CITYCHAMP
WATCH & JEWELLERY GROUP LIMITED
冠城鐘錶珠寶集團有限公司

ANNUAL REPORT 2014 年報

(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號：256

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EXPERIENCE n°2
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COMPLICATION


www.citychampwatchjewellery.com

CORPORATE HIGHLIGHTS IN 2014

APRIL 2014

The Group acquired 100% interest in The Dreyfuss Group Limited and its subsidiaries (together the "Dreyfuss Group"), which owns watch brands Rotary, Dreyfuss & Co. and J & T Windmills, at a consideration of GBP27,000,000.

Dreyfuss Group was awarded the UK's most prestigious accolade for businesses headquartered in the United Kingdom, the Queen's Award for Enterprise: International Trade by Queen Elizabeth II, reflecting its substantial growth in overseas markets and its establishment of the largest single market in the United Kingdom.

Rossini was ranked as the 1st in overall market share in the watch category for the year 2013 by China General Chamber of Commerce and China National Commercial Information Centre. It was also ranked as the 1st in sales volume in the watch category for 12 consecutive years since 2002.

MAY 2014

The name of the Company has been changed from "China Haidian Holdings Limited (中國海澱集團有限公司)" to "Citychamp Watch & Jewellery Group Limited (冠城鐘錶珠寶集團有限公司)".

JUNE 2014

Rossini and EBOHR were both awarded "China's 500 Most Valuable Brands of the Year 2014" by the World Brand Laboratory. Rossini was ranked 1st in PRC watch category with brand value of RMB6.658 billion, which was the first time over RMB6 billion, while EBOHR with brand value of RMB4.458 billion.

JULY 2014

Citychamp Watch and Jewellery SwissCo AG, a wholly-owned subsidiary of the Company incorporated in Switzerland, issued bonds of CHF 100 million and the bonds started to be listed and traded on the SIX Swiss Exchange.

SEPTEMBER 2014

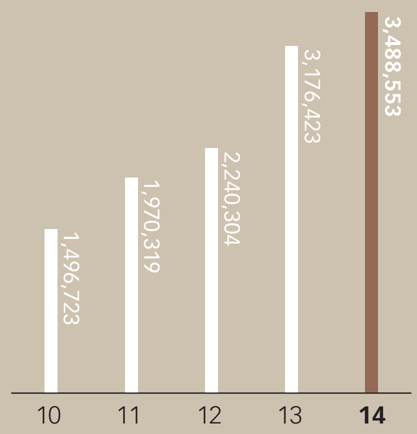
Rossini was awarded the "Asia's 500 Most Influential Brands in 2014" by the World Brand Laboratory. It is the only domestic watch brand in Mainland China that has received this award for seven consecutive years.

NOVEMBER 2014

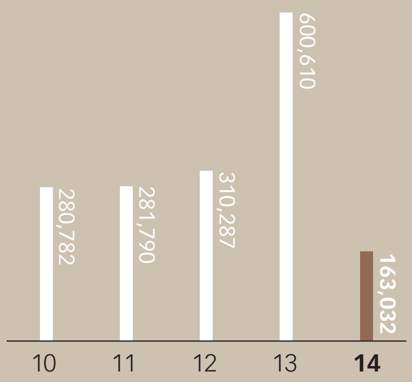
The Company obtained the "Outstanding Listed Company Award 2014" from The Hong Kong Institute of Financial Analysts and Professional Commentators.

