亨得利
HENGDELI

Hengdeli Holdings Limited
亨得利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3389

Annual Report 2009

Carry on the Century-old Classic

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Corporate Profile

With effect from 11 September 2009, the name of the Company has been changed from "Xinyu Hengdeli Holdings Limited 新宇亨得利控股有限公司" to "Hengdeli Holdings Limited 亨得利控股有限公司". The brand "Hengdeli" has a long history and has established a distinguished reputation among consumers. The Group believes this name change symbolizes the mark of a new chapter.

Hengdeli Holdings Limited ("the Company" or "Hengdeli") and its subsidiaries, (collectively as "the Group") is the world's largest watch retailer of internationally renowned brands. Its shareholders include the Zhang's family, The Swatch Group Limited, the world's largest watch manufacturer and distributor, and the LVMH Group, the world's largest luxury goods conglomerate.

With internationally renowned watches as core focus, the distribution of a portfolio comprising middle-to-high-end consumables remains the strategic development direction of the Group.

The Group owns an extensive retail network which comprises: XINYU ELEGANT (the top-grade internationally renowned brand name watches), PRIME TIME/HENGDELI (the middle-to-high-end internationally renowned brand name watches) and TEMPTATION (high-end fashionable watches) and single-brand boutiques. As at the end of the reporting period, the Group had 270 retail outlets, selling more than 50 internationally renowned brand name watches in Mainland China, Hong Kong and Taiwan. The Group has more than 300 wholesale customers in over 50 major cities in the PRC.

The Group provides the most excellent after-sale warranty services within the Greater China region and has successfully developed the business of provision of the augmented products within the industry.

The Group has maintained sound business relationships with the suppliers of the world's truly premier brands such as the Swatch Group, the LVMH Group, the Richemont Group and the Rolex Group etc. The Group is engaged in the distribution of numerous internationally acclaimed watch brands on both exclusive and non-exclusive basis.

The Group owns OMAS, an international luxury brand, and the famous Swiss watch brands such as NIVADA, OLMA and NUMA JEANNIN.

The Company has been listed on the Main Board of the Hong Kong Stock Exchange since September 2005 with the stock code 3389. The stock name abbreviation is Hengdeli.

Highlights of Brands sold at Hengdeli Group

JAEGER-
LECOULTRE

IWC

CARL F.
BUCHERER

CARTIER

VACHERON
CONSTANTIN

FRANCK
MULLER

CARL F. BUCHERER
EDOX
ENICAR
CARVEN
CYMA
CLAUDE BERNARD

BALL
GUCCI
MAURICE LACROIX
ORIS
RAYMOND WEIL
TITONI
BEDAT & CO.
BVLGARI

BREITLING
FRANCK MULLER
HERMES
GIRARD PERREGAUX
GRAND SEIKO
JEANRICHARD
MONTBLANC
PARMIGIANI
ULYSSE NARDIN

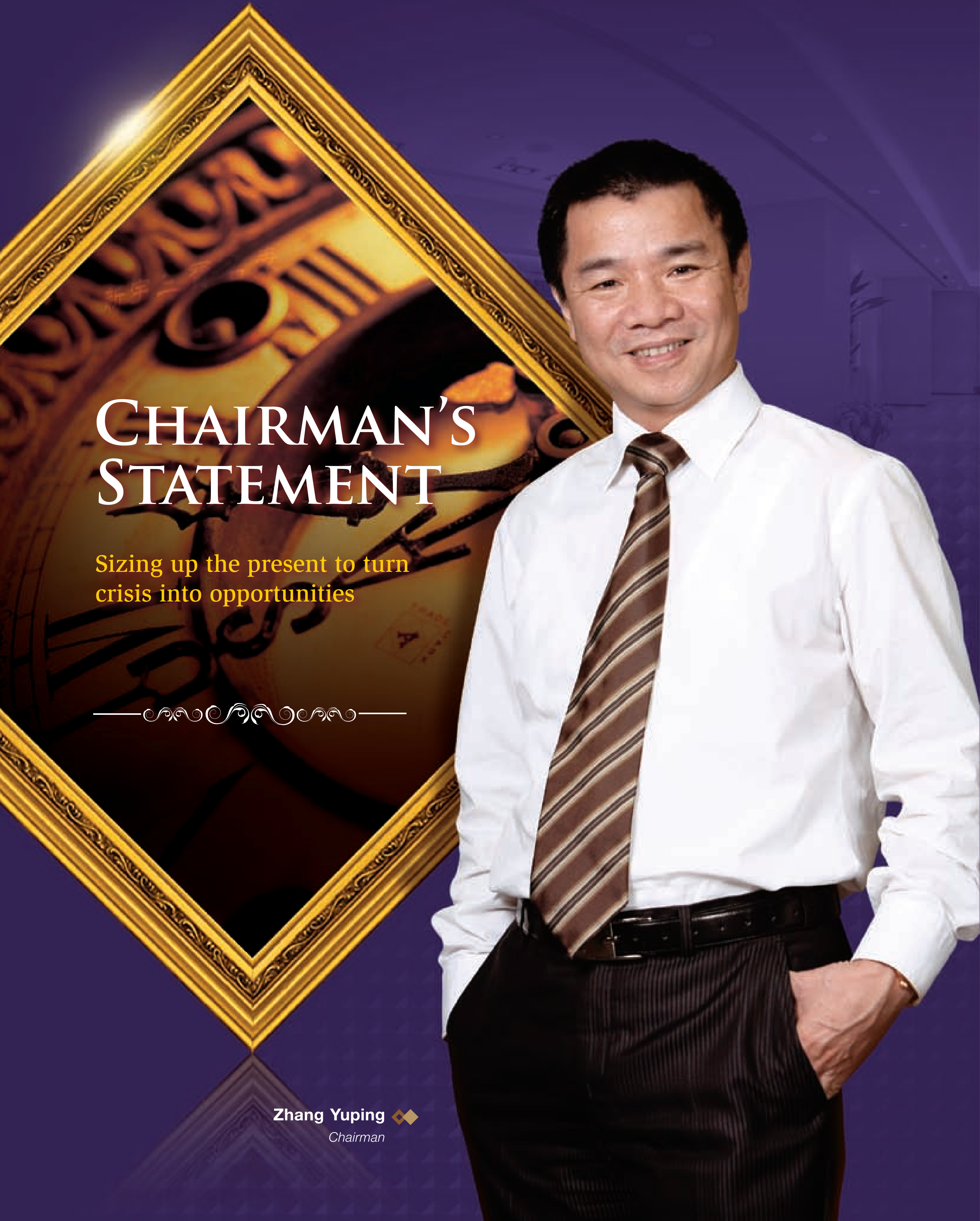
Independent Brands

JAEGER-LECOULTRE
BAUME & MERCIER
ALFRED DUNHILL
PANERAI
CARTIER
VACHERON CONSTANTIN
IWC

Richemont Group

Chairman's Statement

Sizing up the present to turn crisis into opportunities



Zhang Yuping
Chairman

Dear Shareholders,

On behalf of the board of directors (the "Board"), I am pleased to present the annual report of Hengdeli Holdings Limited (hereinafter referred to as the "Company") together with its subsidiaries (hereinafter referred to as the "Group") for the year ended 31 December 2009 (hereinafter referred to as the "Year" or the "Year under review") for your review.

Under the severe impact of the global financial crisis during the first half of 2009, the Group managed to adjust its business strategies on a timely basis by sizing up the situation, thereby effectively securing a sound and stable operation of its business. Entering the second half of the Year, the business environment in China experienced relatively favourable changes, in response to which the Group took a proactive and aggressive approach to expanding its retail network with an aim to maintain a steady growth of its results on a secure and stable basis. The pre-determined targets have been accomplished better than expected and therefore effectively safeguarded the interests of the shareholders.

For the year ended 31 December 2009, the Group recorded sales of RMB5,899,422,000, representing a growth of 6.9% over the corresponding period last year. Of these sales, retail sales amounted to RMB4,435,663,000, representing an increase of 18.5% over the corresponding period last year. Of such retail sales, the retail operations in Mainland China and Hong Kong accounted for RMB2,730,187,000 and RMB1,705,476,000 respectively, representing an increase of 17.5% and 20.3% respectively over the corresponding period last year. Excluding the effect of fair value valuation on convertible bonds and the profit/loss from currency exchange, the actual profit for the year amounted to RMB458,211,000, representing an increase of 6.5% over the corresponding period last year. The Group's net profit for the year amounted to RMB386,093,000, representing a decrease of 20.9% over the corresponding period last year, primarily due to the effect of the fair value valuation on convertible bonds and the profit/loss from currency exchange.

During the Year under review, the Group remained committed to its established development strategies. The establishment of the retail network of Greater China Region was strengthened progressively. The Group promptly adjusted the expansion plan, modified the number of retail outlets and the brand portfolio in response to the market changes. The inventory structure was optimized with quicker recovery of receivables. Efforts were devoted to consolidate businesses in the first tier cities, while expanding its business into the second and third tier cities and selectively exploring the fourth tier cities. In this regard, the Group achieved remarkable results. The Group also successfully established its foothold in Taiwan, which in turn built a brand new platform for the business interaction in the Greater China region. In the meantime, more featured brand boutiques were opened with an aim to enlarge our market share for the middle-to-high-end brands continuously. As at 31 December 2009, the number of our retail outlets increased to 270 from 210 in the corresponding period last year. The scale of our retail operation was further expanded while the quality of our outlets was maintained at a high standard.

It is always the Group's strategy to strengthen the establishment of proprietary brands on an ongoing basis. During the Year under review, the Group had formulated new development strategies for its world renowned writing instrument brand OMAS and the renowned Swiss watch brands NIVADA and OLMA based on its strategies and the distinctive features of various brands, striving to lay down a solid foundation for its sustainable development.

Along with the in-depth development of the retail operations in Taiwan, the Group's customer services network in the Greater China region has been further improved. The interaction of the warranty services rendered in Mainland China, Hong Kong and Taiwan as well as the rounded deployment of three layers of services, i.e. "service centers", "service stations" and "service points" provided enhanced customer satisfaction and won appreciation from both of our consumers and

international brand suppliers. In addition, the successful commencement of the ancillary production business and accessories business deriving from the industry offered an effective and sustainable support to the development of its principal business.

The Group continued to maintain a close relationship with various international brand suppliers. During the Year, the Group renewed its strategic cooperation agreement with LVMH's jewelry and watch division, under which both groups undertook to strengthen their cooperation in the Greater China region and in many other places around the world. During the Year, the Group obtained an exclusive distribution right of SWATCH Group's well-known brand Mido in Mainland China, while the relationship between the Group and SWATCH Group in terms of capital connection was further consolidated and developed.

Although the global economy scene will remain unstable in 2010, it is quite apparent that the Chinese economy has picked up. Maintenance of economic stability and the achievement of relatively rapid growth will continue to underpin Chinese economic priorities in 2010. One of the focuses is to boost domestic demand, in particular to stimulate consumption demand, as an effective means to sustain economic growth. As such, China will remain one of the most promising markets around the globe, which serves as a fundamental base for the Group's business development.

With international renowned watches as the core focus, delivering a portfolio of middle-to-high-end consumer goods will remain as the business direction for the Group's development in 2010. The Group will expand its business in line with market changes in an aggressive yet prudent manner. We will work out a long-term plan to persistently develop and optimize our retail network, consolidate our diversified brands and product portfolio, improve our management, enhance our service standards and strive to develop new portfolios of middle-to-high-end consumer goods so as to bring return to our shareholders and the public for their constant support and care to the Group. "Hengdeli", a century-old classic trade name, will continue to flourish under our management.

Despite the influence of the global economic turmoil, the Group still achieved satisfying results. On behalf of the Board, I would like to express our sincere gratitude to our shareholders, suppliers, customers and other business partners for their ongoing care and support, as well as to all our staff for their dedicated endeavours and contributions to the Group during the past year.

By Order of the Board
Zhang Yuping
Chairman

Hong Kong, 30 March 2010

Management Discussion & Analysis

Reinforce the operation for a bright future

2009 had been a year full of challenges and opportunities. Global high-end consumables retail sector suffered a relatively severe blow against the backdrop of the global financial crisis and weakening macroeconomy in the first half of 2009. In the second half of the year, with the recovery of the global macroeconomy, China's economy was picking up its momentum as fuelled by the government stimulus packages. According to the relevant data from the Federation of the Swiss Watch Industry, the export sales of Swiss watches from January to October 2009 fell by 23.2% over the corresponding period last year. Despite the uncertainties of the business environment, the Group took a series of proactive strategic adjustment and consolidation initiatives to prudently focus on watch retail business in the Greater China region including Mainland China and Hong Kong and achieved faster growth in each business segment.

For the year ended 31 December 2009, the Group's sales recorded a year-on-year increase of 6.9%, of which retail sales posted a growth of 18.5% over last year. Of the retail sales, retail sales in Mainland China and Hong Kong grew by 17.5% and 20.3% respectively. Excluding the effect of the fair value valuation on convertible bonds and the profit/loss from currency exchange, the profit for the year rose by 6.5%, generating substantial returns for shareholders. In addition, the Group has been maintaining healthy operating cash flows through sound cash flow management, laying down a solid foundation for its next expansion.

I. Financial Review

Sales

For the year ended 31 December 2009, the Group recorded sales of RMB5,899,422,000, representing an increase of 6.9% over the corresponding period last year. The Group's total retail sales achieved a desirable growth, increased by 18.5% year-on-year to RMB4,435,663,000, of which retail sales in Mainland China and Hong Kong amounted to RMB2,730,187,000 and RMB1,705,476,000, representing a growth of 17.5% and 20.3% over the corresponding period last year respectively. The overall retail sales accounted for 75.2% of the total sales, which was in line with the direction of the Group's strategic development.

The Group maintained overall positive results against the backdrop of unprecedented global financial tsunami. Apart from the relatively stable Chinese economy, it is mainly attributed to the highly defensive nature of the Group's integrated retail network in the Mainland China and Hong Kong as well as the rational allocation of retail outlets in second and third tier cities and coastal first tier developed cities in Mainland China, which has substantially mitigated the impact of the global financial crisis on the sales. In addition, through proactive negotiations and communications with upstream brand suppliers and in line with the actual market conditions, the Group has adjusted its brand portfolio, optimized its inventory structure, proactively enhanced its operation management and improved its service quality promptly and reasonably so as to ensure steady business growth.

Sales breakdown (for the year ended 31 December)

	2009		2008	
	RMB'000	%	RMB'000	%
Retail Business				
(Mainland China)	**2,730,187**	**46.3**	2,324,172	42.1
(Hong Kong)	**1,705,476**	**28.9**	1,418,195	25.7
Wholesale Business	**1,329,967**	**22.5**	1,631,916	29.6
Customer Service and Others	**133,792**	**2.3**	142,213	2.6
Total	**5,899,422**	**100**	5,516,496	100

75.2%	Retail Business
22.5%	Wholesale Business
2.3%	Customer Service and Others

Gross profit and gross profit margin

For the year ended 31 December 2009, the Group gross profit increased by 6.8% to approximately RMB1,409,125,000. Consolidated gross profit margin remained at the same level at 23.9% as compared with the corresponding period last year. The increase in gross profit was mainly attributable to strong growth in the Group's sales. To cope with the global financial crisis, during the year, the Group underwent proactive adjustment and optimization to the inventory mix, replaced certain inventories at cost through effective negotiation with brand suppliers, and enhanced sales management to secure higher sales while maintaining the gross profit at the level achieved in the corresponding period last year.

Profit for the Year and profit margin

During the Year under review, excluding the effect of fair value valuation on convertible bonds and the profit/loss from currency exchange, the Group recorded the profit for the year of approximately RMB458,211,000, representing an increase of 6.5% from the corresponding period last year. The return on sales was approximately 7.8% and remained at the same level against the corresponding period last year. The increase was mainly attributable to the Group's effective and steady improvement of operational management efficiency as well as reasonable control and reduction of expense ratio. The Group's net profit for the year amounted to RMB386,093,000, representing a decrease of 20.9% from the corresponding period last year, which was mainly attributable to the effect of fair value valuation on convertible bonds and the profit/loss from currency exchange.

Financial status and net debt to equity ratio

The Group maintained a sound and stable financial position.

As at 31 December 2009, the Group's total equity interests were RMB3,124,077,000 and current net asset value was RMB2,493,961,000, of which bank deposits amounted to RMB1,190,951,000. In addition, the bank loans totalled RMB965,572,000. During the Year under review, the Company redeemed principal of RMB558 million USD Settled Zero Coupon Convertible Bonds due 2012 issued in August 2007, and the remaining net bonds amounted to approximately RMB187 million. Taking into account such net convertible bonds, together with bank loans, the Group's total bank loans and convertible bonds amounted to RMB1,159,473,000, representing a decrease of 21.6% from the corresponding period last year. The Group's net debt to equity ratio is zero, laying down a solid foundation for the potential business expansion.

The Group's operating net cash inflow was RMB695,779,000 for the Year, which was mainly derived from the Group's desirable business results and sound cash flow management.

Foreign exchange risk

The Group's transactions are mainly denominated in RMB and HKD. During the Year under review, the foreign exchange movements of such currencies were managed properly. Accordingly, the Group was not exposed to any significant risks associated with foreign exchange fluctuations.

The Group has been staying alert to and closely monitoring its foreign exchange risk.

Contingent liabilities

As at 31 December 2009, the Group did not have any material contingent liabilities.

Current assets

During the Year under review, the current assets of the Group amounted to approximately RMB4,186,251,000, comprising inventories of approximately RMB2,404,237,000, trade and other receivables of approximately RMB591,063,000 and bank deposits of approximately RMB1,190,951,000.

Current liabilities

During the Year under review, the current liabilities of the Group amounted to approximately RMB1,692,290,000, comprising bank loans of approximately RMB823,878,000, trade and other payables of approximately RMB806,599,000, and current tax payable of approximately RMB61,813,000.

