.6% year-on-year increase and reached approximately RMB386,451,000 (2016: RMB376,566,000). Gross profit margin was approximately 15.8% (2016: 15.6%), representing a year-on-year increase of 20 bps. The increase in gross profit and gross profit margin was mainly due to the further improvement of management level.

Loss for the Year

The Group recorded loss of approximately RMB165,080,000 during the year (2016: approximately RMB275,538,000), representing a year-on-year decrease of 40.1%. Loss attributable to equity shareholders amounted to approximately RMB236,382,000 (2016: approximately RMB321,378,000, showing a year-on-year decrease of 26.4%. Loss for the year was mainly due to the deduction of non-recurring profits tax on the disposal, redemption of senior notes and impairment on goodwill etc.

Financial Status and Net Debt to Equity Ratio

The Group maintained a sound and stable financial position. As at 31 December 2017, the Group had total equity of RMB4,433,698,000 (2016: RMB6,366,449,000) and net current assets of RMB3,324,446,000 (2016: RMB4,999,574,000), with cash and cash equivalents and deposits with banks of RMB1,632,892,000 (2016: RMB2,791,572,000) and total bank loans of RMB109,120,000 (2016: RMB2,885,336,000). As at 31 December 2017, bank loans amounted to RMB21,151,000 (2016: RMB1,251,000,000) bore interests at fixed rates ranging from 1.66% to 2.24% (2016: 3.90% to 5.00%), and the remaining bank loans bore interests at floating rates ranging from 1.75% to 2.11% (2016: 1.66% to 2.56%). As at 31 December 2017, approximately 0% (2016: 43%), 0% (2016: 20%), 0% (2016: 32%) and 100% (2016: 5%) of bank loans were denominated in RMB, HKD, USD and NTD, respectively. During the year under review, there was no sign of significant changes in the Group's demand for loans in a particular quarter. The maturity profile of bank loans is set out in note 15 to the announcement.

As at 31 December 2017, the Group's total debt amounted to RMB109,120,000 (2016: RMB4,384,535,000). The net debt to equity ratio of the Group was zero (2016: 22.7%) (Net debt is defined as total debt (which includes total interest-bearing borrowings) less cash and cash equivalents and deposits with banks), which established a solid foundation for the further business expansion of the Group.

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

Foreign Exchange Risk

The Group's transactions are mainly denominated in HKD, RMB and NTD. 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 2017, the Group had land and buildings equivalent to RMB116,200,000 (2016: RMB113,839,000) pledged as securities for mortgage.

Contingent Liabilities

As at 31 December 2017, the Group had no material contingent liabilities (2016: nil).

Current Assets

As at 31 December 2017, the current assets of the Group amounted to approximately RMB3,608,601,000 (2016: RMB10,038,700,000), comprising inventories of approximately RMB1,381,603,000 (2016: RMB5,607,412,000), trade and other receivables of approximately RMB594,106,000 (2016: RMB1,366,222,000), cash and cash equivalents and deposits with banks of approximately RMB1,632,892,000 (2016: RMB2,791,572,000).

As at 31 December 2017, cash and cash equivalents of approximately 5% (2016: 51%), 94% (2016: 48%) and 1% (2016: 1%) were denominated in RMB, HKD and other currencies, respectively.

Current Liabilities

As at 31 December 2017, the current liabilities of the Group amounted to approximately RMB284,155,000 (2016: RMB5,039,126,000), comprising bank loans of approximately RMB24,838,000 (2016: RMB2,641,387,000), trade and other payables of approximately RMB258,764,000 (2016: RMB1,623,890,000), and current tax payable of approximately RMB553,000 (2016: RMB32,196,000).

Capital Structure

The Company's capital structure is composed of issued share capital, reserves and accumulated profits. As at 31 December 2017, the issued share capital of the Company was 4,684,526,959 shares (2016: 4,779,810,959 shares), with reserves and accumulated profits of RMB4,354,075,000 (2016: RMB5,723,456,000) in total.

Final Dividend

The Board does not recommend the payment of any final dividend for the financial year ended 31 December 2017 (2016: nil).

II. BUSINESS REVIEW

During the year under review, the Group's business was primarily focused on the sale of internationally renowned branded watches, comprehensive related customer services and maintenance in Hong Kong, Macau and Taiwan, watch accessories manufacturing and e-commerce.