FINANCIAL HIGHLIGHTS

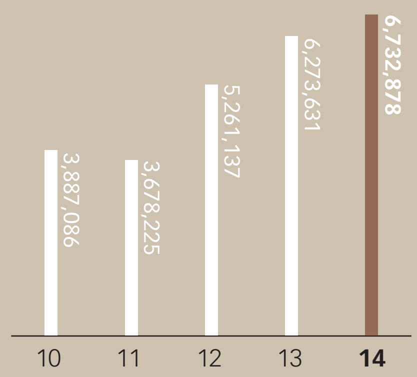
Revenue
HK$'000



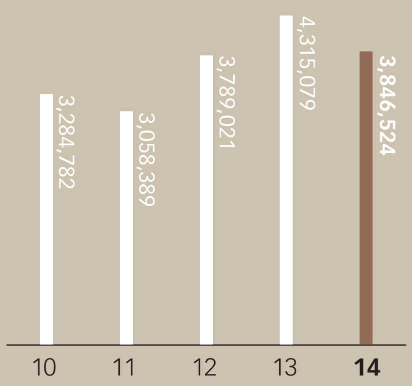
Profit After Tax
HK$'000



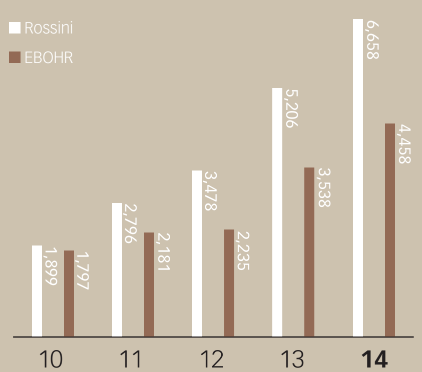
Total Assets
HK$'000



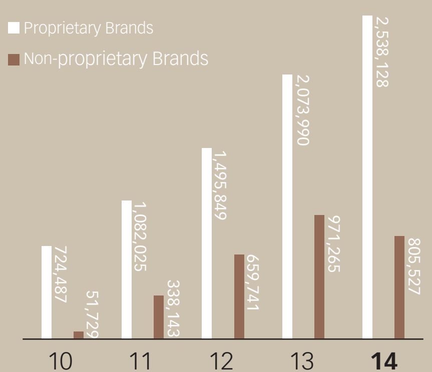
Owners' Equity
HK$'000



Brand Value
RMB million



Revenue by Proprietary and Non-proprietary Brands
HK$'000



CHAIRMAN'S STATEMENT

To our shareholders

On behalf of the board of directors (the "Board"), I am pleased to present the annual results of Citychamp Watch & Jewellery Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014.

Following the milestones in the Group's global investment journey in the last few years and the acquisition of The Dreyfuss Group Limited in April 2014, the Group has laid a solid foundation for further growth. We now possess a solid foundation and are ready to rise to the next level, working with internal and external partners. The contiguous integration of foreign subsidiaries is consistent with our vision to create a global group, comprising local and Swiss watch companies and related businesses.

Having continued efforts to reinforce our strengths, sharpen our competitive edges and ensure that all of our businesses are sustainable, the time is now at hand for moving forward and seizing new opportunities.

RESULTS OVERVIEW

Over the past year, revenue of the Group reached new record highs. Revenue climbed by 10% to HK$3.49 billion in 2014, versus HK$3.18 billion generated in 2013. Profit attributable to owners of the Company decreased to HK$132 million compared to HK$565 million earned in 2013. Basic earnings per share were HK2.94 cents. Return on average equity and return on average assets were 3% and 2%, respectively.

BUSINESS AND MARKET DEVELOPMENT

Our strong presence and reputation in Mainland China provides us with strategic advantages to pursue our vision of building a global group. Our existing distribution network in Mainland China, comprising over 5,000 outlets provides tremendous support and resources to the sustainable development our foreign companies and the Group as a whole.

Along with the established extensive distribution channels for our local brands in Mainland China, namely, Rossini and EBOHR, we have begun developing online channels which are of increasing importance in Mainland China. Case in point, e-commence accounted for over 10% of total revenue for our local brands in 2014 up from 7.5% a year ago. We are aggressively building distribution channels for our foreign brands as well, and will reach out to a broad swath of customers, whether they are in the high-end luxury segment or the mass market.