Operating cash flow

During the Year under review, based on its prudent and proactive business objective and a market-oriented approach and having assessed the situation, the Group focused on improving composition and turnover of inventory in expanding retail network, thus substantially reducing the demand for working capital. Then moving on from the significant improvement in operating cash flow since the second half of 2008, the Group recorded a considerable surplus in operating cash flow which mitigated its reliance upon external financing and improved the capability to generate cash, therefore laying a solid foundation for the Company's next expansion plan.

Capital structure

The Company's capital structure is composed of issued share capital, convertible bonds, reserve and accumulated profits. As at 31 December 2009, the issued share capital of the Company was 4,069,026,000 shares and the principal amount of the issued convertible bonds was RMB187,000,000. These convertible bonds are due in 2012 and are non-interest bearing.

To supplement the Group's funding for its future development, the Company entered into a placing and subscription agreement on 24 June 2009. Pursuant to the agreement, Best Growth International Limited ("Best Growth"), a company then owned as to 77.7% by Mr. Zhang Yuping, the Chairman of the Group , placed 236,000,000 shares to the market at HK$2.62 per share. Upon completion of the placing, the Company issued 236,000,000 new ordinary shares of an aggregate nominal value of HK$1,180,000 to Best Growth, at a subscription price of HK$2.62 per share under the placing and subscription agreement during the Year, with net proceeds of HK$602 million which supplemented its share capital. The closing price of the shares quoted on the Stock Exchange was HK$2.87 on 23 June 2009.

Material investment, acquisition and disposal

There was no material acquisition or disposal of subsidiaries and associated companies nor was there any significant investment held by the Company during the Year under review.

Final dividend

The Company recommends the payment of a final dividend of RMB0.027 per share for the financial year ended 31 December 2009 in return for shareholders' support, subject to approval by shareholders at the annual general meeting to be held on 11 May 2010. The proposed cash dividend will be paid on or before 26 May 2010 to shareholders whose names appear on the register of members of the Company on 6 May 2010.

II. Business Review

During the Year under review, the Group's business remained focused on the build-up of the retail network in the Greater China region with a core presence in Mainland China. It is also supplemented with the provision of comprehensive customer services, manufacture of extension products, research and development of its own brands and brand distribution, etc.

(1) Retail Network

Adhering to its business development strategy, the Group continuously strengthens the build-up of its retail network with an aim to maintain and uplift its global leading position. During the Year under review, the Group adopted different development strategies in each half of the Year in line with market changes to expand retail network in a steady yet proactive approach. Also the inventories were adjusted with marketable products under the prevailing conditions, leading to the significantly optimized inventory structure and a steady growth in business results. Accounting for 75.2% of the Group's total sales, the retail sales amounted to RMB4,435,663,000, representing an increase of 18.5% over the corresponding period last year, of which retail sales in Mainland China and Hong Kong amounted to RMB2,730,187,000 and RMB1,705,476,000, representing a growth of 17.5% and 20.3% over the corresponding period last year respectively.

Our retail network spans across the Greater China region where retail stores are mainly Elegant, Hengdeli/Prime Time, TEMPTATION and single-brand boutiques. Elegant mainly sells top grade internationally renowned brand watches; Hengdeli/Prime Time mainly sells middle-to-high-end internationally renowned brand watches, while TEMPTATION mainly sells middle-to-high-end internationally fashionable watches. As at 31 December 2009, the Group operated a total of 270 retail outlets in Mainland China, Hong

Kong and Taiwan, an increase of 60 outlets over the corresponding period last year. Of these stores, 13 were Elegant shops (3 in Hong Kong and 10 in Mainland China), 186 were Prime Time and Hengdeli shops (155 in Mainland China and 31 in Taiwan), 19 were TEMPTATION shops (all located in Mainland China) and 52 were brand image retail outlets (40 in Mainland China, 10 in Hong Kong and 2 in Taiwan).

The Group has been maintaining a sound partnership with many worldwide renowned watch suppliers, including SWATCH Group, LVMH Group, RICHEMONT, ROLEX Group and DKSH Group. As at 31 December 2009, the Group distributed approximately 50 internationally renowned brands from the five major brand suppliers, including Breguet, Jaeger-LeCoultre, TAG Heuer, Zenith, Cartier, Vacheron-Constantin, IWC, Chopard, Frank Muller, Glashutte, Rolex, Omega, Carl F. Bucherer, Maurice Lacroix and Tissot. In addition, efforts were stepped up to bring in and expand middle-to-high-end brands including Balmain, Frederique Constant, Mido and Olma, as well as Scatola del Tempo, Vincent Berard, Christophe Claret and Heuge from independent watchmakers. Sales of brands were adjusted in line with the market changes. This helped diversify and improve the sales portfolio of the Group's brands, which would be favorable to the long-term business development and ongoing enhancement of overall results.

Mainland China

Footprint of retail network

The Group operates a total of 224 retail outlets in Mainland China. During the Year under review, the Group committed tremendous efforts to improving the re-positioning and sale of middle-to-high-end brands, with new outlets opened in Urumqi, Kunming, Xiamen, Henan, Wenzhou and Hefei. Meanwhile, the Group continued to consolidate and expand its retail network in the second and third tier cities, aiming to extend the coverage of middle-to-high-end products. The Group had a comprehensive distribution network of watch retail outlets covering most of the provinces and cities in Mainland China, with a multiple-point footprint in major areas such as Shanghai, Beijing, Northeast, Zhejiang, Jiangsu, Henan and Shanxi, thus consolidating its market share.

Positioning of retail outlets

As the demand for high-end watches remains low in Mainland China, and in order to complement the Group's high-end watch retail business in Hong Kong, more than 75% of the Group's retail outlets in Mainland China are Prime Time and Hengdeli shops, which are positioned to sell middle-to-high-end watches. Prime Time and Hengdeli shops contributed more than two-thirds of the Group's total retail sales in Mainland China during the Year under review, and will remain the Group's leading retail brands in Mainland China in the foreseeable future.

Engaging in the sale of high-end watches by the Group, Elegant shop has a relatively small coverage in Mainland China. As at 31 December 2009, there were 10 Elegant shops mainly located in developed first tier cities such as Shanghai, Beijing, Hangzhou, Nanjing and Shenyang.

Retail sales

Same store retail sales in Mainland China recorded a growth of approximately 11% over the corresponding period last year. The growth is mainly attributable to the outburst of consumption desire and confidence of middle class and the affluent class which were long depressed by the financial crisis, as triggered by the strong recovery of China's economy amid the improvement of the macromarkets. China posted a 16.9% growth in total retail sales of consumer goods in 2009, in which consumption in middle-to-high-end market increased by 11.6% over 2008, and was the fastest-growing country in the world. Secondly, it benefited directly from the Group's rational and forward-looking outlet positioning. As the retail business of middle-to-high-end watches is affected, to a great extent, by the flow of people in the business districts where retail outlets are located, as well as by the period of establishment and local consumption level, these outlets need more time to foster as compared with other retail outlets that sell general consumables. A watch retail outlet usually takes more than three years to reach maturity. For the year ended 31 December 2009, 70% of the Group's sales were contributed by well-established stores (usually the sales per square meter of a mature outlet is two to three times higher than that of a young store with the same area), which have been opened for more than three years and account for 30% of the total number of retail outlets. The remaining young outlets with an average age of one to two years account for more than 70% of the entire portfolio, and therefore the age of outlet portfolio of the Group in Mainland China is in a fledgling period. As the retail outlets further develop, larger potential for organic growth will be realized.

Hong Kong

As at 31 December 2009, the Group operated a total of 13 retail outlets in Hong Kong, of which 3 are Elegant shops that sell multiple brands and 10 are single-brand boutiques or image shops. These stores are mainly located in premier business districts in Tsimshatsui and Causeway Bay, new outlets are planned to launch in other major business districts. Elegant under the Group has a long history in Hong Kong's watch retail industry. Elegant at Ocean Terminal, a flagship shop opened in 1970, has an area of approximately 170 square meters and has held the highest sales record up to the present as a single shop.

The Group's retail business in Hong Kong is principally positioned at high-end brands, including Vacheron-Constantin, Cartier, Jaeger-LeCoultre, Omega, Breguet, Chopard, Panerai, Zenith, IWC and Frank Muller. During the Year, Elegant (Hong Kong) teamed up with independent watchmakers to introduce renowned brands including Scatola del Tempo, Vincent Berard, Christophe Claret and Heuge. These brands fully complemented our retail business in Mainland China and Taiwan, creating tremendous synergy.

Given the mature business districts and highly centralized wealth in Hong Kong, its high-end watch consumption market is closely linked to economic cycles. The pick-up of consumer confidence and recovery of tourism industry after the finance turmoil soon led to a strong rebound in consumption of high-end watch. Moreover, thanks to the Group's broad, profound and loyal clientele as well as the mutual supplement between outlets in Mainland China and Hong Kong, the service network across Mainland China ensures after-sale guarantee for domestic tourists shopping in Hong Kong. For the year ended 31 December 2009, the Group's same store retail sales in Hong Kong recorded a growth exceeding 20% over the corresponding last year.

Taiwan

To put its strategy of consolidating its leadership in Greater China region into practice, the Group opened two Omega brand boutiques in Taiwan during the Year under review, and acquired Jing Guang Tang Watches Co Ltd (精光堂時計股份有限公司), a renowned watch retailer in Taiwan, which increased the number of the Group's outlets in Taiwan to 33. Jing Guang Tang Watches Co Ltd owns a total of 31 retail outlets in Taipei, Taichung, Kaohsiung, Hsinchu and Chiayi in Taiwan, specializing in distributing internationally renowned watch brands including Omega, Rado, TAG Heuer and Carl F. Bucherer. As a result of the acquisition of Jing Guang Tang Watches Co Ltd, the

Group has established distribution network in major cities of Taiwan with a leading market share, laying a sound foundation for long-term development of the Group's overseas business.

(2) Customer Services and Maintenance

The Group is always dedicated to the provision of premium customer services, holding the belief that satisfying consumer demand is our pursuit.

Through years of efforts the Group has built up a mature customer services network. Apart from timely maintenance services in each retail outlet, the Group established three major service centers in Beijing and Shanghai, delivering all-round services to customers through an interactive customer services network consisting of "repair and maintenance service centers", "repair service stations" and "repair service points". The greatest advantage of the Group's customer services comes from its well-established system integrating retail and after-sale repair and maintenance and the overall customer services framework, which demonstrates the service philosophy of "Guaranteed shopping at Hengdeli".

In addition, a service hotline 4008 has been set up for customers as the Group's centralized service window for the general public, offering customers timely and fast advice and the best assurance.

During the Year under review, a CSMS management system for customer services was introduced to the Group in addition to the existing state-of-the-art information system. The system is able to track watch repair cycles promptly, provide timely financial information on the use of finished parts, generate a complete set of data on repairs within the entire network and effectively replace the conventional manual handling of repair records, thus facilitating brand suppliers to timely track the quality of watches so that improvement can be made.

During the Year under review, the Group additionally acquired the exclusive watch maintenance rights in Mainland China from two world's renowned brands namely Charriol and Breitling. With a number of senior maintenance technicians certified by brand suppliers to provide strong technical guarantee, our customer services have been widely recognised and tremendously supported by brand suppliers.

The advanced service philosophy, strong service network, efficient channel management, strict quality control and proven technical support all contribute to the Group's admirable service image.

(3) Self-own brands and brand distribution

To persistently strengthen the build-up of its own brands is the Group's ongoing strategy.

OMAS

Having significantly restructured and re-positioned its own brand OMAS in terms of its brand features and marketing strategies, the Group accelerated the expansion pace of its retail network in China during the Year under review, and further carried out systematic planning for new shop distribution in line with its business features. As at 31 December 2009, OMAS had 23 shops in Mainland China, namely in Beijing, Nanjing, Wuxi, Zhengzhou, Hangzhou and Suzhou. Sales of these shops are growing gradually.

The Group also owns renowned Swiss watch brands including NIVADA, OLMA and NUMA JEANNIN. Product research and development and layout of network under new development strategies are stepped up based on the brand features of OLMA and NIVADA.

The Group is committed to fostering its own brands. The Group believes the build-up of its own brands can establish a sound foundation for its sustainable development.

Brand distribution

The Group has more than 300 wholesale customers in over 50 cities throughout Mainland China, which distribute and exclusively distribute world's renowned brand watches including Jaeger-LeCoultre, TAG Heuer, Zenith, Carl F. Bucherer, Maurice Lacroix, Tissot and Frederique Constant. During the Year under review, the Group once again worked together with SWATCH Group to become the exclusive distributor of Mido in Mainland China, a brand owned by SWATCH Group.

The Group has always been maintaining a good partnership with brand suppliers and numerous retailers and, with their extensive and tremendous support, achieved a harmonious win-win situation.

(4) Ancillary extension products

During the Year under review, Guangzhou Artdeco, an ancillary production company of the Group, was faced with severe challenges as a result of the adverse impact of the global financial crisis on the economy. However, the Group continued to strengthen its internal management, tightened control over production costs and improved its product research and development capabilities constantly while maintaining the quality of products, so as to enhance its competitiveness in the market. Sales revenue remained at the same level as compared with the corresponding period last year.

Guangzhou Artdeco has established a long-term partnership with many internationally renowned brand suppliers. In addition to existing business with brands such as Omega, Rolex, Tudor, Rado, Longines, Tissot and Ernest Borel, it once again partnered with Mido, Certina and Fendi and Frederique Constant during the Year under review. Its high quality products and good services were widely acclaimed by customers, which firmly support the fast development of the Group's principal businesses including retail business.

III. Human Resources and Training

As at 31 December 2009, the Group employed a total of 4,358 employees in Mainland China, Hong Kong and Taiwan etc.

The Group is always committed to developing and building up human resources. We employ a systematic recruitment policy and commit resources to various training programs for the managerial staff, front-line service staff and maintenance technicians. These training programs cover, among others, the art of management, sales skills, brand knowledge and service awareness, so as to enhance staff's know-how, marketing skills and service capability. The Group also works with the brand suppliers on the provision of regular training to front-line service staff and maintenance technicians in brand knowledge and maintenance expertise.

The Group offers a competitive remuneration package and various incentives, and regularly reviews the structure of relevant mechanisms to cope with the needs for corporate development. The Group had granted options to the general management staff and associates of the Company in recognition of their contributions to the Group and as an incentive for their greater future commitment. The Group also offers various benefits to the employees, including pension contribution plan, MPF plan, insurance scheme, housing and meal allowances, etc. Details of the remuneration package and other benefits are set out in the financial statements.

Under a sound human resources reserve policy, the Group has a number of senior salespersons and senior repair technicians. Staff members have received the "Capital Labour Medal" (首都勞動獎章) and the "May 1st Labour Medal" (全國五一勞動獎章).

IV. Future Development

To maintain a steady and fast economic development is the top priority in China's economic program in 2010. Ongoing enhancement of consumption demand to achieve more sustainable economic growth remains one of the Chinese government's development strategies to boost economy. As the global economy, especially the Chinese economic situation, further improves, we believe that China will remain to be one of the markets with the greatest growth potential. We remain optimistic for the middle-to-high-end consumables market in China. We have full confidence in the Group's development.

With international renowned watches as core focus, the distribution of a portfolio comprising middle-to-high-end consumables, such as watches, jewels, leather goods and writing instruments, remains to be our future development direction.

To aggressively yet prudently expand retail business in line with market demand remains to be our core development strategy. The consumption market condition is anticipated to be improving in 2010. Having consolidated market share in first tier cities, we will continue accelerating the market expansion in the second, third and even fourth tier cities that cover medium-sized and small-to-medium-sized major cities in the eastern region as well as provincial capitals in the central, southern and western regions. We will continue to regard Mainland China as our base, and further expand the retail network in the Greater China region by launching new stores in Hong Kong and Taiwan.

As our retail network grows, we will also adjust our three retail network systems timely, namely Elegant, Prime Time/Hengdeli and TEMPTATION. The majority of the Group's watch shops in Mainland China will be incorporated into Prime Time, and middle-to-high-end retail network beyond Mainland China will be operated under the name of Hengdeli. The Group will continue to optimize the positions of retail outlet and the setup of single-brand boutiques, so as to improve retail management and better align the configuration of network system with market needs.

Meanwhile, more quality brand watches will be introduced to optimize our brand portfolio, and we aim to build a closer partnership with brand suppliers. We will also continue to improve and strengthen our customer services system and proactively develop the watch-related ancillary business.

Looking into the future, under a sound financial policy, we will develop the retail business in a proactive and aggressive approach, supplemented by other business segments such as customer services and brand distribution, aiming to increase our market share and strengthen and consolidate our leading position in global middle-to-high-end watch retail sector. Furthermore, we will take initiatives to embark on the business of other middle-to-high-end consumables including jewels. We will fully capitalize on business opportunities and aim to achieve steady and sustainable profit growth so as to generate more satisfactory returns for our shareholders and investors.

Report of the Directors

The Directors of the Company hereby present this annual report together with the audited accounts of the Company for the year ended 31 December 2009.

The Company

During the Year under review, the name of the Company has been changed from "Xinyu Hengdeli Holdings Limited 新宇亨得利控股有限公司" to "Hengdeli Holdings Limited 亨得利控股有限公司".

The Group is engaged in the retail and distribution of other middle-to-high-end consumer goods including internationally renowned watch brands, the related after-sale services and other extended goods.

The principal activities of the subsidiaries of the Company which materially affected the results, assets and liabilities of the Group are set out in Note 17 to the financial statements.

Distributable Reserve

As at 31 December 2009, the aggregate amount of distributable reserves of the Company was RMB1,636,975,000, which is set out in Note 30 to the financial statements.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

Purchase, Sale or Repurchase of Securities

During the Year under review, the authorized share capital of the Company increased from HK$20,000,000, comprising 4 billion shares of HK$0.005 each to HK$50,000,000, comprising 10 billion shares of HK$0.005 each upon approval by the shareholders in the general meeting held on 11 September 2009.