Retail Network

The Group's retail network is mainly located in Hong Kong, Macau and Taiwan where retail stores mainly included "Elegant", "Hengdeli", and certain single-brand boutiques. "Elegant" stores are mainly located in Hong Kong, selling high-end internationally renowned branded watches, while "Hengdeli" stores are mainly located in Taiwan, selling mid-end and mid-to-high-end internationally renowned branded watches. Following adjustments and optimization, the Group operated a total of 61 retail outlets in Hong Kong, Macau and Taiwan as at 31 December 2017, details of which are set out below:

	As at 31 December 2017		
	Hong Kong and Macau	**Taiwan**	**Total**
Elegant	5	1	6
Hengdeli	–	30	30
Brand boutiques	6	19	25
Total	11	50	61

The Group has maintained sound business relationships with many world-renowned brand watch suppliers over the years, including SWATCH Group, LVMH Group, RICHEMONT Group and KERING Group, etc. As at 31 December 2017, the Group was engaged in the distribution of over 50 international brands from the above four major brand suppliers and other independent watchmakers, including Breguet, Blancpain, Bulgari, Cartier, Girard-Perregaux, Harry Winston, IWC, Jaeger-LeCoultre, Longines, Mido, Omega, Parmigiani, Vacheron-Constantin, Tissot, Zenith, and Hublot, etc. During the year under review, the Group continued to step up its efforts in adjusting the brands to optimize its brand portfolio, paving the way for long-term business development and stabilizing overall sales performance.

In 2017, the overall economic situation in the world and in China has been steady and positive, showing signs of economic recovery. As the Group has adhered to its established policy of steady and healthy growth, making the best use of opportunities and seeking long-term development based on existing businesses so as to proactively seek breakthroughs, overall retail sales increased by 0.3% as compared with the same period of last year.

Hong Kong and Macau

The Group's retail business in Hong Kong mainly focuses on high-end brands, including Blancpain, Breguet, Bulgari, Cartier, Chopard, Richard Mille, Franck Muller, Girard-Perregaux, Harry Winston, IWC, Jaeger-LeCoultre, Omega, Panerai, Piaget, Parmigiani, Vacheron Constantin, Zenith, GlashÜtte Original, Ulysse Nardin, Jaquet Droz, Breitling, etc. To adapt to the changes in the mix and consumption patterns of visitors to Hong Kong in recent years, the Group also started to deploy multi-layer brand positioning in Hong Kong, introducing certain mid-to-high-end brands and marketing many well-known brands from independent international watchmakers such as Urwerk, HYT, Christophe Claret, Greubel Foresy and MB&F, in order to expand market share and maintain its leading position in Hong Kong.

As at 31 December 2017, the Group operated a total of 11 retail outlets in Hong Kong, of which 5 were multi-brand "Elegant" shops and 6 were single-brand boutiques or image stores, mainly located in prime commercial districts such as Tsim Sha Tsui, Central and Causeway Bay. During the year under review, an "Elegant" multi-brand shop was opened on Yun Ping Road, Causeway Bay where has all long been a commercially prosperous district. The opening of this shop contributes to the increase of the Group's sales in Hong Kong.

During the year under review, Hong Kong's political and economic atmosphere continued to improve, attracting more visitors to Hong Kong and leading to positive consumer sentiment, which has injected new vitality into the retail industry in Hong Kong. Under the favorable economic environment, the Group's sales in Hong Kong recovered steadily, reversing the continuous decline in recent years. Moreover, the profit also better improved in light of the continuingly enhanced operation and management level.

During the year, the Group focused on refined operation management by merging of single-brand boutiques to lower operating cost, while strengthening 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. Meanwhile, the Group continued to strengthen its marketing campaigns. Resources were committed to collaborating 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 used to establish and maintain sound interaction with consumers, aiming to enhance their awareness of and loyalty for Elegant, and hence to uplift the international reputation of the "Elegant" brand.

According to the relevant statistics released by the Census and Statistics Department of Hong Kong, the retail market in Hong Kong has regained its momentum and the number of visitors to Hong Kong and local consumption demands are increasing. It is expected that the economic recovery in 2018 will be more remarkable, providing good preconditions for the Group's development in Hong Kong. In the coming year, the Group will continue to tap into its full potential and explore and enhance in various ways the cooperation with brand suppliers. The Group will leverage on its own advantages and seize business opportunities at the new historical starting point to explore for more market share and profits.

The business environment in Macau has also witnessed continued positive changes during the year under review. The number of visitors to Macau and the consumption level are gradually increasing, driving the material performance growth of the lottery business and high-end retail business in Macau. According to the statistics released by the Macau Government, the revenue of Macau recorded a double-digit year-on-year increase and the lottery industry has shown the signs for a better future. All these will no doubt facilitate the rapid development of local tourism industry and retail business.