The Group is committed to reinforcing the management of all of its existing businesses. By leveraging the synergies generated among the brands, bolstering our infrastructure and directing resources towards developing newly acquired brands in terms of scale and profitability, our entire product portfolio will be enhanced. Towards such ends, we have established a European strategic development committee composed of CEOs from our European subsidiaries and key executives from the holding company. The duty of this committee will be to effectively manage the foreign subsidiaries, which will lead to the cohesive development of the Group.

It is important to note that we successfully issued bonds valued at CHF100 million in Switzerland on 22 July 2014. These bonds are listed and traded on the SIX Swiss Exchange and represent yet another important milestone for our Group. The funds generated will go towards meeting our working capital requirements and the organic growth of our foreign subsidiaries.

Details of the progress that we have made in 2014 in respect of our individual subsidiaries and segments are set out in the MD&A of this Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

Environmental, Social and Governance (ESG) are three areas of concern that we fully contemplate in all of our investments. As a responsible corporate citizen, Citychamp not only carefully considers the impact of its investments on society, but is also committed to playing an active role in the advancement of the many communities in which it operates.

OUTLOOK

The global economy remains robust in 2015 as the growth rate is gradually picking up.

In Mainland China, the most important task for the Central Government is to "make efforts to maintain the stabilized growth of the economy". It is clear that the authorities are ready to apply loosening fiscal policy that the fiscal deficit will be expanded significantly, and loosening monetary policies that the Required Reserve Ratio will be cut and the credit quota will be expanded to stabilize economic growth in 2015. Collectively, these policies are anticipated to help enhance consumption sentiment, which in turn will raise demand for the Group's watches, especially its local name brands. In

February 2015, four national authorities in Mainland China jointly issued a guiding opinion related to speeding up the development of domestic self-owned watch brands (the "Opinion"). The Opinion sets out the main targets of optimising the structure of the domestic watch industry, improving the brand cultivation and developing domestic self-owned watch brands into brands that are with high international awareness and reputation. We believe that implementation of favourable policies following the Opinion will create beneficial effects on the development of proprietary brands of the Group, especially Rossini and EBOHR, and facilitate the pace of the Group to become a global upstanding watch enterprise.

Having amassed an impressive portfolio of watch companies and related businesses, we are now equipped to advance the Group's position in the watches and timepieces industry. We are confident in the ability to raise our financial performance still further, through perseverance and a concerted effort to further build on our strengths, raise our competitiveness and generate greater synergies.

The Group has already made substantial steps forward, and we will seek to make further strides while at the same time deliver greater benefits to our shareholders.

ACKNOWLEDGMENTS

I would like to thank the Board and the directors of our subsidiaries and associated companies for their wise counsel and diligence. I wish to also extend my gratitude to our business partners, all of whom we will look forward to further strengthening ties in the coming year. The management team and all staff members must be lauded as well for their commitment and outstanding performance. And lastly, on behalf of my entire team, I wish to thank our shareholders and customers for their trust and confidence in the Group.

Hon Kwok Lung
Chairman
Hong Kong, 30 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

For the year ended 31 December 2014, the Group recorded revenue of approximately HK$3,488,553,000 (31 December 2013: HK$3,176,423,000), an increase of HK$312,130,000 or 10% over 2013. Gross profit for the year was approximately HK$1,690,642,000 (31 December 2013: HK$1,478,839,000), an increase of HK$211,803,000 or 14% over 2013. Profit after tax of the Group for the year was approximately HK$163,032,000 (31 December 2013: HK$600,610,000), a decrease of HK$437,578,000 or 73% against 2013. Such decrease is mainly due to two reasons. First, an aggregate amount of approximately HK$182,561,000 of impairment losses were made on goodwill and intangible assets related to two Swiss companies acquired in recent years, Eterna AG Uhrenfabrik and Montres Corum Sàrl. Second, gain on disposal of available-for-sale financial assets for the year ended 31 December 2014 decreased by approximately HK$292,481,000 compared to the year ended 31 December 2013.