During the Year under review, the Company repurchased 2,316,000 shares listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") at an aggregate price of HK$2,880,000 by way of acquisition from the market. Following the completion of the settlement on the repurchase of shares, the Company cancelled all the shares repurchased. After the cancellation was completed, the number of total issued shares of the Company changed from 2,479,000,000 shares to 2,476,684,000 shares (immediately after the repurchase of shares).

During the Year under review, the Company issued 236,000,000 ordinary shares to the market under a placing and subscription agreement with net proceeds of HK$602 million and the number of total issued shares of the Company therefore changed to 2,712,684,000 shares (immediately after the completion of subscription). During the Year under review, the Company issued bonus shares to the qualifying shareholders on the basis of five bonus shares for every ten existing issued shares by capitalising HK$6,781,710 standing to the credit of the Company's share premium account. As of 31 December 2009, the issued share capital of the Company was changed to 4,069,026,000 shares.

During the Year under review, the Company repurchased certain bonds on Singapore Exchange Securities Trading Limited by way of acquisition from the market. Such bonds were listed on Singapore Exchange Securities Trading Limited on 24 August 2007. The principal amount of the bonds repurchased was RMB558,000,000 and the aggregate price for the repurchase was RMB562,301,000. The bonds repurchased were cancelled according to the terms of the same. As of 31 December 2009, the Company still had such bonds outstanding at a carrying amount of RMB187,000,000.

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or repurchased any of the Company's listed securities.

Share Option Scheme

A share option scheme was adopted by the Company to grant share options to selected participants as incentives or rewards for their contributions to the Group.

Pursuant to the share option scheme, the Company granted 39,380,000 share options on 28 August 2007 to certain senior employees of the Group to subscribe for 39,380,000 ordinary shares at an exercise price of HKD4.83 per share at any time from 1 August 2010 to 31 July 2012 if certain performance targets are achieved during the period from 28 August 2007 to 31 July 2010. On 1 January 2009, the number of outstanding share options was 36,930,000 shares. As the Company issued bonus shares to the qualifying shareholders on the basis of five bonus shares for every ten existing issued bonus shares during the Year under review, the number of shares to be subscribed under outstanding share options changed to 55,395,000 shares at an adjusted exercise price of HKD3.22 per share. Due to the retirement of certain employees, 1,725,000 share options lapsed during the Year under review. As of 31 December 2009, the total number of outstanding share options of the Company was changed to 53,670,000 shares.

During the Year under review, no option had been granted or agreed to be granted by the Company pursuant to the Share Option Scheme.

Directors' Service Contracts

The Company has entered into service contracts with each of the executive Directors, non-executive directors and independent non-executive directors for a term of three years. The Company didn't enter into service contracts that cannot be terminated without payment of compensation (other then statutory compensation) within one year.

Save as disclosed in this annual report, no Directors have entered into any service agreement with any member of the Group.

Directors' Material Interests in Contracts

Save as described in this annual report, no contracts of significance in relation to the Group's business in which the Company or its subsidiaries, its controlling shareholder or any of its subsidiaries and any Directors had a material interest, whether directly or indirectly, subsisted during the Year under review.

Remuneration of the Directors and the Five Highest Paid Directors/Employees

Details of remuneration of the Directors made in accordance with specific basis during the Year under review are set out in Note 8 to the financial statements.

Details of remuneration of the five highest paid individuals during the Year under review are set out in Note 9 to the financial statements.

The remuneration policies of the Group are as follows:

– The amount of remuneration for the Directors or the employees is determined according to their relevant experiences, responsibilities, workload and year of service in the Group;

– The non-monetary benefits are determined by the Board and are provided in the remuneration package of the Directors or the employees;

– The Directors and the eligible employees shall be granted with options of the Company as determined by the Board to be part of their remuneration package.

Employee Retirement Benefit Scheme

Details of the Group's employee retirement benefit scheme are set out in Note 27 to the financial statements.

Directors and Senior Management's Biographies

Summary of the Directors and senior management's biographies are set out on pages 30 to 31 of this annual report.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any of Its Associated Corporations

As at 31 December 2009, the interests or short positions of each of the Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

Name of Directors	Nature of Interest	Number of shares	Approximate Percentage
Mr. Zhang Yuping ("Mr. Zhang")	Controlled Corporation and Personal *(note 1)*	1,848,340,000(L)	45.42%
Mr. Chen Sheng	Personal	26,700,000(L)	0.66%
Mr. Song Jianwen	Controlled Corporation *(note 2)*	22,032,000 (L)	0.54%
Mr. Huang Yonghua	Personal	2,400,000 (L)	0.06%

The letter "L" denotes the person's long positions in the Shares.

Note 1: Mr. Zhang Yuping owned 82.90% of the issued share capital of Best Growth International Limited ("Best Growth"), which in turn held 1,820,824,000 shares of the Company as at 31 December 2009, representing 44.75% of the issued share capital of the Company. During the Year under review, Mr. Zhang Yuping held 27,516,000 shares of the Company under his name, representing 0.67% of the issued share capital of the Company. Accordingly, Mr. Zhang Yuping holds 45.42% of the issued share capital of the Company in aggregate.

Note 2: Mr. Song Jianwen owned the entire share capital of Artnew Developments Limited, which in turn owned 0.54% of the issued share capital of the Company.

Substantial Shareholders' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As the Directors were aware, as at 31 December 2009, the interests or short positions of the persons, other than Directors and a chief executive of the Company, in the shares, underlying shares and debentures of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholder	Number of shares	Approximate Percentage
Best Growth *(Note 1)*	1,820,824,000(L)	44.75%
Mr. Zhang Yuping *(Note 1)*	1,848,340,000(L)	45.42%
The Swatch Group Hong Kong Limited *(Note 2)*	363,000,000(L)	8.92%
The Swatch Group Limited *(Note 2)*	363,000,000(L)	8.92%
Hayek Nicolas Georges *(Note 2)*	363,000,000(L)	8.92%
LVMH Watches & Jewelry Hong Kong Limited *(Note 3)*	18,504,000(L)	0.46%
TAG Heuer SA *(Note 3)*	18,504,000(L)	0.46%
TAG Heuer International SA *(Note 3)*	18,504,000(L)	0.46%
LVMH Asia Pacific Limited *(Note 3)*	259,620,000(L)	6.38%
Sofidiv SAS *(Note 3)*	278,124,000(L)	6.84%
LVMH SA *(Note 3)*	278,124,000(L)	6.84%

The letters "L" denotes the person's long positions in the Shares.

Note 1: Best Growth is owned by the Zhang's family in the following manner:

Mr. Zhang Yuping	82.9%
Ms. Zhang Yuhong, younger sister of Mr. Zhang	14.7%
Mr. Zhang Yuwen, younger brother of Mr. Zhang	2.4%

During the Year under review, Mr. Zhang Yuping held 27,516,000 shares of the Company under his name, representing approximately 0.67% of the issued share capital of the Company. Accordingly, Mr. Zhang Yuping holds 45.42% of the issued share capital of the Company in aggregate.

Note 2: These 363,000,000 Shares are held in the name of and registered in the capacity of The Swatch Group Hong Kong Limited as a beneficial owner. The entire issued share capital of The Swatch Group Hong Kong Limited is beneficially owned by The Swatch Group Limited, a 40.70% interest of which is in turn beneficially owned by Mr. Hayek Nicolas Georges. According to the SFO, the Swatch Group Limited and Mr. Hayek Nicolas Georges are deemed to have interest in all the Shares held by The Swatch Group Hong Kong Limited.

Note 3: Among these 278,124,000 Shares, 18,504,000 Shares are held in the name of and registered in the capacity of LVMH Watches & Jewelry Hong Kong Limited and 259,620,000 shares are held in the name of and registered in the capacity of LVMH Asia Pacific Limited. LVMH Watches & Jewelry Hong Kong Limited's entire interest is owned by TAG Heuer SA, and TAG Heuer International SA beneficially owns 100% interest in TAG Heuer SA. Sofidiv SAS beneficially owns 100% interest in each of TAG Heuer International SA and LVMH Asia Pacific Limited. LVMH SA owns 100% interest in Sofidiv SAS.

Arrangement to Purchase Shares or Debentures

Save as disclosed under the section headed “Share Option Scheme” above, at no time during the 12 months ended 31 December 2009 was the Company, its holding company or its subsidiaries a party to any arrangements which enabled the Directors (including their respective spouses or children under 18 years of age), to acquire benefits by means of acquisition of Shares in or debentures of the Company or any other body corporate.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the Year under review.

Major Customers and Suppliers

The percentages of purchases and sales for the Year under review attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	57%
– five largest suppliers combined	91%
Sales	
– the largest customer	4%
– five largest customers combined	11%

The Swatch Group Limited and LVMH Group, through their respective subsidiaries, constituted two of the five largest suppliers. Save as disclosed above, none of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Connected Transactions

During the Year under review, the following continuing connected transaction has been undertaken by the Group in strict compliance with the announcement and/or shareholders' approval requirements under Chapter 14A of the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules"):

The Tenancy Agreement Entered into Between Hengdeli International Company Limited ("Hengdeli International") and May Creation Limited ("May Creation")

On 22 June 2006, Hengdeli International entered into a tenancy agreement (the "Tenancy Agreement") with May Creation whereby May Creation agreed to lease to Hengdeli International a residential premise at Room F, 38/F, The Waterfront Tower III, 1 Austin Road West, Kowloon, Hong Kong at a monthly rental of HK$32,000 (exclusive of management fee, rates and utilities) for a term of three years commencing from 1 June 2006 with an option to renew for a further term of three years.

Mr. Zhang Yuping holds a 100% interest in the issued share capital of May Creation, through Eastwealth International Limited, a company wholly owned by Mr. Zhang Yuping. Accordingly, May Creation is a connected person of the Company. The Tenancy Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. However, since each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules and calculated with reference to the annual rent payable under the Tenancy Agreement is less than 0.1%, the transaction is exempted from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(3)(a) of the Listing Rules.

The above Tenancy Agreement came to an automatic termination upon expiry on 31 May 2009 with no renewal.

Public Float

Based on the information that is publicly available to the Company and to the best of the Directors' knowledge at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

Auditors

The financial statements of the Company for the Year under review have been audited by KPMG which will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

Since 9 July 2004, being the date of incorporation of the Company, there have been no change in our auditors.

Closure of Register of Members

The Register of Members will be closed from Thursday, 6 May 2010 to Monday, 10 May 2010 (both days inclusive). In order to establish entitlements to the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 5 May 2010.

Disclosure of Information on the Website of the Company and the Stock Exchange

An annual report for the year ended 31 December 2009 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the website of the Company and the Stock Exchange in due course.

Acknowledgement

The Directors would like to take this opportunity to express our sincere thanks to all the shareholders for their continuous support and to all our staff for their dedication and contribution to the Group during the Year under review.

General Information

As at the date of this annual report, the executive Directors are Mr. Zhang Yuping (Chairman), Mr. Song Jianwen and Mr. Huang Yonghua, the non-executive Directors are Mr. Chen Sheng, Mr. Shen Zhiyuan and Mr. Shi Zhongyang and the independent non-executive Directors are Mr. Cai Jianmin, Mr. Wong Kam Fai William and Mr. Liu Xueling.

By order of the Board
Zhang Yuping
Chairman

Hong Kong, 30 March 2010

Directors' and Senior Management Biographies

Executive Directors

Mr. Zhang Yuping (alia, Cheung Yu Ping) (張瑜平), aged 49, is the chairman and executive Director of the Company. He founded the Group in 1999. He is in charge of the Group's overall management and strategic development. He has more than 20 years of experience in the mid-to high-end consumables distribution industry for the PRC market.

Mr. Song Jianwen (宋建文), aged 57, is an executive Director. He joined the Group in 2001 and is in charge of finance and internal audit and control of the Group. Mr. Song graduated from Zhongnan University of Economics and Law（中南財經政法大學）with a master's degree in economics. Mr. Song has over 10 years of experience in finance and accounting.

Mr. Huang Yonghua (黃永華), aged 39, is an executive Director. He joined the Group in 2001 and is in charge of the Group's business co-ordination and operational supervision. Mr. Huang has more than 10 years of experience in the watch distribution industry and management for the PRC market.

Non-executive Directors

Mr. Chen Sheng (陳聖), aged 45, is a non-executive Director. He graduated from Fudan University with a master's degree in business administration. He joined the Company in 2007 and is responsible for investment of the Group.

Mr. Shen Zhiyuan (沈致遠), aged 67, is a non-executive Director. He graduated from Beijing Institute of Business (北京商學院). Mr. Shen was the general manager of Beijing Yishang Group. He is currently the vice chairman of Association of PRC Enterprises (中國商業企業協會) and the chairman of Association of Beijing Enterprises (北京商業企業協會). He joined the Group in 2004.

Mr. Shi Zhongyang (史仲陽), aged 35, is a non-executive Director. Mr. Shi graduated from Nanjing University in the PRC and University of Goetting in Germany with a master's degree in law. Mr. Shi joined The Swatch Group Limited in 2000 and the Group in 2006. He is currently a legal counsel of the legal department of The Swatch Group Limited.

Independent Non-executive Directors

Mr. Cai Jianmin (蔡建民), aged 66, is an independent non-executive Director. He graduated from the industrial accounting faculty (工業會計系) of Shanghai College of Finance and Economics (上海財經學院). Mr. Cai holds a certificate for professional accountants (會計從業資格證書) in the PRC. He had held senior financial positions for various companies including Shanghai Hualian (Group) (上海華聯(集團)). He joined the Group in 2005.

Mr. Wong Kam Fai, William (黃錦輝), aged 50, is an independent non-executive Director. He graduated from University of Edinburgh, Scotland with a bachelor's degree and a doctorate degree in electrical engineering. Mr. Wong is currently a professor in the Department of Systems Engineering and Engineering Management in the Chinese University of Hong Kong. He obtained the qualification as a Chartered Engineer (CEng) since 1991, and is now a member of the Institute of Electrical Engineers, a professional member of the Association of Computing Machinery. He joined the Group in 2005.

Mr. Liu Xueling (劉學靈), aged 52, is an independent non-executive Director. He graduated from East China University of Political Science and Law in Shanghai with a doctorate degree in history. At present, he is a senior lawyer in Shanghai Zhongxin Law Firm (上海市中新律師事務所). He joined the Group in 2007.

Senior Management

(Hengdeli Group and Shanghai Xinyu as mentioned below represent our major holding subsidiaries – Hengdeli Group Limited and Shanghai Xinyu Watch & Clock Group, Ltd. respectively)

Mr. Zhuang Liming (莊立明), aged 56, is the vice chairman of Shanghai Xinyu. Mr. Zhuang graduated from Beijing Institute of Foreign Trade (北京外貿學院). Before joining the Group in 2000, Mr. Zhuang had worked for PRC Light Industry Commodities Import and Export Company (中國輕工業品進出口總公司).

Ms. Wang Lingfei (王玲飛), aged 60, is the deputy president of Hengdeli Group. She joined the Group in 2005 and is responsible for branding. Before joining the Group, Ms. Wang was the deputy general manager of Beijing Yishang Group (北京一商集團).

Mr. Lee Wing On, Samuel (李永安), aged 45, is the deputy president of Hengdeli Group. He joined the Group in 2006 and is responsible for retail business in Hong Kong. Mr. Lee has over 20 years of experience in the watch retail industry and management in Hong Kong.

Mr. Stan Lee (李樹忠), aged 50, is the deputy president of Hengdeli Group. He joined the Group in 2007 and is responsible for retail business in Mainland. He obtained a Bachelor of Arts degree from a university, and has pursued further studies in respect of Business Administration. He has over 20 years of experience in watch manufacturing and distribution.

Mr. Zhang Xingen (張新根), aged 65, is the chairman of a customer services company under the Group. He joined the Group in 1999 and is responsible for customer services activities. Before joining the Group, Mr. Zhang was a director of Shanghai Yimin Commercial Company Limited.

Ms. Suelyn So (蘇琳), aged 40, is the deputy president of Hengdeli Group. She joined the Group in 2007 and is responsible for customer services activities. Ms. So holds a certificate in Bachelor of Arts from the University of Sydney in Australia. Before joining the Group, Ms. So was the customer relationship manager of Sony Ericsson Communication Limited for China region and the general manager of Biogreen Technology Limited in China.

Mr. Ng Man Wai, Peter (吳文偉), aged 39, is the company secretary and financial controller of the Company. Mr. Ng graduated from the University of Toronto with a bachelor's degree in commerce. He joined the Group in 2004. Mr. Ng is a member of the Association of Chartered Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Ms. Tan Li (談麗), aged 45, is the secretary to the Board and the assistant to the Chairman of the Company. Ms. Tan graduated from Nanjing Normal University (南京師範大學) with a Master of Arts degree. She joined the Group in 2001. Before joining the Group, Ms. Tan taught at the branch colleges of Perking University in China. Since Ms. Tan joined the Group, she has been engaging in work related to the secretary to the Board of the Group.

Corporate Governance Report

Since its establishment, the Company has been committed to maintain a high standard of corporate governance practice to ensure transparency, such 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.

The Company has adopted the Code on Corporate Governance Practices (the "Code") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Board is of the opinion that the Company had complied with the Code on Corporate Governance as set out in Appendix 14 to the Listing Rules (the "Listing Rules") of the Stock Exchange throughout the year ended 31 December 2009 except for a deviation from the Code provision A2.1. Given the Group's existing corporate structure, the roles of the chairman and chief executive officer have not been separated. 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) the committees of the Board. There are three independent non-executive Directors in the Board, therefore the Board considers the Company has achieved balance of power and provided sufficient assurance for its sound operation.

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, Song Jianwen and Huang Yonghua), three non executive Directors (Messrs. Chen Sheng, Shi Zhongyang, and Shen Zhiyuan) 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. Song Jianwen is in charge of finance and internal audit and control of the Group, and Mr. Huang Yonghua is in charge of the Group's business coordination and business supervision.