During the year under review, the Group entered into a lease agreement with a famous international hotel in Macau for opening an internationally renowned watch retail shop. As at the date hereof, the shop was open. The Group believes that under the good momentum in the macro economy, the Group's sales in Macau will show a healthy growth along with that in Hong Kong.

Taiwan

During the year under review, the Group's retail business in Taiwan was in the process of network building and nurturing, focusing on the sales of mid-end and mid-to-high-end watch brands. The Group operated a total of 50 retail outlets in Taiwan as at 31 December 2017 which were mainly located in prime districts including Taipei, Taichung, Kaohsiung, Hsinchu and Chiayi. Except for one "Elegant" shop which sells top-end watches and the Omega and IWC 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.

During the year under review, the retail sector in Taiwan remained stable and did not have much change compared to that of last year. The main sales target is still local customers. The Group opened an "Elegant" store at Section 5, Chungshiao East Road in the downtown area of Taipei in May 2017. The store was a self-owned property. The opening of the store saves a considerable amount of rental costs, driving sales growth, increasing the Group's market share in the Taiwan region while embodying the Group's strategic goal of in-depth development in the Taiwan region.

In view of the current situation, it is anticipated that there will be no material changes in sales in Taiwan in 2018. The Group will strive for development in a steady state, further improve the network building of retail outlets, promote the improvement of management level and lay a solid foundation for the sales peak.

Customer Service and Maintenance

The Group fully recognizes that customer relationship is one of the core competitiveness of the Group, so "Cutting-edge technology, efficient management, and considerate services" are the solemn commitments made by the Group to consumers, providing customers with assurance and confidence. The continuing training provided by brand suppliers to the Group's technical personnel, and the human resources policy of recruiting talents worldwide have ensured the Group to have its own elite technicians and maintain word-class cutting edge of maintenance expertise.

The watch repair and maintenance centers located in Hong Kong and Taiwan ensure timely delivery of all-round after-sale services to customers. During the year under review, the Group renovated the repair and maintenance centers in Hong Kong and engaged top international watch technicians to provide international first-rate watch repair and maintenance services to customers so as to strive for perfection in customer service.

Business of the Discontinued Operations

The Company completed a very substantial disposal and connected transaction on 28 June 2017. The Company sold to Mr. Zhang Yuping, the chairman and executive director of the Company, 100% interests in 上海新宇鐘錶服務有限公司 (translated as Shanghai Xinyu Fine Watch Service Co., Ltd. for illustration only), and 75.54% interests in Harvest Max Holdings Limited ("Harvest Max"). The sold businesses mainly include the sale and maintenance of watches in Mainland China and the Harvest Max segment.

The sale of watches includes retail and brand distribution. The retail outlet "Prime Time" has been positioned to sell mid-end and mid-to-high-end internationally renowned branded watches in Mainland China, including Hamilton, Certina, Tissot, and Mido. Harvest Max is primarily engaged in sales of jewelries and a small quantity of watches. The Group's business in Mainland China and the business of Harvest Max have seen stable increase during the year under review.

Watch accessories industrial chain

The Group has a rather mature industrial chain for watch accessories manufacturing, mainly spanning from the manufacturing of watch packaging products to commercial space design, production and decoration. The factories are mainly located in Shanghai, Guangzhou and Dongguan. Our branches and subsidiaries have earned a solid reputation in their respective fields, forming tight relationships, mutual trust and interest sharing with brand suppliers. A wide customer base covering China, Switzerland, the United States and other nations in the Asia Pacific region etc. has been established.

In light of the Group's proactive and progressive strategy, the Group's watch accessories business continued to grow constantly during the year under review. With the increasing investment and the enriching customer resources, the Group has also collaborated more closely with brand suppliers. With the Group's export business increasing stably, the concept of "one-stop commercial space" (one-stop design, production and decoration) is being accepted by more and more brand suppliers in the industry. During the year under review, the Group's two new factories located in Suzhou and Guangzhou respectively have been formally put into operation, and both are designed in compliance with the latest requirements of "Environmental Impact Assessment (EIA)". Meanwhile, highly qualified specialists are engaged for technical innovation. Through unremitting efforts, the manufacture and sale of Group's accessories has kept a good momentum of growth, increasing 6% as compared with the same period of last year. The overall market competitiveness has achieved a better result.