BUSINESS REVIEW

Rossini and EBOHR continued to be the major sources of revenue and accounted for more than 54% of the total revenue of the Group (2013: 53%). These two brands seize the opportunity to expand their market shares continuously. They focus on offering products with popular design in the Mainland China market. High quality-price ratio, enhanced product quality and after sales services lead to substantial improvement in customers' satisfaction. The market for the brands in Mainland China still appeared promising despite the slower economic growth in 2014. The impressive growth of e-commerce also contributed an increasing proportion of the total revenue of the Group.

Owing to the anti-corruption campaign of the PRC Central Government and the deteriorating consumers' sentiment towards luxury goods, the demand for the imported mid-range and high-end watches was weakened which adversely affected the revenue of the distribution companies of the Group. They collectively accounted for 23% of the total revenue of the Group (2013: 31%). In view of the challenging market situation, the distribution companies had adjusted the product mix skewed towards relatively inexpensive imported watches to minimize the impact.

Through management reorganization and product development, the Group has restructured the foreign subsidiaries and positioned them for strong improvement. The effects were not yet reflected in the 2014 financials due to the challenging external environment, particularly in Mainland China and Hong Kong. The foreign subsidiaries collectively accounted for 19% of the total revenue of the Group in 2014 (2013: 13%). Our branded products had enjoyed a highly favorable market response at the BaselWorld 2014 and are anticipating higher global sales in 2015.

(1) Watches and timepieces – proprietary brands

The Group has built a sophisticated vertically-integrated business model that enables effective and tight control over the entire value chain, from raw materials and component procurement, product design and development, manufacturing of mechanical movement, assembly, inventory management, distribution to marketing in Mainland China and overseas. This integrated model enables us to monitor and control the quality of our products effectively and respond quickly to our customers' needs and preferences. It also provides more operational flexibility, greater product diversity in terms of styles and functionality and increases market penetration. The speed with which the Group can adjust the product mix is a great competitive advantage. This business model sets us apart from our peers, and enables us to further improve our profitability.

Zhuhai Rossini Watch Industry Ltd.

Zhuhai Rossini Watch Industry Ltd. ("Rossini"), a 91% subsidiary of the Group, achieved an extraordinary result in 2014. Revenue in 2014 was HK$1,051,541,000, an increase of HK$147,062,000, or 16%, from HK$904,479,000 for the last year. After share of 91% by the Company, the net profit after tax attributable to owners of the Company in 2014 was HK$341,632,000 compared with HK$271,733,000 for the last year, an increase of HK$69,899,000, or 26%.

Year	2012	2013	2014
No. of distribution outlets	1,911	2,348	2,681

Rossini has set up online stores on 16 e-commerce platforms. Internet sales increased to HK$135,000,000 in 2014 from HK$65,513,000 in 2013 and its respective proportion of total sales to 12.8% from 7.2%. Unique product lines, unavailable in the physical distribution outlets, have been developed for Internet sales and accounted for more than 60% of the Internet sales in 2014. While Internet sales form a powerful tool to extend the customer reach targeting the group of younger customers aged 18 to 25, such sales are considered complementary to the sales from physical distribution outlets and expected to grow significantly. The customer consumption data and feedback from Internet sales also provides useful insights on how to generate revenue from physical distribution outlets.

The watch museum in the headquarters has attracted a tremendous number of tourists amounting to more than 170,000 in 2014 (2013: 40,000) and generated revenue of over HK$40,000,000 (2013: HK$6,325,000). Rossini is putting stronger efforts into developing industrial tourism and hence boosting brand awareness. It has been approved by the China National Tourism Administration as a AAAA National Tourist Attraction, the first industrial tourism program in Zhuhai to gain such recognition.

Rossini launched an array of marketing activities to promote the brand nationwide in 2014. The first official brand ambassador attended functions and shooting of advertisements and television commercials, successfully leveraged a celebrity effect in building up the brand awareness and image. Additionally, Rossini participated in the leading watch exhibitions held in Shanghai, Shenzhen and Hong Kong. Following the successful exhibitions, Rossini has taken its first step in developing overseas markets such as Australia, Bangladesh, Italy, Macau and Vietnam in 2014 and would further explore emerging markets such as India in the coming years.