Each of the three non-executive Directors has professional expertise and extensive experience in the areas of law and business administration respectively; they can offer supervision to the daily operation, and provide corresponding opinions and recommendations in a timely manner. We believe the non-executive Directors are beneficial to the standardised operation of the Company and the safeguard of the interests of our shareholders.

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.

In order to ensure the interests of our shareholders, apart from the engagement of KPMG as the external auditor of the Group, the Group also established departments dedicated to the supervision of finance and business operation. Such departments conduct audit and examination from all aspects and at all departments on a regular and on an ad hoc basis, so as to enhance internal control and ensure the sound development of the enterprise. The Board has reviewed the effectiveness of our internal control system and completed its annual review on the same. Pursuant to the review made by independent review institutes to the internal control system of the Group, the Group will further improve its internal administration and control system.

In 2009, a total of seven meetings were held by the Board. Among which, four were regular meetings; all members of the Board attended three regular meetings and the rate of attendance was 100%; all members of the Board attended the remaining meeting except Mr. Shen Zhiyuan, an non-executive Director, who was absent due to sickness and authorized other Director to attend on his behalf.

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

The Board has received confirmation from all independent non-executive Directors regarding their independence made in accordance with Rule 3.13 of the Listing Rules. The Board considers that all current independent non-executive 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 Code mentioned above.

Accountability and Audit

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

The statement of the auditors of the Company on their reporting responsibilities on the financial statements of the Group is set out on page 35 to 36 of the annual report.

Auditors' Remuneration

The audit fee to be received by the auditors of the Company for the year ended 31 December 2009 will be approximately RMB3.60 million.

Audit Committee

The Company has established an audit committee in compliance with the Listing Rules. The audit committee comprises three independent non-executive Directors, namely, Messrs. Cai Jianmin (Chairman), Wong Kam Fai, William and Liu Xueling, with the primary duties of reviewing the accounting principles and practices adopted by the Company as well as material extraordinary items, internal controls and financial reporting matters, which included a review on the audited annual results for the year ended 31 December 2009 and 2009 interim report.

During the Year, two meetings had been held on 25 March 2009 and 12 August 2009 to review the half year and full year reports of the Group respectively. All members of the committee attended the meetings.

Remuneration Committee

The Company has established a remuneration committee in compliance with the Listing Rules. The remuneration committee comprises three Directors including Messrs. Zhang Yuping (Chairman), Cai Jianmin and Liu Xueling. 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 had been held during the Year to review matters related to the remuneration structure of the Directors and senior management. All members of the committee attended the meeting.

Nomination Committee

The Company has established a nomination committee in compliance with the Listing Rules. The nomination committee comprises three Directors including Messrs. Song Jianwen (Chairman), Cai Jianmin and Liu Xueling. The nomination committee is mainly responsible for making recommendations to the Board on appointment of Directors and management of Board succession.

One meeting had been held during the Year to review matters related to the retirement of Directors of the Company by rotation and re-election. All members of the committee attended the meeting.

Investor Relations

The Group firmly believes the importance of effective communication with the investment community and the shareholders in attaining a high level of transparency. Since its listing, the Group has maintained various communication channels with the shareholders, mass media, analysts and fund managers such as one-on-one meetings, roadshows, seminars, press conferences, press releases, telephone communications and emails. The Company endeavours to provide accurate and timely information to the shareholders, so as to enhance the understanding of our investors about the status of the domestic luxury watch industry, as well as the business development strategy and direction of the Group.

During the Year under review, the Group's management held regular and ad hoc meetings with different analysts and investors, including the marketing campaign on investor relations in major investing center such as Hong Kong, Beijing, Shanghai and Hangzhou etc. Besides, the Group also held roadshows in various countries including the USA, Britain, Switzerland and Singapore, so as to facilitate the investors to acquire a deep, timely understanding of the Group.

In the future, the Group will continue to maintain a close relationship with investors and boost understanding of international investors of the Group so as to enhance investors' confidence in the Group.

Auditor's Report

KPMG

Independent auditor's report to the shareholders of
Hengdeli Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hengdeli Holdings Limited (formerly known as Xinyu Hengdeli Holdings Limited, hereinafter referred to as the "Company") set out on pages 37 to 122, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

Auditor's Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2010

Consolidated Income Statement

for the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Turnover	3&13	**5,899,422**	5,516,496
Cost of sales		**(4,490,297)**	(4,197,396)
Gross profit		**1,409,125**	1,319,100
Other revenue	4	**50,571**	49,872
Other net (losses)/income	4	**(38,189)**	140,859
Distribution costs		**(590,112)**	(522,180)
Administrative expenses		**(239,425)**	(253,182)
Other operating expenses	5	**(1,345)**	938
Profit from operations		**590,625**	735,407
Finance costs	6(a)	**(75,694)**	(114,105)
Share of losses of jointly controlled entities	18	**(1,176)**	(2,318)
Profit before taxation	6	**513,755**	618,984
Income tax	7(a)	**(127,662)**	(130,819)
Profit for the year		**386,093**	488,165
Attributable to:			
Equity shareholders of the Company	10	**364,809**	460,087
Minority interests		**21,284**	28,078
Profit for the year		**386,093**	488,165
Earnings per share	12		
Basic		**RMB0.094**	RMB0.123
Diluted		**RMB0.094**	RMB0.110

The notes on pages 45 to 122 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 30(b).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Profit for the year		**386,093**	488,165
Other comprehensive income for the year	*11*		
Exchange differences on translation of financial statements of overseas subsidiaries		**(1,060)**	(16,052)
Total comprehensive income for the year		**385,033**	472,113
Attributable to:			
Equity shareholders of the Company		**363,749**	444,035
Minority interests		**21,284**	28,078
Total comprehensive income for the year		**385,033**	472,113

The notes on pages 45 to 122 form part of these financial statements.

Consolidated Balance Sheet

at 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Fixed assets	*14*		
– Investment property		**26,007**	27,771
– Other property, plant and equipment		**600,359**	529,183
Intangible assets	*15*	**42,799**	42,974
Goodwill	*16*	**242,767**	228,367
Interest in jointly controlled entities	*18*	**35,784**	30,524
Other investments	*19*	**797**	797
Deferred tax assets	*29(b)(i)*	**39,405**	39,956
		987,918	899,572
Current assets			
Inventories	*20*	**2,404,237**	2,446,734
Trade and other receivables	*21*	**591,063**	449,962
Pledged bank deposits	*22*	**40,000**	96,497
Cash and cash equivalents	*23*	**1,150,951**	588,010
		4,186,251	3,581,203
Current liabilities			
Bank loans	*24*	**823,878**	760,122
Trade and other payables	*25*	**806,599**	584,464
Current taxation	*29(a)*	**61,813**	70,340
		1,692,290	1,414,926
Net current assets		**2,493,961**	2,166,277
Total assets less current liabilities		**3,481,879**	3,065,849
Non-current liabilities			
Bank loans	*24*	**141,694**	35,685
Convertible bonds	*26*	**180,152**	680,146
Embedded financial derivatives	*26*	**13,749**	2,960
Deferred tax liabilities	*29(b)(ii)*	**22,207**	15,038
		357,802	733,829
NET ASSETS		**3,124,077**	2,332,020

The notes on pages 45 to 122 form part of these financial statements.

Consolidated Balance Sheet (continued)

at 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
CAPITAL AND RESERVES			
Share capital	*30(c)*	**19,909**	12,903
Reserves		**2,846,736**	2,082,895
Total equity attributable to equity shareholders of the Company		**2,866,645**	2,095,798
Minority interests		**257,432**	236,222
TOTAL EQUITY		**3,124,077**	2,332,020

Approved and authorised for issue by the board of directors on 30 March 2010.

Zhang Yuping	**Song Jianwen**
Executive Director	*Executive Director*

The notes on pages 45 to 122 form part of these financial statements.

Balance Sheet

at 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Investments in subsidiaries	17	**529,639**	511,163
Current assets			
Trade and other receivables	21	**1,266,305**	1,153,137
Pledged bank deposits	22	**–**	49,705
Cash and cash equivalents	23	**14,506**	11,810
		1,280,811	1,214,652
Current liabilities			
Bank loans	24	**21,836**	–
Trade and other payables	25	**79,468**	2,145
		101,304	2,145
Net current assets		**1,179,507**	1,212,507
Total assets less current liabilities		**1,709,146**	1,723,670
Non-current liabilities			
Convertible bonds	26	**180,152**	680,146
Embedded financial derivatives	26	**13,749**	2,960
		193,901	683,106
NET ASSETS		**1,515,245**	1,040,564
CAPITAL AND RESERVES	30(a)		
Share capital		**19,909**	12,903
Reserves		**1,495,336**	1,027,661
TOTAL EQUITY		**1,515,245**	1,040,564

Approved and authorised for issue by the board of directors on 30 March 2010.

Zhang Yuping
Executive Director

Song Jianwen
Executive Director

The notes on pages 45 to 122 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2009

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	PRC statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
Balance at 1 January 2008		12,927	1,189,784	–	(18,410)	(53,170)	110,751	543,616	1,785,498	196,873	1,982,371
Changes in equity for 2008											
Dividends approved in respect of the previous year	*30(b)*	–	–	–	–	–	–	(149,070)	(149,070)	–	(149,070)
Dividends to minority shareholders		–	–	–	–	–	–	–	–	(13,965)	(13,965)
Repurchase of own shares											
– par value paid		(24)	–	–	–	–	–	–	(24)	–	(24)
– premium paid		–	–	–	–	–	–	(6,212)	(6,212)	–	(6,212)
– transfer between reserves		–	–	24	–	–	–	(24)	–	–	–
Transfer between reserves		–	–	–	–	–	27,074	(27,074)	–	–	–
Equity settled share–based payment transactions	*28*	–	–	–	21,571	–	–	–	21,571	–	21,571
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	9,286	9,286
Capital contribution from minority shareholders		–	–	–	–	–	–	–	–	15,950	15,950
Total comprehensive income		–	–	–	–	(16,052)	–	460,087	444,035	28,078	472,113
Balance at 31 December 2008 and 1 January 2009		12,903	1,189,784	24	3,161	(69,222)	137,825	821,323	2,095,798	236,222	2,332,020
Changes in equity for 2009											
Dividends approved in respect of the previous year	*30(b)*	–	–	–	–	–	–	(138,694)	(138,694)	–	(138,694)
Dividends to minority shareholders		–	–	–	–	–	–	–	–	(20,074)	(20,074)
Repurchase of own shares	*30(c)(ii)*										
– par value paid		(10)	–	–	–	–	–	–	(10)	–	(10)
– premium paid		–	–	–	–	–	–	(2,539)	(2,539)	–	(2,539)
– transfer between reserves		–	–	10	–	–	–	(10)	–	–	–
Transfer between reserves		–	–	–	–	–	33,371	(33,371)	–	–	–
Share placement	*30(c)(iii)*	1,040	543,823	–	–	–	–	–	544,863	–	544,863
Transaction cost attributable to share placement	*30(c)(iii)*	–	(15,818)	–	–	–	–	–	(15,818)	–	(15,818)
Issuance of bonus shares	*30(c)(iv)*	5,976	(5,976)	–	–	–	–	–	–	–	–
Equity settled share–based payment transactions	*28*	–	–	–	19,296	–	–	–	19,296	–	19,296
Capital contribution from minority shareholders		–	–	–	–	–	–	–	–	20,000	20,000
Total comprehensive income		–	–	–	–	(1,060)	–	364,809	363,749	21,284	385,033
Balance at 31 December 2009		19,909	1,711,813	34	22,457	(70,282)	171,196	1,011,518	2,866,645	257,432	3,124,077

The notes on pages 45 to 122 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Operating activities			
Cash generated from operations	*23(b)*	**824,248**	23,857
Income tax paid		**(128,469)**	(156,563)
Net cash generated from/(used in) operating activities		**695,779**	(132,706)
Investing activities			
Payment for the purchase of property, plant and equipment		**(110,486)**	(274,223)
Proceeds from sale of property, plant and equipment		**104**	194
Payment for the purchase of intangible assets		**(1,934)**	(764)
Payment for the purchase of trading securities		**(74,268)**	–
Proceeds from sale of trading securities		**79,308**	–
Decrease in pledged bank deposits		**89,097**	7,493
Increase in pledged bank deposits		**(32,600)**	(20,520)
Interest received		**5,435**	9,998
Payment for capital injection to jointly controlled entities	*18*	**(10,000)**	–
Payment for acquisition of subsidiaries, net of cash acquired	*21/33*	**(48,146)**	(17,937)
Payment for unlisted investments		**–**	(547)
Dividend received from unlisted investments		**16,434**	16,124
Net cash used in investing activities		**(87,056)**	(280,182)

The notes on pages 45 to 122 form part of these financial statements.

Consolidated Cash Flow Statement (continued)

for the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Financing activities			
Capital contributions from minority shareholders		**20,000**	15,950
Payment for repurchase of shares		**(2,549)**	(6,236)
Proceeds from new bank loans		**1,262,592**	1,160,720
Repayment of bank loans		**(1,092,827)**	(610,259)
Proceeds from the issue of new shares	*30*	**544,863**	–
Payment of transaction costs on issue of new shares		**(15,818)**	–
Payment for purchases of convertible bonds		**(562,301)**	(353,179)
Borrowing costs paid		**(47,071)**	(30,157)
Dividend paid to equity shareholders of the Company	*30*	**(138,694)**	(149,070)
Dividend paid to minority shareholders		**(13,977)**	(14,064)
Net cash (used in)/generated from financing activities		**(45,782)**	13,705
Net increase/(decrease) in cash and cash equivalents		**562,941**	(399,183)
Cash and cash equivalents at 1 January		**588,010**	987,193
Cash and cash equivalents at 31 December		**1,150,951**	588,010

The notes on pages 45 to 122 form part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Hengdeli Holdings Limited ("the Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 9 July 2004 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 September 2005. The Company's name was changed from Xinyu Hengdeli Holdings Limited to Hengdeli Holdings Limited on 11 September 2009.

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Group and the Group's interest in jointly controlled entities.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except that derivative financial instruments are stated at fair value as explained in note 1(n).

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 39.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with note 1(p) depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)).

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(e) and 1(k)). The Group's share of the post-acquisition, post-tax results of investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)). In respect of jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the jointly controlled entity, and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 1(k)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in a jointly controlled entity is recognised immediately in profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Goodwill *(Continued)*

On disposal of a cash generating unit or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and jointly controlled entities, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 1(u)(iii) and 1 (u)(iv).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses (see note 1(k)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(k)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 1(u)(iii) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 1(u)(iv). When these investments are derecognised or impaired (see note 1(k)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investment property

Investment properties are buildings which are owned or held under a leasehold interest (see note 1(j)) either to earn rental income and/or for capital appreciation.

Investment properties are measured at cost less accumulated depreciation and impairment losses (see note 1(k)). Depreciation is calculated to write off the cost of investment property less its estimated residual value using the straight line method over its estimated useful life of 20 years. Rental income from investment properties is accounted for as described in note 1(u)(ii).

(h) Other property, plant and equipment

Other property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(w)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Land and buildings	20-50 years
Leasehold improvements	1-5 years
Motor vehicles	8 years
Office equipment and other fixed assets	4-5 years

The Group's land located in Italy and Taiwan has an unlimited useful life and therefore is not depreciated.

No depreciation is provided for construction in progress.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Other property, plant and equipment *(Continued)*

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment and other fixed assets is based on the quoted market prices for similar items.

(i) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(w)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(k)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives from the date they are available for use as follows:

EDOX agency rights and patents	5-10 years
Trademarks with finite useful life	5-10 years
Software licence	10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

The fair value of intangible assets acquired in a business combination is determined based on the discounted cash flow forecast of the projection of profit streams from trademarks held by subsidiaries at the date of acquisition.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(k) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities (other than investments in subsidiaries (see note 1(k)(ii))), and other current and Non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in jointly controlled entities recognised using the equity method (see note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(k)(ii). The impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount in accordance with note 1(k)(ii).

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(i) Impairment of investments in debt and equity securities and other receivables (Continued)

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit and loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if a subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in the income statement.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(i) Impairment of investments in debt and equity securities and other receivables (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– investment property;

– intangible assets;

– investments in subsidiaries; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(k)(i) and 1(k)(ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The fair value of inventories acquired in a business combination is determined based on their estimated selling price in the ordinary course of business less the estimated costs of sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Convertible bonds

Convertible bonds which do not contain an equity component are accounted for as follows:

At initial recognition the derivative components of the convertible bonds are measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative components is recognised as the liability component. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Convertible bonds *(Continued)*

The derivative component is subsequently remeasured at fair value. The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the bond is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(r) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of Non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Employee benefits *(Continued)*

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits). Share-based payment transactions in which the Company grants share options to subsidiaries' employees are accounted for as an increase in value of investment in subsidiary in the Company's balance sheet which is eliminated on consolidation.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amount of tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Income tax *(Continued)*

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

i) *Sale of goods*

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Revenue recognition *(Continued)*

ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

v) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the assets by way of reduced depreciation expense.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of group companies which have a functional currency other than Renminbi ("RMB") are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Translation of foreign currencies *(Continued)*

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset. Other borrowing costs are expensed in profit or loss in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Segment reporting

Operating segments, and amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Amendments to HKFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*
- HKAS 23 (revised 2007), Borrowing costs
- Amendments to HKFRS 2, *Share-based payment – vesting conditions and cancellations*

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

The amendments to HKAS 23 and HKFRS 2 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 13). Corresponding amounts have been provided on a basis consistent with the revised segment information.

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 35(f) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

- The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group's accounting policies:

  – As a result of amendments to HKAS 28, *Investments in associates*, impairment losses recognised in respect of the associates and jointly controlled entities carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group allocated impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3. TURNOVER

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

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

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

Further details regarding the Group's principal activities are disclosed in note 13 to these financial statements.