"Made in China 2025" has formed a prototype since its announcement and implementation two years ago. In the coming year, the Group will actively respond to the Chinese government's industrial strategy, fully seize the development opportunities brought by the Industry 4.0, and further strengthen the industrial management together with technical R&D and innovation. The Group will actively promote the use of automated and semi-automated production technology to improve labor productivity, and continue to develop new techniques and new products to meet the market demands. The Group believes that the watch accessories industrial chain has become an indispensable part in the business of the Company, which safeguards the sustainable business development of the Company, and will prosper along with the watch sales business.

III. OUTLOOK

At present, the global economy has begun to fully recover. The revolution of new scientific technology, consumption upgrading, the Belt and Road initiative, and the new economic era in which China's economy has been transforming from rapid development to high-quality development will create a new era of global economy and thus bring new development opportunities to other Southeast Asian regions including Hong Kong and Macau and also bring good prospects to the Company. By continuously leveraging its core competitiveness, the Group will continue to identify new opportunities to achieve breakthroughs and expand business in the new economic era.

Amidst the new economic environment, the Group will adopt a practical and realistic approach and strive for progress by sticking to the principle of "maintaining stable and healthy growth and seeking sustainable development". The Group will endeavor to keep its renowned watch sales healthy and stable and will step up efforts in promoting watch accessories manufacturing and other businesses, and on the other hand, standing on a new starting point, we will also put our heads together and explore different possibilities in order to engage in more in-depth cooperation with brand suppliers and international peers through various ways, continue to expand our business coverage, diversify our business models and seek for newer and broader development for the Group in order to create greater value for both our shareholders and community at large.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 8 May 2018 to Friday, 11 May 2018 (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, at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 7 May 2018.

PURCHASE, SALE OR REPURCHASE OF SECURITIES

During the year under review, the Company repurchased a total of 95,284,000 (2016: nil) shares listed on the Stock Exchange by way of acquisition from the market. The total consideration paid was approximately HKD67,002,000, including related expenses. The details are as follows:

Date of repurchase of shares	Number of shares repurchased	Highest price per share paid (HKD)	Lowest price per share paid (HKD)	Approximate aggregate consideration (HKD) (excluding related expenses)
1 June	6,512,000	0.70	0.69	4,555,480
27 June	4,000,000	0.72	0.71	2,860,000
28 June	4,000,000	0.72	0.71	2,860,000
29 June	6,000,000	0.72	0.70	4,260,000
30 June	6,000,000	0.72	0.70	4,260,000
3 July	13,956,000	0.71	0.67	9,601,560
4 July	3,300,000	0.70	0.69	2,290,000
5 July	6,000,000	0.70	0.70	4,200,000
6 July	4,000,000	0.70	0.70	2,800,000
7 July	4,000,000	0.70	0.70	2,800,000
10 July	2,000,000	0.71	0.71	1,420,000
11 July	2,000,000	0.70	0.70	1,400,000
12 July	2,000,000	0.70	0.70	1,400,000
13 July	2,000,000	0.70	0.70	1,400,000
14 July	11,512,000	0.72	0.70	8,155,120
17 July	2,000,000	0.70	0.70	1,400,000
19 July	4,704,000	0.69	0.68	3,225,760
20 July	3,792,000	0.70	0.69	2,621,480
21 July	7,508,000	0.71	0.69	5,270,440

All the above repurchased shares had been cancelled on 15 June 2017, 6 July 2017 and 27 July 2017, respectively. 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, the Company redeemed its outstanding senior notes in the principal amount of USD211,428,000 in two tranches for a total consideration of USD218,746,000. The above senior notes were issued in 2013 and shall become due in 2018 with an interest rate of 6.25% per annum. As at 31 December 2017, all the senior notes of the Company have been fully redeemed and the listing status of the notes has been revoked.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities as at 31 December 2017.

As at 31 December 2017, the issued share capital of the Company was 4,684,526,959 shares (2016: 4,779,810,959 shares).

AUDIT COMMITTEE AND SCOPE OF WORK OF KPMG

The Company has established an audit committee in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (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, financial reporting, risk management and control matters, which included a review on the audited annual results for the year ended 31 December 2016 and the 2017 interim report. According to the terms of reference of the audit committee adopted and implemented by the Company, the audit committee is responsible for reviewing the accounting principles and practices adopted by the Company as well as material extraordinary items, internal controls and financial reporting matters, and the duties of risk management and control.