Rossini considers product quality as the key to sustain a competitive position in the market. Following the 2013 Guangdong government Quality Prize, Rossini was awarded "The 14th China Quality Encouragement Award" by the China Association for Quality in 2014.

Partnering with Jilin University, Beijing Normal University and Guangdong Institute of Science and Technology, Rossini provides training and development to its staff so as to maintain a team of educated, professional and technical employees for continuous development. The research centre for eco-watches, intelligent watches and related movements has been established with the objective of developing another revenue driver as both an offensive and defensive strategy for Rossini.

Rossini has been selected as one of China's 500 Most Valuable Brands of the Year 2014 with a brand value of approximately RMB6.7 billion and as one of Asia's 500 Most Influential Brands in 2014 both by the World Brand Laboratory. Rossini is the only watch company from Mainland China that has obtained the latter award for the last seven years and its brand value is the highest among all the watch brands in Mainland China.

Rossini continues to benefit from a high-quality growth profit, a strong track record and a leading market position in the watch industry in Mainland China. Rossini continues to offer a business model with products present in various price segments, great brand awareness and strong pricing power as it continues expanding distribution outlets all over Mainland China.

EBOHR Group

EBOHR Group comprises EB Brand Limited, EBOHR Luxuries International Limited ("EBOHR"), Shenzhen EBOHR Luxuries E-commerce Co., Ltd. and Swiss Chronometric AG.

Revenue of EBOHR for 2014 was HK$822,457,000, an increase of HK$57,506,000, or 8%, from HK$764,951,000 for the last year. Net profit after tax in 2014 was HK$131,038,000, a decrease of HK$68,298,000, or 34% from HK$199,336,000 in 2013.

Year	2012	2013	2014
No. of distribution outlets	1,722	2,095	2,493

Internet sales through the online stores at the major E-commerce platforms in Mainland China increased to HK$81,725,000 in 2014 from HK$59,077,000 in 2013 and its respective proportion of total revenue to 9.9% from 7.7%. EBOHR has dedicated efforts to develop brand awareness among Internet users by expanding the online presence through popular E-commerce platforms and hence generated increasingly strong Internet sales. More resources were allocated to Internet sales with the objective to produce a relatively higher proportion of total sales.

During 2014, EBOHR has introduced a number of new product lines and new editions of existing lines to both the physical distribution outlets and e-commerce markets to cater to the different needs of a wide range of customers. Those products are widely recognized and well-accepted by the markets.

EBOHR has officially appointed a famous Chinese artist as its brand spokesman in 2014, to better promote the brand image and convey the brand philosophy of "Engineered Elegance".

EBOHR has been acknowledged as one of China's 500 Most Valuable Brands of the Year 2014 by the World Brand Laboratory with a brand value of approximately RMB4.5 billion. EBOHR has also received various provincial and city awards for its brand and achievements.

Eterna Group

Eterna Group comprises Eterna AG Uhrenfabrik ("Eterna AG"), Eterna (Asia) Limited ("Eterna (Asia)"), Eterna Movement AG ("Eterna Movement") and Eterna Uhren GmbH, Kronberg. Eterna AG focuses on manufacturing and distribution of Eterna watches in countries outside Asia, while Eterna (Asia) focuses on distribution of Eterna watches in Asia.

The year 2014 was still a period of transition for Eterna AG and Eterna Movement. Eterna AG underwent restructuring with changes in business strategies, operation and management teams. The brand was essentially repositioned and their average price levels were adjusted so as to cater to the mass markets. Eterna has experienced the short-term difficulty which has been countered with a view to enhance brand equity and to increase its margins in the medium term.