4. OTHER REVENUE AND NET (LOSSES)/INCOME

	2009	2008
	RMB'000	RMB'000
Other revenue		
Interest income	**5,435**	9,998
Government grants	**16,350**	14,880
Dividend income from unlisted investments *(note 19)*	**16,434**	16,124
Rental income	**4,360**	2,560
Others	**7,992**	6,310
	50,571	49,872

One of the Group's subsidiaries, Shanghai Xinyu Watch & Clock Group., Ltd. ("Shanghai Xinyu"), received unconditional grants totalling RMB14,880,000 and RMB16,350,000 for the years ended 31 December 2008 and 2009, respectively, from the local government in Shanghai, in support of Shanghai Xinyu's development.

	2009	2008
	RMB'000	RMB'000
Other net (losses)/income		
Changes in fair value of embedded financial derivatives *(note 26)*	**(38,024)**	121,416
(Loss)/Gain on purchases of convertible bonds	**(5,205)**	19,443
Net realised gain on trading securities	**5,040**	–
	(38,189)	140,859

5. OTHER OPERATING EXPENSES

	2009 RMB'000	2008 RMB'000
Provision/(reversal) of impairment losses for doubtful trade receivables	**1,028**	(1,724)
Loss on sale of property, plant and equipment	**317**	786
	1,345	(938)

The comparative figure for write down of inventories in the amount of RMB12,469,000 has been reclassified from other operating expenses to cost of sales to reflect more appropriately the substance of the expenses and conform with the current year's presentation.

6. PROFIT BEFORE TAXATION

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

	2009 RMB'000	2008 RMB'000
(a) Finance costs		
Interest expense on bank loans	**41,279**	28,965
Interest on convertible bonds *(note 26)*	**29,867**	51,042
Bank charges#	**5,526**	2,053
Net foreign exchange (gain)/loss	**(978)**	32,045
Finance expenses	**75,694**	114,105

The comparative figure for commission charges on credit card sales in the amount of RMB21,802,000 has been reclassified to distribution costs to reflect more appropriately the substance of the expenses and conform with the current year's presentation.

6. PROFIT BEFORE TAXATION *(Continued)*

(b) *Staff costs*

	2009 RMB'000	2008 RMB'000
Wages, salaries and other benefits	**238,376**	250,394
Contributions to defined contribution retirement plans	**34,793**	17,471
Equity-settled share-based payment transactions *(note 28)*	**19,296**	21,571
	292,465	289,436

(c) *Other items*

	2009 RMB'000	2008 RMB'000
Amortisation of intangible assets	**2,109**	1,234
Depreciation of fixed assets	**41,741**	35,474
Operating leases charges in respect of properties		
– minimum lease payments	**89,101**	78,690
– contingent rents	**197,613**	157,744
	286,714	236,434
Auditors' remuneration – audit services	**3,603**	3,860
Rentals receivable from investment property	**2,087**	1,920
Cost of inventories	**4,490,297**	4,197,396

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) *Taxation in the consolidated income statement represents:*

	2009 RMB'000	2008 RMB'000
Current tax		
Provision for Hong Kong profits tax for the year	**35,672**	28,648
Provision for PRC income tax for the year	**83,455**	112,519
Under/(over) provision in respect of prior years	**815**	(1,908)
Sub-total	**119,942**	139,259
Deferred tax		
Origination and reversal of temporary differences	**7,720**	(8,431)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**–**	(9)
Sub-total	**7,720**	(8,440)
Total	**127,662**	130,819

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, the PRC, Taiwan and Italy, are not subject to any income tax in these jurisdictions.

The provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the year.

The provision for PRC income tax is based on the respective applicable rates on the estimated assessable income of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

Pursuant to the transitional arrangements under the Corporate Income Tax Law of the People's Republic of China (the "New Tax Law"), one of the Group's PRC subsidiaries is entitled to a 50% reduction in the applicable income tax rate of 25% until the expiry of such tax holiday previously granted under the income tax rules and regulations of the PRC applicable for foreign investment enterprises (the "FEIT Law").

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(a) *Taxation in the consolidated income statement represents:* *(Continued)*

Pursuant to the transitional arrangements under the New Tax Law, one of the Group's subsidiaries located in Shenzhen Economic Zone is entitled to a 20% preferential tax rate in 2009 and will be subject to the transitional income tax rate of 22% and 24% in 2010 and 2011, respectively. Both of the above PRC subsidiaries will be subject to the unified tax rate of 25% from 2012.

The applicable income tax rate of the Group's other PRC subsidiaries is 25%.

The provisions for Taiwan and Italy income tax are calculated at the income tax rates of 25% and 31.4% of the estimated assessable profits. There were no such assessable profits generated during the year.

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

	2009	2008
	RMB'000	RMB'000
Profit before taxation	**513,755**	618,984
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**120,080**	120,711
Non-taxable income	**(11,340)**	(7,751)
Non-deductible expenses	**1,133**	3,566
Under/(over) provision in prior years	**815**	(1,908)
Tax effect of unused tax losses not recognised	**10,488**	8,529
Effect on deferred balances at 1 January resulting from a change in tax rate	**–**	(9)
Deferred tax liabilities on the expected profits distribution by the Group's PRC subsidiaries *(note 29(d))*	**6,486**	7,681
Actual tax expense	**127,662**	130,819

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' Fee RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit plans RMB'000 *(note 27)*	Total RMB'000
Year ended 31 December 2009				
Executive Directors				
Mr. Zhang Yuping	–	2,696	11	2,707
Mr. Song Jianwen	–	1,288	55	1,343
Mr. Huang Yonghua	–	1,878	–	1,878
Non-executive Directors				
Mr. Chen Sheng	636	–	–	636
Mr. Shen Zhiyuan	44	–	–	44
Mr. Shi Zhongyang	88	–	–	88
Independent Non-executive Directors				
Mr. Cai Jianmin	44	–	–	44
Mr. Wong Kam Fai, William	88	–	–	88
Mr. Liu Xueling	44	–	–	44
Total	944	5,862	66	6,872

8. DIRECTORS' REMUNERATION *(Continued)*

	Directors' Fee RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit plans RMB'000 *(note 27)*	Total RMB'000
Year ended 31 December 2008				
Executive Directors				
Mr. Zhang Yuping	–	3,775	11	3,786
Mr. Song Jianwen	–	1,827	49	1,876
Mr. Huang Yonghua	–	1,827	–	1,827
Non-executive Directors				
Mr. Chen Sheng	601	–	–	601
Mr. Shen Zhiyuan	44	–	–	44
Mr. Shi Zhongyang	89	–	–	89
Mr. Chuang Jian, George (resigned on 3 June 2008)	–	–	–	–
Independent Non-executive Directors				
Mr. Cai Jianmin	44	–	–	44
Mr. Wong Kam Fai, William	89	–	–	89
Mr. Liu Xueling	44	–	–	44
Total	911	7,429	60	8,400

Save as disclosed above, no directors' remuneration has been paid or is payable by the Group during the two years ended 31 December 2008 and 2009. There was no arrangement under which a director waived or agreed to waive any remuneration during the two years ended 31 December 2008 and 2009.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the year ended 31 December 2009 include two (2008: three) directors of the Group, whose emoluments are reflected in note 8. Details of emoluments paid to the remaining highest paid individuals of the Group are as follows:

	2009 **RMB'000**	2008 RMB'000
Salaries and other emoluments	**5,473**	4,504
Contributions to retirement benefit plans	**41**	21
Bonuses	**8,850**	19,535
Share-based payments	**351**	204
	14,715	24,264

The emoluments of the three (2008: two) individuals, other than directors, with the highest emoluments are within the following bands:

RMB	**2009** **Number of individuals**	2008 Number of individuals
Nil – 1,000,000	**–**	–
1,000,001 – 1,500,000	**1**	–
1,500,001 – 2,000,000	**1**	1
11,000,000 – 11,500,000	**1**	–
22,000,001 – 22,500,000	**–**	1

During the two years ended 31 December 2008 and 2009, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB81,695,000 (2008: gain RMB18,134,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2009 RMB'000	2008 RMB'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	(81,695)	18,134
Dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	150,707	154,009
Company's profit for the year *(note 30(a))*	69,012	172,143

11. OTHER COMPREHENSIVE INCOME

Tax effect relating to other comprehensive income:

	2009			2008		
	Before-tax amount RMB'000	Tax (expense)/ benefit RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax (expense)/ benefit RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation of financial statement of overseas subsidiaries	(1,060)	–	(1,060)	(16,052)	–	(16,052)

(Expressed in RMB unless otherwise indicated)

12. 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 RMB364,809,000 (2008: RMB460,087,000) and the weighted average of 3,891,655,282 ordinary shares (2008: 3,725,612,877 ordinary shares) in issue during the year. The weighted average numbers of ordinary shares in issue for year 2008 and 2009 have been retrospectively adjusted for the effect of the bonus issue in September 2009 (Note 30(c)(iv)).

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2009 is based on the profit attributable to equity shareholders of the Company (diluted) of RMB364,809,000 (2008: RMB436,356,000) and the weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares of 3,891,655,282 (2008: 3,958,927,845). The weighted average numbers of ordinary shares in issue for 2008 and 2009 have been retrospectively adjusted for the effect of the bonus issue in September 2009 (Note 30(c)(iv)).

The calculation of diluted earnings per share amount for the year ended 31 December 2009 has not included the potential effect of the deemed conversion of the convertible bonds into ordinary shares during the year as it has an anti-dilutive effect on the basic earnings per share amount for the year.

The performance-based employee share options (see note 28) are treated as contingently issuable shares because their issue is contingent upon satisfying specified conditions in addition to the passage of time. As no shares would be issuable if 31 December 2009 were the end of the contingent period, no effect of share options is included in the calculation of diluted earnings per share.

(i) Weighted average number of ordinary shares (diluted)

	2009	2008
Weighted average number of ordinary shares	**3,891,655,282**	3,725,612,877
Effect of conversion of convertible bonds	**–**	233,314,968
Weighted average number of ordinary shares (diluted) at 31 December	**3,891,655,282**	3,958,927,845

12. EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share *(Continued)*

(ii) Profit attributable to equity shareholders of the Company (diluted)

	2009 RMB'000	2008 RMB'000
Profit attributable to equity shareholders (basic)	**364,809**	460,087
Effect of effective interest on the liability component of convertible bonds	**–**	51,042
Effect of gain recognised on the derivative component of convertible bonds	**–**	(121,416)
Effect of exchange loss recognised on the liability component of convertible bonds	**–**	66,086
Effect of gain on purchase of convertible bonds	**–**	(19,443)
Profit attributable to equity shareholders (diluted) at 31 December	**364,809**	436,356

13. 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 the People's Republic of China (PRC)). 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 three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Retail (include segments in PRC (Other than Hong Kong) and Hong Kong, respectively): given the importance of the retail division to the Group, the Group's retail business is segregated further into two reportable segments on a geographical basis, as the divisional managers for each of these regions report directly to the senior executive team. Both segments primarily derive their revenue from the retail of watches through their own retail network.

- Wholesale: this segment distributes numerous world renowned brand watches in the PRC.

13. SEGMENT REPORTING *(Continued)*

(a) Segment results and assets

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

Segment assets represent inventories only.

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".

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									
	PRC (Other than Hong Kong)		Hong Kong		Wholesale		All others#		Total	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Revenue from external customers	**2,730,187**	2,324,172	**1,705,476**	1,418,195	**1,329,967**	1,631,916	**133,792**	142,213	**5,899,422**	5,516,496
Inter-segment revenue	**–**	–	**–**	–	**2,081,781**	2,363,733	**3,395**	4,206	**2,085,176**	2,367,939
Reportable segment revenue	**2,730,187**	2,324,172	**1,705,476**	1,418,195	**3,411,748**	3,995,649	**137,187**	146,419	**7,984,598**	7,884,435
Reportable segment profit	**877,575**	761,368	**322,122**	302,148	**164,173**	209,537	**45,255**	46,047	**1,409,125**	1,319,100

13. SEGMENT REPORTING *(Continued)*

(a) Segment results and assets *(Continued)*

	Retail									
	PRC (Other than Hong Kong)		Hong Kong		Wholesale		All others#		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Reportable segment assets	**1,425,801**	1,426,300	**617,453**	554,964	**429,936**	539,119	**57,298**	69,636	**2,530,488**	2,590,019

Revenues from segments below the quantitative thresholds are mainly attributable to three operating segments of the Group. Those segments include a watch repairing and maintenance business, manufacture and distribution business of writing instruments branded OMAS, and a packaging and decoration business. None of those segments met any of the quantitative thresholds for determining reportable segments.

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

	2009	2008
	RMB'000	RMB'000
Revenue		
Total revenues for reportable segments	**7,847,411**	7,738,016
Other revenue	**137,187**	146,419
Elimination of inter-segment revenue	**(2,085,176)**	(2,367,939)
Consolidated turnover	**5,899,422**	5,516,496

13. SEGMENT REPORTING *(Continued)*

(b) Reconciliations of reportable segment revenues, profit or loss and assets *(Continued)*

	2009 RMB'000	2008 RMB'000
Profit		
Total profit for reportable segments	**1,363,870**	1,273,053
Other profit	**45,255**	46,047
	1,409,125	1,319,100
Other revenue	**50,571**	49,872
Other net (losses)/income	**(38,189)**	140,859
Distribution costs	**(590,112)**	(522,180)
Administrative expenses	**(239,425)**	(253,182)
Other operating expenses	**(1,345)**	938
Finance costs	**(75,694)**	(114,105)
Share of losses of jointly controlled entities	**(1,176)**	(2,318)
Consolidated profit before taxation	**513,755**	618,984

	2009 RMB'000	2008 RMB'000
Assets		
Total assets for reportable segments	**2,473,190**	2,520,383
Other assets	**57,298**	69,636
Elimination of unrealised inter-segment profit	**(126,251)**	(143,285)
	2,404,237	2,446,734
Trade and other receivables	**591,063**	449,962
Pledged bank deposits	**40,000**	96,497
Cash and cash equivalents	**1,150,951**	588,010
Non-current assets	**987,918**	899,572
Consolidated total assets	**5,174,169**	4,480,775

13. SEGMENT REPORTING *(Continued)*

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, intangible assets, goodwill, interests in jointly controlled entities 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 jointly controlled entities and other investments.

The Group's business is mainly managed in two principal economic environments, the PRC (other than Hong Kong) and Hong Kong.

	2009 **RMB'000**	2008 RMB'000
Revenue from external customers		
The PRC (other than Hong Kong)	**4,109,943**	3,982,193
Hong Kong	**1,761,191**	1,502,510
Others	**28,288**	31,793
Total	**5,899,422**	5,516,496
Specified non-current assets		
The PRC (other than Hong Kong)	**617,029**	537,163
Hong Kong	**256,716**	257,415
Others	**74,768**	65,038
Total	**948,513**	859,616

14. FIXED ASSETS

The Group

	Land and buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment and other fixed assets RMB'000	Construction in progress RMB'000	Sub-Total RMB'000	Investment property RMB'000	Total fixed assets RMB'000
Cost:								
Balance at 1 January 2008	249,154	46,065	12,456	34,233	29,481	371,389	31,032	402,421
Additions	81,948	45,571	2,669	10,467	133,568	274,223	–	274,223
Additions through acquisition of subsidiaries	–	876	–	49	–	925	–	925
Transfer from construction in progress	1,878	–	–	584	(2,462)	–	–	–
Disposals	–	(328)	(638)	(2,140)	–	(3,106)	–	(3,106)
Balance at 31 December 2008 and 1 January 2009	332,980	92,184	14,487	43,193	160,587	643,431	31,032	674,463
Additions	13,087	37,125	2,380	8,725	49,169	110,486	–	110,486
Additions through acquisition of subsidiaries *(note 33)*	–	1,088	–	–	–	1,088	–	1,088
Transfer from construction in progress	–	6,215	–	377	(6,592)	–	–	–
Disposals	–	(4,605)	(1,116)	(2,363)	–	(8,084)	–	(8,084)
Balance at 31 December 2009	346,067	132,007	15,751	49,932	203,164	746,921	31,032	777,953
Accumulated depreciation:								
Balance at 1 January 2008	(34,333)	(29,515)	(4,887)	(13,929)	–	(82,664)	(1,497)	(84,161)
Charge for the year	(12,102)	(12,250)	(1,788)	(7,570)	–	(33,710)	(1,764)	(35,474)
Written–back on disposals	–	328	484	1,314	–	2,126	–	2,126
Balance at 31 December 2008 and 1 January 2009	(46,435)	(41,437)	(6,191)	(20,185)	–	(114,248)	(3,261)	(117,509)
Charge for the year	(12,299)	(17,860)	(1,837)	(7,981)	–	(39,977)	(1,764)	(41,741)
Written–back on disposals	–	4,605	976	2,082	–	7,663	–	7,663
Balance at 31 December 2009	(58,734)	(54,692)	(7,052)	(26,084)	–	(146,562)	(5,025)	(151,587)
Net book value:								
At 31 December 2009	287,333	77,315	8,699	23,848	203,164	600,359	26,007	626,366
At 31 December 2008	286,545	50,747	8,296	23,008	160,587	529,183	27,771	556,954

14. FIXED ASSETS *(Continued)*

i) Land owned by the Group is located in Italy and Taiwan, which has an unlimited useful life and therefore is not depreciated. The carrying amount of the land located in Italy and Taiwan as at 31 December 2009 is RMB7,779,000 (2008: RMB7,670,000) and RMB38,368,000 (2008: RMB30,169,000), respectively.

ii) The buildings owned by the Group are located in the PRC, Italy, Hong Kong and Taiwan.

iii) As at 31 December 2009, the land and buildings in Taiwan and Hong Kong with carrying amount of RMB45,749,000 and RMB45,232,000, respectively (2008: RMB33,374,000 in Taiwan and RMB46,627,000 in Hong Kong) were pledged to banks as security for certain loans (see note 24).

iv) As at 31 December 2009, the Group was in the process of obtaining the property ownership certificates of its buildings in Beijing, Guangzhou, Taiyuan and Zhengzhou with a carrying amount of approximately RMB39,780,000 (2008: RMB59,314,000).

v) The investment property is located in the PRC, and is rented out under the terms of operating leases. The fair value of the investment property as at 31 December 2009, as determined by reference to recent market transactions of comparable properties, amounted to RMB58,160,000 (2008: RMB43,680,000). The fair value of the investment property has not been evaluated by an external independent valuer.