During the year, the audit committee of the Company held meetings on 29 March and 22 August 2017 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.

The final results of the Company for the year ended 31 December 2017 have been reviewed by the Audit Committee of the Company. The financial figures in this announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditor, KPMG, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with *Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements* issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on this announcement.

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.

The remuneration committee held one meeting during the year to review matters related to the remuneration structure of the Directors and senior management of the Company, and implementation of share award scheme. 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 three Directors including 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.

The nomination committee held one meeting during the year to review the structure, size and composition of the Board of the Company as well as 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 long term development of our shareholders, customers, employees as well as 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 (the "Corporate Governance Code") as set out in Appendix 14 to 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 year under review. Given the existing corporate structure, the roles of 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 after consultation with the Board and, where applicable, by 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 of the Group comprises three executive Directors (Messrs. Zhang Yuping (Chairman of the Group), Huang Yonghua and Lee Shu Chung, Stan), two non-executive Directors (Mr. Shi Zhongyang and Ms. Chen Jun) 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.

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

Cai Jianmin: 26/9/2017-25/9/2020;
Wong Kam Fai, William: 26/9/2017-25/9/2020;
Liu Xueling: 01/6/2016-31/5/2019.

The two non-executive Directors have professional expertise and extensive experience in the areas of law, business administration and asset management, respectively. They 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. Their terms of office are as follows:

Shi Zhongyang: 15/2/2018-14/2/2021;
Chen Jun: 30/6/2016-31/5/2019.

Duties of the Board

The Board of the Company is accountable 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 the general manager of the Company and determine his or her remuneration.

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 accountable 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.

Risk Management and Internal Control

The Group has established effective risk management and internal control systems to provide reasonable (though not absolute) assurance against material misstatement or loss and to manage (rather than eliminate) risks of failing to achieve business objectives. The Board shall be responsible for the risk management and internal control systems and reviewing their effectiveness.

In order to ensure the interests of our shareholders, the Group established an enterprise risk management framework to provide top-down and bottom-up approaches to identify, assess, mitigate and monitor key risks in a proactive and structured manner. The Group established departments dedicated to the supervision and risk control of finance and business operation including an internal audit department. Such departments set up annual internal audit plan and are responsible for performing daily and special internal audit procedures in aspects relating to business operation, financial reporting and compliance control and in accordance with the targets set by the senior management, which includes conducting 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. Such departments will report the audits and examinations results to the audit committee and the Board for them to assess control of the Company and the effectiveness of risk management, any significant failing or weaknesses in internal control, and to take necessary actions promptly to remedy any significant failings or weaknesses. If necessary, such departments will follow up regularly on remedial actions in response to significant failings or weaknesses.

The Company has established disclosure mechanism regarding the procedures of proper information disclosure to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

The audit committee and the Board have reviewed the effectiveness of the internal control systems of the Group and completed the annual review on the risk management and internal control systems (including their effectiveness). Based on the reviews made by independent review organisation and the Group's self-assessment 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 2017, a total of eight meetings were held by the Board. Further, an annual general meeting and an extraordinary general meeting were held, respectively. 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 extraordinary general meeting	Rate of attendance	Remarks	Frequency of attendance at the annual general meeting	Rate of attendance	Remarks
Zhang Yuping	7	87.5%	Abstain	0	0	Abstain	1	100%	
Huang Yonghua	8	100%		1	100%		1	100%	
Lee Shu Chung, Stan	8	100%		1	100%		1	100%	
Cai Jianmin	8	100%		1	100%		1	100%	
Shi Zhongyang	5	62.5%	Abstain	0	0	Abstain	0	0	By proxy
Chen Jun	8	100%		0	0		1	100%	
Wong Kam Fai, William	8	100%		1	100%		0	0	On business
Liu Xueling	8	100%		1	100%		1	100%	

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 the requirements under 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 of the Company attended relevant training in accordance with the Listing Rules and 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	✓	✓	✓	✓
Chen Jun	✓	✓	✓	✓

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 remained independent.

SECURITIES TRANSACTIONS BY DIRECTORS

The Board 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 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, 20 March 2018

As at the date of this announcement, the executive Directors are Mr. Zhang Yuping (Chairman), Mr. Huang Yonghua and Mr. Lee Shu Chung, Stan; the non-executive Directors are Mr. Shi Zhongyang and Ms. Chen Jun; and the independent non-executive Directors are Mr. Cai Jianmin, Mr. Wong Kam Fai, William and Mr. Liu Xueling.