As of 31 December 2014, there were 232 distribution outlets for Eterna outside of Asia (31 December 2013: 235), of which 194, 10 and 28 were in Europe, America and Middle East respectively.

Eterna (Asia) has continued to build brand awareness by increasing visibility in the Asian markets and has upgraded its brand image through integrated marketing campaigns. It has developed its own sales networks through subsidiaries in Beijing and Shanghai. They focus on developing business in Northeastern China, Xinjiang and Shandong, and leading department stores in prime locations within the first-tier cities. Eterna (Asia) intends to work with partners in Hong Kong and Mainland China which offer long term strategic value. The number of distribution outlets has been substantially expanded in Mainland China. As of 31 December 2014, there were 90 distribution outlets (31 December 2013: 18), of which 15, 74 and 1 were in Hong Kong and Macau, Mainland China and Taiwan respectively.

There were integrated marketing campaigns such as the distribution of brochures in four-and five-star hotels in Hong Kong, advertising in trade magazines, watch supplements, commercial magazines and newspapers and websites, and promotion on outdoor billboards, POS billboards and tourist coaches. Collectively, these campaigns would re-establish Eterna as a powerful brand in the region.

During the year under review, Eterna Group generated revenue and net loss after tax of approximately HK$83,049,000 (31 December 2013: HK$53,272,000) and HK$87,023,000 (31 December 2013: HK$183,228,000) respectively. The net loss was attributable to the new product development cost, new market development cost, incremental operating cost, development cost for mechanical movement, and in particular promotional and advertising cost incurred for the branding and strategic marketing activities conducted in Mainland China, Hong Kong and overseas. The aforementioned net loss after tax didn't include an aggregate amount of HK$57,749,000 of impairment loss made on the intangible assets of Eterna AG. Given the increasingly strong revenue being generated from Hong Kong, Mainland China and overseas, Eterna is expected to achieve breakeven shortly.

Montres Corum Sàrl

Montres Corum Sàrl and its subsidiaries (the "Corum Group"), founded in 1955, is principally engaged in the development, manufacture and sale of Swiss luxury timepieces. It owns a renowned Swiss elite luxury watch brand, "Corum", together with a proprietary portfolio of innovative and technical movements. Its technical craftsmanship and non-traditional designs are embedded in the three collection pillars, namely, Bridges, Admiral's Cup and Heritage, and categorical horizontal positioning within each pillars including Entry-Level, Core-Range and High-End. As at 31 December 2014, the Corum Group held 11 subsidiaries each responsible for the distribution in a specific region and sold its watches through an exclusive global distribution network of 7 premier boutiques and approximately 620 high-end, independent specialty retailers in more than 90 countries.

The Corum Group was led by a Management Executive Committee and headed by senior executives from the holding company. In 2014, the Committee worked to revitalize the business model of the Corum Group through production development, production, brand positioning, distribution, team building and management practises. The strategy of extending the product life-cycle and increasing marketing efforts will allow the Corum Group to focus its efforts on providing a more competitive pricing of its products and to increase the contribution of the current best-selling products as well. Although Corum Group encountered a decrease in Europe, its traditional market, in 2014 due to decrease in number of tourists, Asia and Americas saw a substantial growth. Collaboration with strategic retail partners was a priority as it was considered cost-effective in promoting the brand image and generating immediate revenue. Following the investments in the global products, people, and processes, the Corum Group began to show improved results both in revenue generation and cost reduction.

The Corum Group generated revenue and net loss after tax of approximately HK$328,732,000 (31 December 2013: HK$351,289,000) and HK$169,156,000 (31 December 2013: HK$61,141,000) respectively. (Note: the comparative figures in 2013 were for the period from 9 July 2013, the completion date of acquisition, to 31 December 2013).