15. INTANGIBLE ASSETS

The Group

	Trademarks with indefinite useful lives RMB'000	Trademarks with finite useful lives RMB'000	Edox agency rights and patents RMB'000	Software licence RMB'000	Total RMB'000
Cost:					
At 1 January 2008	32,149	8,259	3,969	–	44,377
Addition during the year	–	–	–	764	764
At 1 January 2009	32,149	8,259	3,969	764	45,141
Addition during the year	–	485	224	1,225	1,934
At 31 December 2009	32,149	8,744	4,193	1,989	47,075
Amortisation:					
At 1 January 2008	–	(304)	(629)	–	(933)
Charge for the year	–	(781)	(416)	(37)	(1,234)
At 1 January 2009	–	(1,085)	(1,045)	(37)	(2,167)
Charge for the year	–	(1,140)	(799)	(170)	(2,109)
At 31 December 2009	–	(2,225)	(1,844)	(207)	(4,276)
Net book value:					
At 31 December 2009	32,149	6,519	2,349	1,782	42,799
At 31 December 2008	32,149	7,174	2,924	727	42,974

The amortisation charges for trademarks with finite useful lives, Edox agency rights and patents, and software licence are included in "Administrative expenses" in the consolidated income statement.

The basis of impairment tests for cash-generating units containing trademarks with indefinite useful lives is as follows:

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 those regarding the discount rate and growth rate. The Group prepares cash flow forecasts derived from the two-year financial budgets and extrapolates cash flows for the following eight years based on estimated annual growth rates in sales ranging from 3% to 15% (2008: 1% to 10%), a growth rate in gross profit ratio ranging from 0% to 4% (2008: -4% to 10%), and a discount rate of 10% (2008: 8% to 11%). The growth rate used does not exceed the average long-term growth rate for the relevant markets.

16. GOODWILL

	The Group RMB'000
Cost:	
At 1 January 2008	213,165
Addition	15,202
At 31 December 2008 and 1 January 2009	228,367
Addition *(note 33)*	14,400
At 31 December 2009	242,767
Accumulated impairment losses:	
At 1 January 2008, 31 December 2008 and 1 January 2009 and 31 December 2009	–
Carrying amount:	
At 31 December 2009	242,767
At 31 December 2008	228,367

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

	2009 RMB'000	2008 RMB'000
Retail – Hong Kong		
Elegant Jewellery Holding Limited ("Elegant")	**171,163**	171,163
Retail – PRC (other than Hong Kong)		
蘇州工業園區新宇世家鐘表有限公司 ("Suzhou Xinyu")	**16,845**	16,845
北京世紀英迪商貿有限責任公司 ("Beijing Yingdi")	**15,275**	15,275
武漢新宇老亨達利有限公司 *(note 33)* ("Wuhan Xinyu")	**14,400**	–
河南富豪表行有限公司 ("Henan Fuhao")	**8,197**	8,197
無錫新宇鐘表有限公司 ("Wuxi Xinyu")	**8,000**	8,000
新疆世紀百達投資有限公司 ("Xinjiang Century Baida")	**4,246**	4,246
深圳市瑞時達貿易有限公司 ("Shenzhen Ruishida")	**2,956**	2,956
All others		
廣州市雅迪裝飾包裝有限公司 ("Guangzhou Yadi")	**1,685**	1,685
	242,767	228,367

16. GOODWILL *(Continued)*

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 those regarding the discount rate and growth rate. The Group prepares cash flow forecasts derived from the two-year financial budgets and extrapolates cash flows for the following eight years based on estimated annual growth rates in sales ranging from 1% to 10% (2008: 1% to 8%), a growth rate in gross profit ratio ranging from -1% to 8% (2008: -1% to 8%), and a discount rate of 15% (2008: 9%). The growth rate does not exceed the long-term average growth rate for the relevant markets.

17. INVESTMENTS IN SUBSIDIARIES

The Company

	2009 **RMB'000**	2008 RMB'000
Unlisted shares, at cost	**529,639**	511,163

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	**Place of incorporation and operation**	**Percentage of equity held by subsidiaries %**	**Issued and fully paid-up/ registered capital**	**Principal activities**
Shanghai Xinyu	the PRC	95%	RMB550,000,000/ RMB550,000,000	Retail and wholesale of watches
北京市亨得利瑞士鐘表有限責任公司 ("Beijing Hengdeli")	the PRC	55%	RMB156,800,000/ RMB156,800,000	Retail and wholesale of watches
哈爾濱盛時鐘表有限公司 ("Harbin Shengshi")	the PRC	100%	RMB50,000,000/ RMB50,000,000	Retail of watches
遼寧新宇三寶鐘表有限公司 ("Liaoning Xinyu Sanbao")	the PRC	100%	RMB40,000,000/ RMB40,000,000	Retail of watches
深圳市亨得利陽光鐘表有限責任公司 ("Shenzhen Yangguang")	the PRC	100%	RMB15,000,000/ RMB15,000,000	Retail of watches
Henan Fuhao	the PRC	70%	RMB30,000,000/ RMB30,000,000	Retail of watches

(Expressed in RMB unless otherwise indicated)

17. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Percentage of equity held by subsidiaries %	Issued and fully paid-up/ registered capital	Principal activities
安徽三新鐘表有限公司 (“Anhui Sanxin”)	the PRC	70%	RMB20,000,000/ RMB20,000,000	Retail of watches
北京新宇亨瑞鐘表有限責任公司 (“Beijing Hengrui”)	the PRC	100%	RMB40,000,000/ RMB40,000,000	Retail of watches
Guangzhou Yadi	the PRC	100%	HKD45,000,000/ HKD45,000,000	Decoration and packaging
深圳新宇鐘表有限公司 (“Shenzhen Xinyu”)	the PRC	100%	HKD50,000,000/ HKD50,000,000	Wholesale of watches
Elegant	Hong Kong	100%	HKD5,000,000/ HKD5,000,000	Retail of watches and jewellery
Omas SRL	Italy	90.1%	EUR1,000,000/ EUR1,000,000	Production and wholesale of luxury writing instruments
Suzhou Xinyu	the PRC	60%	RMB50,000,000/ RMB50,000,000	Retail of watches
Beijing Yingdi	the PRC	100%	RMB500,000/ RMB500,000	Retail of watches
Wuxi Xinyu	the PRC	80%	RMB36,000,000/ RMB36,000,000	Retail of watches
Shenzhen Ruishida	the PRC	80%	RMB10,000,000/ RMB10,000,000	Retail of watches
Xinjiang Century Baida	the PRC	100%	RMB7,000,000/ RMB7,000,000	Retail of watches
新疆世紀之星商貿有限公司 (“Xinjiang Century Star”)	the PRC	100%	RMB900,000/ RMB900,000	Retail of watches
杭州新宇鐘表有限公司 (“Hangzhou Xinyu”)	the PRC	60%	RMB10,000,000/ RMB10,000,000	Retail of watches
Wuhan Xinyu	the PRC	60%	RMB50,000,000/ RMB50,000,000	Retail of watches

Note: All the subsidiaries incorporated in the PRC are domestic enterprises, except for Shanghai Xinyu, Guangzhou Yadi and Shenzhen Xinyu, which are foreign invested enterprises.

18. INTEREST IN JOINTLY CONTROLLED ENTITIES

The Group

	2009 RMB'000	2008 RMB'000
Share of net assets	**26,515**	17,691
Amount due from jointly controlled entities	**9,269**	12,833
	35,784	30,524

Details of the Group's interest in the jointly controlled entities are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of equity held by subsidiaries	Principal activity
北京亨聯達鐘表有限責任公司 ("Beijing Henglianda")	Incorporated	the PRC	RMB30,000,000#	50%	Retail of watches
上海瑞亨琪鐘表商業有限公司 ("Shanghai Ruihengqi")	Incorporated	the PRC	RMB30,000,000	50%	Retail of watches

\# Paid up capital of Beijing Henglianda has been increased by RMB20,000,000 in 2009, in which the Group and the joint venture partner injected RMB10,000,000 each in cash.

18. INTEREST IN JOINTLY CONTROLLED ENTITIES *(Continued)*

Summary financial information on jointly controlled entities – the Group's effective interest:

	2009 **RMB'000**	2008 RMB'000
Non-current assets	**2,616**	2,463
Current assets	**40,599**	37,168
Non-current liabilities	**(5,250)**	(10,000)
Current liabilities	**(11,450)**	(11,940)
Net assets	**26,515**	17,691
Income	**49,813**	35,342
Expenses	**(50,989)**	(37,660)
Loss for the year	**(1,176)**	(2,318)

The amount due from a jointly controlled entity is unsecured, interest-free and has no fixed terms of repayment.

19. OTHER INVESTMENTS

The Group

	2009 **RMB'000**	2008 RMB'000
Unlisted investments	**797**	797

The Group received dividends totaling RMB16,124,000 and RMB16,434,000 for the years ended 31 December 2008 and 2009, respectively, from its unlisted investments.

20. INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	2009 RMB'000	2008 RMB'000
Raw materials	**29,043**	51,987
Work in progress	**16,472**	14,752
Finished goods	**2,358,722**	2,379,995
	2,404,237	2,446,734
Inventories carried at fair value less cost to sell	**111,435**	97,762

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2009 RMB'000	2008 RMB'000
Carrying amount of inventories sold	**4,482,597**	4,184,927
Write down of inventories	**7,700**	12,469
	4,490,297	4,197,396

21. TRADE AND OTHER RECEIVABLES

The Group

	2009 RMB'000	2008 RMB'000
Trade receivables	**389,473**	277,901
Less: allowance for doubtful debts *(note 21(b))*	**(6,836)**	(5,808)
Receivables	**382,637**	272,093
Prepayments and deposits #	**208,426**	177,869
	591,063	449,962

21. TRADE AND OTHER RECEIVABLES *(Continued)*

The Company

	2009 RMB'000	2008 RMB'000
Other receivables	**9,943**	11,837
Receivables due from subsidiaries *(note 34(c))*	**1,256,362**	1,141,300
	1,266,305	1,153,137

Prepayments and deposits as at 31 December 2009 include prepayments for the acquisitions of Jing Guang Tang Watches Co Ltd ("Taiwan Jing Guang Timepiece") and Xinjiang Korla People's Shopping Mall totaling RMB33,746,000 (2008: nil). These acquisitions were in process as at 31 December 2009.

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

Customers are normally granted credit terms of not more than 70 days depending on the credit worthiness of individual customers.

(a) Ageing analysis

An ageing analysis of trade receivables (net of impairment losses for bad and doubtful debts) is as follows:

The Group

	2009 RMB'000	2008 RMB'000
Current	**325,074**	231,262
Less than 1 month past due	**41,271**	30,662
1 to 3 months past due	**9,397**	5,312
More than 3 months but less than 12 months past due	**4,991**	1,840
More than 12 months past due	**1,904**	3,017
Amounts past due	**57,563**	40,831
	382,637	272,093

21. TRADE AND OTHER RECEIVABLES *(Continued)*

(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 (see note 1(k)(i)).

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

The Group

	2009 RMB'000	2008 RMB'000
At 1 January	5,808	7,579
Impairment loss recognised	3,484	2,247
Uncollectible amounts written off	–	(47)
Reversal of impairment loss upon receipts	(2,456)	(3,971)
At 31 December	6,836	5,808

(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:

The Group

	2009 RMB'000	2008 RMB'000
Neither past due nor impaired	325,074	231,262
Less than 1 month past due	41,271	30,662
1 to 3 months past due	9,397	5,312
More than 3 months but less than 12 months past due	4,505	1,820
	55,173	37,794
	380,247	269,056

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

21. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Trade receivables that are not impaired *(Continued)*

Receivables that were past due but not impaired relate 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. The Group does not hold any collateral over these balances.

22. PLEDGED BANK DEPOSITS

The Group and the Company

The amount mainly represents deposits pledged at banks to secure letters of guarantee granted to the Group. The pledged bank deposits will be released upon the termination of the relevant instruments.

23. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

The Group

As at 31 December 2008 and 2009, all the Group's cash and cash equivalents in the consolidated balance sheet and the consolidated cash flow statement represented cash at bank and cash in hand.

	2009 **RMB'000**	2008 RMB'000
Cash and cash equivalents in the consolidated balance sheet and cash flow statement	**1,150,951**	588,010

The Company

As at 31 December 2008 and 2009, all the Company's cash and cash equivalents in the balance sheet represented cash at bank and cash in hand.

23. CASH AND CASH EQUIVALENTS *(Continued)*

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2009 RMB'000	2008 RMB'000
Profit before taxation		**513,755**	618,984
Adjustments for:			
Depreciation	*6(c)*	**41,741**	35,474
Amortisation of intangible assets	*6(c)*	**2,109**	1,234
Finance costs	*6(a)*	**76,672**	82,060
Dividend income from investments	*4*	**(16,434)**	(16,124)
Interest income	*4*	**(5,435)**	(9,998)
Changes in fair value of embedded financial derivatives	*4*	**38,024**	(121,416)
Share of losses of jointly controlled entities	*18*	**1,176**	2,318
Loss on sale of property, plant and equipment	*5*	**317**	786
Loss/(gain) on purchase of convertible bonds	*4*	**5,205**	(19,443)
Equity-settled share-based payment expenses	*6(b)*	**19,296**	21,571
Net realised gain on trading securities	*4*	**(5,040)**	–
Operating profit before changes in working capital		**671,386**	595,446
Decrease/(increase) in inventories		**42,497**	(739,672)
(Increase)/decrease in trade and other receivables		**(104,851)**	95,948
Increase in trade and other payables		**215,216**	72,135
Cash generated from operations		**824,248**	23,857

24. BANK LOANS

At 31 December 2009, the bank loans were repayable as follows:

The Group

	2009 RMB'000	2008 RMB'000
Within 1 year or on demand	**823,878**	760,122
After 1 year but within 2 years	**102,871**	2,333
After 2 years but within 5 years	**8,799**	7,405
After 5 years	**30,024**	25,947
	141,694	35,685
	965,572	795,807

The Company

	2009 RMB'000	2008 RMB'000
Within 1 year or on demand	**21,836**	–
	21,836	–

24. BANK LOANS *(Continued)*

At 31 December 2009, the bank loans were secured as follows:

The Group

	2009	2008
	RMB'000	RMB'000
Bank loans within one year or on demand		
– Secured	**2,835**	104,786
– Unsecured	**821,043**	655,336
	823,878	760,122
Bank loans after one year		
– Secured	**41,694**	35,685
– Unsecured	**100,000**	–
	141,694	35,685
	965,572	795,807

The Company

	2009	2008
	RMB'000	RMB'000
Bank loans within one year or on demand		
– Unsecured	**21,836**	–
	21,836	–

At 31 December 2009, the banking facilities of certain subsidiaries were secured by mortgages over their land and buildings with an aggregate carrying value of RMB90,981,000 (2008: RMB80,001,000).

25. TRADE AND OTHER PAYABLES

The Group

	2009 RMB'000	2008 RMB'000
Trade payables	**639,966**	429,198
Other payables and accrued expenses	**110,278**	108,821
Advance receipts from customers	**35,505**	25,835
Amounts due to related parties *(note 34(d))*	**20,850**	20,610
	806,599	584,464

The Company

	2009 RMB'000	2008 RMB'000
Other payables and accrued expenses	**304**	251
Amounts due to subsidiaries *(note 34(d))*	**79,164**	1,894
	79,468	2,145

An ageing analysis of trade payables is as follows:

The Group

	2009 RMB'000	2008 RMB'000
Within 1 month	**468,903**	357,613
Over 1 month but less than 3 months	**148,579**	52,181
Over 3 months but less than 12 months	**4,978**	16,265
Over 1 year	**17,506**	3,139
	639,966	429,198

(Expressed in RMB unless otherwise indicated)

26. CONVERTIBLE BONDS

On 24 August 2007, the Company issued United States Dollar ("USD") Settled Senior Unsecured Zero Coupon Convertible Bonds due 2012 in the aggregate principal amount of RMB1,150,000,000 (the "Convertible Bonds" or "the Bonds"). The subscription amount payable in respect of each RMB1,000,000 principal amount of the Bonds is approximately USD132,282. The Convertible Bonds are listed on Singapore Exchange Securities Trading Limited.

The principal terms of the Convertible Bonds are as follows:

(a) Optional conversion

Each bond will, at the option of the holder ("Bondholders"), be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 21 February 2008 up to and including 17 August 2012 into fully paid ordinary shares of the Company with a par value of HKD0.005 each at an initial conversion price (the "Conversion Price") of HKD7.06 per share and a fixed exchange rate of HKD1.00 to RMB0.96637. In September 2009 the Company issued bonus shares (Note 30). Following the bonus issue, the prevailing Conversion Price of HKD7.06 was adjusted to HKD4.71 with effect from 12 September 2009, in accordance with the Convertible Bonds agreement.

(b) Redemption

– *Redemption at maturity*

Unless previously redeemed, converted, or purchased and cancelled, the Bonds will be redeemed on 24 August 2012 at an amount equal to the USD equivalent of their RMB principal amount, translated at the exchange rates quoted by the People's Bank of China (the "PBOC rate") ruling two business days prior to 24 August 2012, multiplied by 111.0103%.

– *Redemption at the option of the Company*

On or at any time after 24 August 2010 and prior to 24 August 2012, the Company may redeem all of the Convertible Bonds at a redemption price equal to the Early Redemption Amount (an amount representing a gross yield of 2.1% per annum for the Bondholders, calculated on a semi-annual basis up to the relevant redemption date) on the redemption date if the volume weighted average price of the Company's shares for any 20 trading days out of the 30 consecutive trading days ending within five trading days immediately prior to the date upon which notice of redemption is given, is at least 120% of the conversion price then in effect.

The Early Redemption Amount, for each RMB1,000,000 principal amount of the Bonds is set out in the table below, assuming that the date fixed for redemption is the semi-annual date:

Semi-annual Date	**Early Redemption Amount** ***(RMB)***
24 August 2010	1,064,677.09
24 February 2011	1,075,856.19
24 August 2011	1,087,152.69
24 February 2012	1,098,567.79

26. CONVERTIBLE BONDS *(Continued)*

(b) Redemption *(Continued)*

– *Redemption at the option of the Company (Continued)*

If at any time at least 90% of the aggregate principal amount of the Bonds has already been converted, redeemed or purchased and cancelled, then the Company shall have the option to redeem all but not some only of the outstanding Convertible Bonds at the price equal to the USD equivalent of their Early Redemption Amount translated at the PBOC rates ruling two business days prior to the redemption.

– *Redemption at the option of the Bondholders*

The Company will, at the option of any of the Bondholders, redeem all or some of the Bondholders' Bonds on 24 August 2010 at a price equal to 106.4677% of the USD equivalent of the then principal amount of such Convertible Bonds, translated at the PBOC rate ruling two business days prior to 24 August 2010.

As the functional currency of the Company is the Hong Kong Dollar ("HKD") and the Conversion Price is subject to adjustments, the conversion of the Convertible Bonds denominated in RMB will not be settled by exchange of a fixed amount of cash in HKD or a fixed number of the Company's equity instruments. In accordance with the requirements of HKAS 39 Financial Instruments – Recognition and Measurement, the Convertible Bonds contract must be separated into a liability component consisting of the straight debt element of the Bonds and a number of embedded financial derivatives consisting of redemption options and the option of the Bondholders to convert the Bonds into equity. The proceeds received from the issue of the Convertible Bonds have been split as follows:

(i) Liability components were initially measured by deducting the fair value of the embedded financial derivatives from the proceeds of issue of the Convertible Bonds as a whole.

The interest charged for the period is calculated by applying an effective interest rate of 5.46% to the liability component since the Convertible Bonds were issued.

(ii) Embedded derivatives comprise:

- The fair value of the call option of the Company to redeem the Convertible Bonds; and

- The fair value of the conversion option of the Bondholders to convert the Convertible Bonds into the Company's shares.

(Expressed in RMB unless otherwise indicated)

26. CONVERTIBLE BONDS *(Continued)*

(iii) The fair value of the embedded financial derivatives was calculated using the Barrier Option Valuation model. The major inputs used in the models as at 31 December 2008 and 31 December 2009 were as follows:

	31 December 2009	31 December 2008
Stock price	**HKD2.94**	HKD1.20
Exercise price	**HKD4.71**	HKD7.06
Risk-free rate	**1.117%**	1.05%
Expected life	**968 days**	1,333 days
Volatility	**60.27%**	55.77%

The Company's stock prices were HKD1.20 and HKD2.94 as at 31 December 2008 and 31 December 2009, respectively. The risk-free rates were determined with reference to the Hong Kong Exchange Fund Notes Yields. The expected lives were estimated based on the terms of the Convertible Bonds. The volatilities were determined based on the historical price volatilities of comparable companies under the same periods as the expected lives.

Any changes in the major inputs into the model will result in changes in the fair value of the embedded financial derivatives. The variables and assumptions used in calculating the fair value of the embedded financial derivatives are based on the directors' best estimates.

26. CONVERTIBLE BONDS *(Continued)*

The movement of the liability component and embedded financial derivatives of the Convertible Bonds for the year is set out below:

	Liability component RMB'000	**Embedded financial derivatives** RMB'000	**Total** RMB'000
As at 31 December 2007 and 1 January 2008	994,558	131,544	1,126,102
Interest charged during the year	51,042	–	51,042
Purchase by the Company during the year	(365,454)	(7,168)	(372,622)
Changes in fair value during the year	–	(121,416)	(121,416)
As at 31 December 2008 and 1 January 2009	680,146	2,960	683,106
Interest charged during the year	29,867	–	29,867
Purchase by the Company during the year	(529,861)	(27,235)	(557,096)
Changes in fair value during the year	–	38,024	38,024
As at 31 December 2009	180,152	13,749	193,901

No conversion of the Convertible Bonds has occurred up to 31 December 2009.

During the year ended 31 December 2009, the Company purchased, by way of market acquisition, Bonds listed on the Singapore Exchange Securities Trading Limited, with a principal amount of RMB558,000,000, for a total consideration of RMB562,301,000. The purchased Bonds have been cancelled in accordance with the terms of the Bonds.

The changes in the fair value of the embedded financial derivatives for the year ended 31 December 2009 resulted in a fair value loss of RMB38,024,000 (from 1 January 2008 to 31 December 2008: gain RMB121,416,000), which has been recorded in other net (losses)/income in the income statement.

27. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the labour regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 9% to 25% for the years ended 31 December 2008 and 2009 of the eligible employees' salaries.

(Expressed in RMB unless otherwise indicated)

27. EMPLOYEE RETIREMENT BENEFITS *(Continued)*

Pursuant to the labour regulations of Italy, the Group joined a defined contribution retirement plan for its employees. The Group is required to make contributions to the retirement plan at the applicable rates based on the eligible employees' salaries.

Pursuant to the labour regulations of Taiwan, the Group joined a defined contribution retirement plan for its employees. The Group is required to make contributions to the retirement plan at 6% of the employees' salaries while the employees are entitled to choose whether to pay their own contributions at rates ranging from 1% to 6% of salaries.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD20,000. Contributions to the scheme vest immediately.

The Group has no other obligation for the payment of its employees' retirement and other post-retirement benefits other than the contributions described above.

28. SHARE-BASED PAYMENTS

On 27 August 2005, the Company adopted a share option scheme pursuant to the resolutions of the shareholders of the Company. Pursuant to the share option scheme, the Company may grant 745,350,000 share options.

On 28 August 2007, the Company granted 39,380,000 share options to certain senior employees of the Group to subscribe for 39,380,000 ordinary shares at an exercise price of HKD4.83 per share at any time from 1 August 2010 to 31 July 2012 if certain performance targets are achieved during the period from 28 August 2007 to 31 July 2010. On 12 September 2009, following the bonus issue, the exercise price was adjusted to HKD3.22.

(a) The terms and conditions of the grants that existed during the year are as follows, whereby all options are to be settled by physical delivery of shares:

Options granted to employees:	Number of shares involved in the option	Vesting condition	Contractual life of options
– on 28 August 2007	39,380,000	The purchase rights may be executed from 1 August 2010 if certain performance targets are achieved by then	5 years

(Expressed in RMB unless otherwise indicated)

28. SHARE-BASED PAYMENTS *(Continued)*

(b) Fair value of shares involved in the options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the binomial model as required by HKFRS 2. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the model.

	Granted in August 2007
Fair value at grant date	HKD73,699,474
Share price	HKD4.83
Exercise price	HKD4.83
Expected volatility	48.3%
Expected dividend yield	1.75%
Option life	5 years
Risk-free interest rate (based on Hong Kong Exchange Fund Notes Rate)	4.369%

The expected volatility is based on the historic volatility, adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on management estimation. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted with service conditions. The conditions have not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

As at 31 December 2009, 5,400,000 share options have lapsed (2008: 3,675,000 share options) as 6 employees resigned prior to 31 December 2009. Except for this, no share option has been exercised, lapsed or cancelled pursuant to the above share option scheme during the year ended 31 December 2009.

29. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

The Group

	2009 RMB'000	2008 RMB'000
Provision for income tax for the year	**119,127**	141,167
Income tax paid	**(57,314)**	(70,827)
	61,813	70,340

(b) Deferred tax assets and liabilities recognised

i) Deferred tax assets recognised:

The components of deferred tax assets recognised in the consolidated balance sheet and the movements during the two years ended 31 December 2009 are as follows:

The Group

	Impairment of trade receivables RMB'000	Write down of inventories RMB'000	Tax losses not utilised RMB'000	Unrealised profit RMB'000	Accrued expenses RMB'000	Total RMB'000
At 1 January 2008	2,020	4,384	1,004	17,079	–	24,487
Additions	24	–	588	26,768	2,500	29,880
Credited to consolidated income statement	(592)	(852)	(841)	(12,126)	–	(14,411)
At 31 December 2008 and 1 January 2009	1,452	3,532	751	31,721	2,500	39,956
Additions	–	–	691	–	–	691
Credited to consolidated income statement	(415)	(668)	–	(159)	–	(1,242)
At 31 December 2009	1,037	2,864	1,442	31,562	2,500	39,405

29. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

(b) Deferred tax assets and liabilities recognised *(Continued)*

ii) Deferred tax liabilities recognised

The components of deferred tax liabilities recognised in the consolidated balance sheets and the movements during the two years ended 31 December 2009 are as follows:

The Group

	Expected profit distribution by the Group's PRC subsidiaries	Fair value adjustments in relation to business combinations	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	–	7,844	165	8,009
(Charged)/credited to consolidated income statement	7,681	(655)	12	7,038
Effect on deferred tax balances at 1 January resulting from a change in tax rate *(note 7(a))*	–	–	(9)	(9)
At 31 December 2008 and 1 January 2009	7,681	7,189	168	15,038
(Charged)/credited to consolidated income statement	6,486	783	(100)	7,169
At 31 December 2009	14,167	7,972	68	22,207

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB101,002,000 (2008: RMB54,074,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. These tax losses will expire during the period from 2011 to 2019.

(d) Deferred tax liabilities not recognised

Pursuant to the New Tax Law in the PRC, 10% withholding tax is levied on foreign investors (5% for foreign investors who are registered in Hong Kong provided they meet certain criteria) in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. As at 31 December 2009, deferred tax liabilities of RMB14,167,000 (31 December 2008: RMB7,681,000) have been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's PRC subsidiaries. Deferred tax liabilities of RMB21,251,000 have not been recognised, as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that certain of the profits earned by the Group's PRC subsidiaries for the year from 1 January 2009 to 31 December 2009 will not be distributed in the foreseeable future.

30. CAPITAL AND RESERVES

(a) The Company

	Note	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Retained losses RMB'000	Total RMB'000
At 1 January 2008		12,927	1,189,784	–	7,664	(125,390)	(19,444)	1,065,541
Dividends approved in respect of the previous year	*30(b)*	–	–	–	–	–	(149,070)	(149,070)
Repurchase of own shares								
– par value paid		(24)	–	–	–	–	–	(24)
– premium paid		–	–	–	–	–	(6,212)	(6,212)
– transfer between reserves		–	–	24	–	–	(24)	–
Equity settled share-based transactions	*28*	–	–	–	21,571	–	–	21,571
Total comprehensive income for the year		–	–	–	–	(63,385)	172,143	108,758
At 31 December 2008 and 1 January 2009		12,903	1,189,784	24	29,235	(188,775)	(2,607)	1,040,564
Dividends approved in respect of the previous year	*30(b)*	–	–	–	–	–	(138,694)	(138,694)
Repurchase of own shares	*30(c)(ii)*							
– par value paid		(10)	–	–	–	–	–	(10)
– premium paid		–	–	–	–	–	(2,539)	(2,539)
– transfer between reserves		–	–	10	–	–	(10)	–
Share placement	*30(c)(iii)*	1,040	543,823	–	–	–	–	544,863
Transaction cost attributable to share placement		–	(15,818)	–	–	–	–	(15,818)
Issuance of bonus share	*30(c)(iv)*	5,976	(5,976)	–	–	–	–	–
Equity settled share-based transactions	*28*	–	–	–	19,296	–	–	19,296
Total comprehensive income for the year		–	–	–	–	(1,429)	69,012	67,583
At 31 December 2009		19,909	1,711,813	34	48,531	(190,204)	(74,838)	1,515,245

30. CAPITAL AND RESERVES *(Continued)*

(b) Dividends

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

	2009 RMB'000	2008 RMB'000
Final dividend proposed after the balance sheet date of RMB0.027 per ordinary share (2008: RMB0.056 per ordinary share)	**109,864**	138,694

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	2009 RMB'000	2008 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year of RMB0.056 per share (2008: RMB0.060 per share)	**138,694**	149,070

(c) Share capital

(i) Authorised and issued share capital

	2009		2008	
	Number of shares	Amount HKD	Number of shares	Amount HKD
Authorised:				
Ordinary shares of HKD0.005 each	**10,000,000,000**	**50,000,000**	4,000,000,000	20,000,000

30. CAPITAL AND RESERVES *(Continued)*

(c) Share capital *(Continued)*

(i) Authorised and issued share capital (Continued)

Issued and fully paid:

	2009 Number of shares	2009 Amount HKD	2008 Number of shares	2008 Amount HKD
At 1 January	**2,479,000,000**	**12,395,000**	2,484,500,000	12,422,500
Repurchase of shares *(note ii)*	**(2,316,000)**	**(11,580)**	(5,500,000)	(27,500)
Share placement *(note iii)*	**236,000,000**	**1,180,000**	–	–
Issuance of bonus share	**1,356,342,000**	**6,781,710**	–	–
At 31 December	**4,069,026,000**	**20,345,130**	2,479,000,000	12,395,000
		equivalent RMB'000		equivalent RMB'000
		19,909		12,903

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) Repurchase of own shares

During the year ended 31 December 2009, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month/year	Number of Shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate price paid HKD'000	Equivalent RMB'000
January 2009	2,316,000	1.25	1.21	2,880	2,549

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. An amount equivalent to the nominal value of these shares of RMB10,000 was transferred from the retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of RMB2,539,000 was charged to retained profits.

30. CAPITAL AND RESERVES *(Continued)*

(c) Share capital *(Continued)*

(iii) Share placement

A placement of 236,000,000 shares of the Company at a price of HKD2.62 per share was made with independent investors on 24 June 2009 and completed in July 2009. The placing price represents (i) a discount of approximately 10.27% to the closing price of HKD2.92 per share as quoted on the Stock Exchange on 24 June 2009, being the date of the Placing and Subscription Agreement; (ii) a discount of approximately 8.07% to the average closing price of HKD2.85 per share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 24 June 2009; (iii) a discount of approximately 7.09% to the average closing price of HKD2.82 per share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 24 June 2009; and (iv) a discount of approximately 3.32% to the average closing price of HKD2.71 per share as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including 24 June 2009.

Upon the completion of the placement, 236,000,000 new shares of the Company were issued at the same price per share. These shares rank pari passu with the existing ordinary shares of the Company in all respects.

(iv) Issuance of bonus share

In September 2009, the extraordinary general meeting of all the shareholders of the Company approved issuance of bonus shares, on the basis of five bonus shares, credited as fully paid, for every ten existing issued ordinary shares. On 11 September 2009, 1,356,342,000 shares were issued pursuant to the bonus issue.

(d) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve is governed by the Companies Law of the Cayman Islands.

(ii) Capital reserve

The capital reserve comprises the following:

- The excess of the consideration paid by the Company over the aggregate of the nominal value of the share capital of the subsidiaries acquired under the Group's reorganisation in 2005.

- The fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 1(r)(ii).

30. CAPITAL AND RESERVES *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(iii) Exchange reserve

The exchange reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(v).

(iv) PRC statutory reserve

Transfers from retained earnings to PRC statutory reserves were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries incorporated in the PRC and were approved by the respective boards of directors.

PRC statutory reserves include general reserve, enterprise expansion fund, and statutory surplus reserve.

According to the relevant PRC laws and regulations, the PRC subsidiaries of the Group, which are wholly foreign owned enterprises in the PRC, are required to transfer 10% of their profit after taxation, as determined under PRC Accounting Regulations, to the general reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders. Moreover, they are required to transfer a certain percentage of their profit after taxation, as determined under PRC GAAP, to the enterprise expansion fund.

The general reserve fund can only be used to make good previous years' losses upon approval by the relevant authority. The enterprise expansion fund can only be used to increase the entity's capital or to expand its production operations upon approval by the relevant authority.

Statutory surplus reserve can be used to reduce previous years' losses, if any, and may be converted into paid-up capital, provided that the balance of the reserve after such conversion is not less than 25% of the registered capital of the subsidiaries.

(v) Distributability of reserves

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

The aggregate amount of distributable reserves of the Company as at 31 December 2009 was RMB1,636,975,000 (2008: RMB1,187,177,000).

30. CAPITAL AND RESERVES *(Continued)*

(e) Capital management

The Group's policy is to maintain investor, creditor and market confidence and to sustain future development of business.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The gearing ratio for the year ended 31 December 2009 is 37% (2008: 63%). The gearing ratio is calculated by dividing total interest-bearing borrowings and convertible bonds with total equity.

The Group is not subject to externally imposed capital requirements.

31. COMMITMENTS

(a) Operating lease commitments

Non-cancelable operating lease rentals are payable as follows:

	2009 RMB'000	2008 RMB'000
Less than one year	**114,992**	88,692
Between one and five years	**205,222**	192,671
More than five years	**58,529**	91,766
	378,743	373,129

The leases run for an initial period of one to ten years, with an option to renew the lease when all terms are renegotiated. In addition to the minimum rental payments disclosed above, the Group has a commitment to pay rent based on a proportion of turnover for certain leased properties. Contingent rentals are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

31. COMMITMENTS *(Continued)*

(b) Commitments of guaranteed profit

	2009 RMB'000	2008 RMB'000
Less than one year	**8,800**	8,800
Between one and five years	**6,800**	15,600
	15,600	24,400

Pursuant to a management agreement dated 30 December 2006 entered into between Shanghai Xinyu and Shanghai Yi Min Department Stores Company Limited ("Yi Min"), Yi Min agreed to entrust to Shanghai Xinyu the operation and management of a shop located in Shanghai, and in return, Yi Min is entitled to receive an annual guaranteed profit of RMB6,800,000 from the Group for the period from 1 January 2007 to 31 December 2011.

Pursuant to a management agreement dated 31 December 2005 entered into between Shanghai Xinyu and 青島亨得利有限公司 ("Qingdao Company"), Qingdao Company agreed to entrust to Shanghai Xinyu the operation and management of its four retail shops for the period from 31 December 2005 to 31 December 2010, and in return, Qingdao Company is entitled to receive annual guaranteed profits of RMB2,000,000 from the Group.

32. CONTINGENT LIABILITIES

As at the balance sheet date, the Company has issued guarantees of HKD418,050,000 (RMB equivalent: RMB368,093,000; 2008: HKD383,050,000 (RMB equivalent: RMB337,812,000)) given to banks to secure facilities granted to a subsidiary company. The facilities were utilised to the extent of HKD83,889,000 (RMB equivalent: RMB73,864,000; 2008: HKD45,000,000 (RMB equivalent: RMB39,686,000)) at the balance sheet date.

As at the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. No provision was therefore made in this respect at 31 December 2009 and 31 December 2008.

33. ACQUISITION OF SUBSIDIARIES

On 1 January 2009, the Group acquired the retail business of Wuhan Jiang'an Laohengdali Watches Co., Ltd (武漢江岸區老亨達利世界名表有限公司, "Wuhan Laohengdali") for a consideration of RMB14.4 million, satisfied in cash. During the year ended 31 December 2009, the acquired Wuhan Laohengdali's business contributed a profit of RMB7,071,000 to the Group.

On 1 January 2009, the Group acquired the retail business of Hangzhou Mingming Trading Co., Ltd ("Hangzhou Mingming"), which is principally engaged in retail of watches, for nil consideration. During the year ended 31 December 2009, the acquired business contributed a profit of RMB1,276,000 to the Group.

33. ACQUISITION OF SUBSIDIARIES *(Continued)*

Effect of acquisition

	Pre-acquisition carrying amounts				
	Acquisition of Wuhan Laohengdali's business in 2009	Acquisition of Hangzhou Mingming's business in 2009	Subtotal	Fair value adjustment	Recognised values on acquisition
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	1,088	–	1,088	–	1,088
Inventories	–	771	771	–	771
Trade and other payables	(1,088)	(771)	(1,859)	–	(1,859)
Net identifiable assets and liabilities	–	–	–	–	–
Goodwill – Wuhan Laohengdali					14,400
Hangzhou Mingming					–
Consideration paid, satisfied in cash					14,400
Net cash outflow					14,400

Pre-acquisition carrying amounts were determined based on applicable HKFRSs immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their fair values (see notes 1(h) and 1(l) for methods used in determining fair values), which approximate to their pre-acquisition carrying amounts, according to valuation reports issued by Jones Lang LaSalle Sallmanns, an independent valuer.

34. RELATED PARTY TRANSACTIONS

The Group has transactions with companies controlled by the ultimate shareholders ("Ultimate shareholders' companies"), minority shareholders of subsidiaries ("Minority shareholders") and a jointly controlled entity. The following is a summary of principal related party transactions carried out by the Group with the above related parties for the two years ended 31 December 2009.

(a) Recurring transactions

	2009 RMB'000	2008 RMB'000
Lease expenses to:		
Minority shareholders	**–**	900
Ultimate shareholder's company	**169**	712
Guaranteed profit to:		
Minority shareholders	**8,800**	8,800
Sales of goods to:		
Jointly controlled entity	**19,907**	16,071

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business, on normal commercial terms and in accordance with the agreements governing such transactions.

(b) Non-recurring transactions

	2009 RMB'000	2008 RMB'000
Purchase of property from:		
Ultimate shareholder's company	**–**	47,578

(c) Trade and other receivables due from:

The Company

	2009 RMB'000	2008 RMB'000
Subsidiaries	**1,256,362**	1,141,300

34. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Trade and other payables due to:

The Group

	2009 **RMB'000**	2008 RMB'000
Minority shareholders	**20,850**	20,610

The Company

	2009 **RMB'000**	2008 RMB'000
Subsidiaries	**79,164**	1,894

(e) Key management personnel compensation and post-employment benefit plans

	2009 **RMB'000**	2008 RMB'000
Short-term employee benefits	**23,709**	37,024
Post-employment benefits	**178**	210
	23,887	37,234

35. FINANCIAL INSTRUMENTS

The Group's business strategies, tolerance of risk and general risk management philosophy are determined by management in accordance with prevailing economic and operating conditions.

The Group's financial assets comprise mainly cash and cash equivalents, pledged bank deposits and trade and other receivables. The Group's financial liabilities include bank loans and overdrafts, trade and other payables, convertible bonds and embedded financial derivatives.

The Group has no derivative instruments that are designated and qualified as hedging instruments during the two years ended 31 December 2009. Exposure to credit, liquidity, interest rate, and foreign currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

35. FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. Normally, the Group does not obtain collateral from customers.

At the balance sheet dates, the Group had no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's Non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

The Group

31 December 2009	Within 1 year or on demand RMB'000	Within 2 years but over 1 year RMB'000	Within 5 years but over 2 years RMB'000	Over 5 years RMB'000	Undiscounted contractual cash flow RMB'000	Carrying amount RMB'000
Trade and other payables excluding advance receipts from customers	(771,094)	–	–	–	(771,094)	771,094
Secured interest-bearing loans	(3,833)	(3,845)	(11,561)	(33,163)	(52,402)	44,529
Unsecured interest-bearing loans	(847,205)	(102,397)	–	–	(949,602)	921,043
Convertible bonds	–	–	(207,589)	–	(207,589)	180,152
	(1,622,132)	(106,242)	(219,150)	(33,163)	(1,980,687)	1,916,818

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

The Group

31 December 2008	Within 1 year or on demand RMB'000	Within 2 years but over 1 year RMB'000	Within 5 years but over 2 years RMB'000	Over 5 years RMB'000	Undiscounted contractual cash flow RMB'000	Carrying amount RMB'000
Trade and other payables excluding advance receipts from customers	(558,629)	–	–	–	(558,629)	558,629
Secured interest-bearing loans	(107,923)	(3,247)	(9,740)	(33,328)	(154,238)	140,471
Unsecured interest-bearing loans	(680,619)	–	–	–	(680,619)	655,336
Convertible bonds	–	–	(848,775)	–	(848,775)	680,146
	(1,347,171)	(3,247)	(858,515)	(33,328)	(2,242,261)	2,034,582

The Company

31 December 2009	Within 1 year or on demand RMB'000	Within 2 years but over 1 year RMB'000	Within 5 years but over 2 years RMB'000	Over 5 years RMB'000	Undiscounted contractual cash flow RMB'000	Carrying amount RMB'000
Trade and other payables excluding advance receipts from customers	(79,468)	–	–	–	(79,468)	79,468
Unsecured interest-bearing loans	(21,836)	–	–	–	(21,836)	21,836
Convertible bonds	–	–	(207,589)	–	(207,589)	180,152
	(101,304)	–	(207,589)	–	(308,893)	281,456

31 December 2008	Within 1 year or on demand RMB'000	Within 2 years but over 1 year RMB'000	Within 5 years but over 2 years RMB'000	Over 5 years RMB'000	Undiscounted contractual cash flow RMB'000	Carrying amount RMB'000
Trade and other payables excluding advance receipts from customers	(2,145)	–	–	–	(2,145)	2,145
Convertible bonds	–	–	(848,775)	–	(848,775)	680,146
	(2,145)	–	(848,775)	–	(850,920)	682,291

35. FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing loans, convertible bonds, cash and cash equivalents and pledged bank deposits.

Cash and cash equivalents comprise mainly cash at bank, with fixed interest rates ranging from 0.02% to 0.36% per annum as at 31 December 2009 (2008: ranging from 0.36% to 0.96% per annum). Pledged bank deposits are not held for speculative purposes but are placed to get letters of guarantee for import of watches.

Borrowings issued at variable rates, and borrowings and convertible bonds issued at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rates and maturity information of the interest-bearing bank loans, and convertible bonds are disclosed in note 24 and 26.

The Group's policy is to manage its interest rate risk to ensure there are no undue exposures to significant interest rate movements and rates are relatively fixed. The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not use derivative financial instruments to hedge its debt obligations. Therefore a change in interest rates at the balance sheet date would not affect profit or loss.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2009		2008	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate instruments				
Cash at bank	**0.02%-0.36%**	**1,150,951**	0.36%-0.96%	588,010
Pledged bank deposits	**1.71%-2.25%**	**40,000**	0.05%-5.15%	96,497
Secured interest-bearing loans	**–**	**–**	6.03%-6.12%	(102,500)
Unsecured interest-bearing loans	**4.20%-5.31%**	**(640,000)**	5.58%-7.47%	(615,651)
Convertible bonds	**5.46%**	**(180,152)**	5.46%	(680,146)
		370,799		(713,790)
Variable rate instruments				
Secured interest-bearing loans	**1.7%-2.7%**	**(44,529)**	2.2%-2.7%	(37,971)
Unsecured interest-bearing loans	**2%-5.31%**	**(281,043)**	1.55%-2.5%	(39,685)
		(325,572)		(77,656)

35. FINANCIAL INSTRUMENTS *(Continued)*

(d) Foreign currency risk

The Group is exposed to currency risks primarily through sales, purchases and borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily RMB, USD, EUR, HKD and CHF.

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the PBOC rates.

In respect of trade and other receivables, trade and other payables and borrowings held in a currency other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rate where necessary to address short-term imbalances.

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

(i) *Exposure to currency risk*

	As at 31 December 2009				
	RMB	USD	EUR	CHF	HKD
	'000	'000	'000	'000	'000
Cash and cash equivalents	47	147	867	878	120
Trade and other payables	–	–	–	–	(412,500)
Convertible Bonds	(180,152)	–	–	–	–
Overall net exposure	(180,105)	147	867	878	(412,380)

	As at 31 December 2008				
	RMB	USD	EUR	CHF	HKD
	'000	'000	'000	'000	'000
Cash and cash equivalents	–	193	–	–	4,280
Trade and other payables	–	–	–	–	(300,000)
Convertible Bonds	(680,146)	–	–	–	–
Overall net exposure	(680,146)	193	–	–	(295,720)

35. FINANCIAL INSTRUMENTS *(Continued)*

(d) Foreign currency risk *(Continued)*

(i) Exposure to currency risk (Continued)

The following significant exchange rates applied during the year:

	Average rates		Reporting date spot rate	
	2009	2008	**2009**	2008
RMB:HKD	**1.1348**	1.1009	**1.1357**	1.1339
USD:RMB	**6.8314**	7.0696	**6.8282**	6.8346
EUR:RMB	**9.7281**	10.1630	**9.7971**	9.6590
CHF:RMB	**6.5281**	6.4740	**6.5938**	6.4624

(ii) Sensitivity analysis

The following table indicates the approximate increase/(decrease) in the Group's profit for the year in response to a 5 percent strengthening/weakening of Renminbi against the foreign currencies to which the Group has significant exposure at the balance sheet date. The sensitivity analysis includes balances between group companies where the balances are denominated in a currency other than the functional currencies of the lender or the borrower.

	2009 RMB'000	2008 RMB'000
HKD		
– 5% strengthening of RMB	**(9,147)**	(20,967)
– 5% weakening of RMB	**9,147**	20,967
USD		
– 5% strengthening of RMB	**(50)**	(66)
– 5% weakening of RMB	**50**	66
EUR		
– 5% strengthening of RMB	**(424)**	–
– 5% weakening of RMB	**424**	–
CHF		
– 5% strengthening of RMB	**(289)**	–
– 5% weakening of RMB	**289**	–

The sensitivity analysis above has been determined assuming that the change in foreign exchange rate had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rate over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

35. FINANCIAL INSTRUMENTS *(Continued)*

(e) Equity price risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of financial derivatives of the Group. As at the balance sheet date the Group is exposed to this risk through the redemption rights attached to the convertible bonds issued by the Company as disclosed in note 26(b).

(f) Fair value

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	The Group and the Company			
2009	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Derivative financial instruments:				
– Embedded financial derivative				
In convertible bonds	–	–	13,749	13,749

35. FINANCIAL INSTRUMENTS *(Continued)*

(f) Fair value *(Continued)*

(i) Financial instruments carried at fair value (Continued)

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	The Group and the Company
	RMB'000
Embedded financial derivative in convertible bonds:	
At 1 January 2009	2,960
Changes in fair value recognised in profit or loss during the year	38,024
Purchase by the Company during the year	(27,235)
At 31 December 2009	13,749
Total losses for the year included in profit or loss	38,024

The losses arising from the remeasurement of the embedded derivatives in the convertible bonds are presented in "Other net (losses)/income" in the consolidated income statement.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009 and 2008.

(g) Estimation of fair values

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following methods and assumptions were used to estimate the fair value for each class of financial instruments:

(i) Cash and cash equivalents, pledged bank deposits, trade and other receivables, and trade and other payables

The carrying values approximate fair value because of the short maturities of these instruments.

(ii) Interest-bearing bank loans

The carrying amounts of bank loans approximate their fair value based on the borrowing rate currently available for bank loans with similar terms and maturity.

35. FINANCIAL INSTRUMENTS *(Continued)*

(g) Estimation of fair values *(Continued)*

(iii) Convertible bonds

The Group selects appropriate valuation methods and makes assumptions with reference to market conditions existing at each balance sheet date, to determine the fair value of the embedded financial derivatives of the convertible bonds that are separated from the host debt contract. The basis for determining the fair value is disclosed in note 26.

36. NON-ADJUSTING POST BALANCE SHEET EVENTS

After the balance sheet date, the directors proposed a final dividend on 30 March 2010. Further details are disclosed in note 30(b).

37. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised 2007), Presentation of financial statements, and HKFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

Certain items in the comparative figures have been reclassified to conform with the current year's presentation to facilitate comparison. Details of these reclassifications are disclosed in notes 5 and 6(a).

38. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company of the Company at 31 December 2009 to be Best Growth International Limited, which is incorporated in British Virgin Islands.

39. ACCOUNTING ESTIMATES AND JUDGEMENTS

Notes 15, 16, 26, 28 and 35 contain information about the assumptions and their risk factors relating to intangible assets impairment, goodwill impairment, convertible bonds, Share-based payments and financial instruments. Other judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed below.

(a) Impairment of receivables

The management maintains an allowance for doubtful accounts for estimated losses resulting from the inability of the customers to make the required payments. The management bases the estimates on the aging of the individual receivable balance, customer credit-worthiness and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(Expressed in RMB unless otherwise indicated)

39. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Depreciation

Property, plant and equipment and investment property are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The management reviews the estimated useful lives and the residual values of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of the useful lives and the residual values are based on the historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market conditions and the historical experience of distributing and selling products of similar nature. Management will reassess the estimations by the balance sheet date.

40. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2009

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

The Company is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.

The following developments may result in new or amended disclosures in the financial statements:

	Effective for accounting period beginning on or after unless specified
Revised HKFRS 3, Business combinations	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
Improvements to HKFRSs 2009	1 July 2009 or 1 January 2010

Financial Summary

RESULTS	Year ended 31 December				
	2005	2006	2007	2008	**2009**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Sales	1,396,531	2,404,699	4,578,741	5,516,496	**5,899,422**
Profit before tax	196,663	293,829	551,688	618,984	**513,755**
Income tax	(64,886)	(80,231)	(109,535)	(130,819)	**(127,662)**
Profit for the year	131,777	213,598	442,153	488,165	**386,093**
Attributable to:					
Equity shareholders of the Company	121,011	199,101	417,523	460,087	**364,809**
Minority interests	10,766	14,497	24,630	28,078	**21,284**
Profit for the year	131,777	213,598	442,153	488,165	**386,093** *(note)*

ASSETS AND LIABILITIES	At 31 December				
	2005	2006	2007	2008	**2009**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	1,343,504	2,463,626	3,925,591	4,480,775	**5,174,169**
Total liabilities	549,353	855,066	1,943,220	2,148,755	**2,050,092**
Net assets	794,151	1,608,560	1,982,371	2,332,020	**3,124,077**
Equity attributable to equity shareholders of the Company	694,640	1,472,086	1,785,498	2,095,798	**2,866,645**
Minority interests	99,511	136,474	196,873	236,222	**257,432**
Total shareholders' equity	794,151	1,608,560	1,982,371	2,322,020	**3,124,077**

Note: (Profit for the year excluding the effect of convertible bonds and profit/loss from currency exchange is RMB458,211,000)

Corporate Information

Stock Information

Place of Listing: Main Board of the Stock Exchange of Hong Kong Limited
Stock Short Name: Hengdeli
Stock Code: 3389
Company Website: www.hengdeliholdings.com

Board of Directors

Executive Directors

Mr. Zhang Yuping *(the Group's Chairman)*
Mr. Song Jianwen
Mr. Huang Yonghua

Non-executive Directors

Mr. Chen Sheng
Mr. Shen Zhiyuan
Mr. Shi Zhongyang

Independent Non-executive Directors

Mr. Cai Jianmin
Mr. Wong Kam Fai, William
Mr. Liu Xueling

Audit Committee

Mr. Cai Jianmin *(Committee Chairman)*
Mr. Wong Kam Fai, William
Mr. Liu Xueling

Remuneration Committee

Mr. Zhang Yuping *(Committee Chairman)*
Mr. Cai Jianmin
Mr. Liu Xueling

Nomination Committee

Mr. Song Jianwen *(Committee Chairman)*
Mr. Cai Jianmin
Mr. Liu Xueling

Company Secretary

Mr. Ng Man Wai, Peter *(HKICPA, ACCA)*

Investors Inquiry

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Auditors

KPMG
Certified Public Accountant
8/F, Prince's Building
10 Chater Road
Central, Hong Kong

Company's Legal Adviser

As to Hong Kong Law
Gallant Y. T. Ho & Co.
5/F, Jardine House
1 Connaught Place
Central, Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Cayman Island Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House 68 Fort Street
P.O. Box 705 Grand Cayman KY1-1107
Cayman Islands