The aforementioned net loss after tax didn't include an aggregate amount of HK$124,812,000 of impairment loss made on the goodwill and intangible assets of Corum Group. The Group has engaged an independent professional valuer to perform valuations to determine whether there were any impairments on the assets of Corum Group. In preparation for the accounts as of 30 June 2014, we made reference to the valuation report conducted for the accounts as of 31 December 2013 that was principally based on the estimated parameters that applicable at the time of acquisition of Corum Group and also as of 31 December 2013. At that time, we were hopeful that the results for the second half of 2014 would be improved in spite of apparently challenging economic situations, having regarded to the satisfactory market response in the Basel World 2014 and the general industry practice that a higher proportion of revenue would be generated in the second half of the year. Generally speaking, a satisfactory market response in Basel World is expected to partially reflect in the revenue generated in the same year. However, having reviewed the performance of subsequent months in the second half of 2014, we came to a conclusion that the world economy did not gradually improve as previously expected, the PRC economy failed to maintain a high growth and the demand for our Corum watches in the global market, especially Mainland China, was yet to be improved. Essentially, we subsequently considered that the scenario projected at the time of acquisition, as of 31 December 2013 and as of 30 June 2014 was radically different from the scenario prevailing at 31 December 2014, and that the parameters in the valuation report for the accounts of 31 December 2013 were no longer applicable. A valuation report based on the revised parameters and forecast was conducted for impairment assessment for the accounts as at 31 December 2014.

Asia is expected to be the leading market for generating revenues due to the immense untapped potential, especially in Mainland China. Leveraging the Group's existing expertise and resources of extensive distribution channels in Mainland China, Corum is expected to quickly build its dedicated distribution channels in Mainland China and benefit from the potential of Mainland China's imported watch market.

In the medium term, the luxury watch industry is expected to improve substantially with the increasing number of high-net-worth individuals globally and especially in Mainland China.

Going forward, the Corum Group will continue strengthening its strategic initiatives with a core focus on positioning itself as a sales-oriented brand, expanding the distribution network, streamlining and strengthening the quality of the product references and improving the operational efficiency of the brand, with the ultimate purpose of ensuring the long-term profitability.

Dreyfuss Group

On 11 April 2014, the Group acquired 100% interest in The Dreyfuss Group Limited and its subsidiaries (the "Dreyfuss Group") at a total consideration of GBP27,000,000 (equivalent of HK$352,141,000). The Dreyfuss Group was founded in 1895 and is principally engaged in watch design and distribution, both to the United Kingdom ("UK") and overseas markets, and of watch manufacturing and repair. Its brand portfolio includes the Swiss mid-market Rotary brand, the Swiss premium Dreyfuss & Co. brand and the English premium J & T Windmills brand. Their watches are distributed across 45 countries through a mix of regional retailers and third party distributors. As at 31 December 2014, Dreyfuss Group had 4,110 distribution outlets including 2,973 outlets located in UK. Rotary is the No. 1 Swiss watch brand by sales value in the mid-market sector in the UK, through high street watch and jewellery chains, independent stores and other specialty channels such as catalogues, mail order, television channels, cruise ships, airport shops and airlines.

The UK is the largest single market representing 69% of total turnover. Other markets include Germany, the Middle East, North Africa, North America, Canada and Asia Pacific. It is the strategy of the Dreyfuss Group to grow its international division as a percentage of total turnover in order to diversify into overseas markets. The Dreyfuss Group leverages its sponsorship with Chelsea Football Club as a marketing and brand awareness tool to support entry into international and new markets. Recently developed markets include Equatorial Guinea, Ghana, Guyana, Hong Kong, Lithuania, South Korea, the UAE and the United States ("US"). Sales through in-flight catalog is also an increasingly strong source of revenue.

E-commerce websites for the UK and the US markets have been operational in the second half of 2014, contributing revenue of more than HK$3,000,000. It is expected that e-commerce, as supported by the sponsorship with Chelsea Football Club, would grow strongly within a couple of years.

During 2014, the Dreyfuss Group won the Queen's Award for Enterprise: International Trade and the Best Marketing Campaign Award by the DFNI Magazine for their Chelsea Football Club sponsorship.

The Dreyfuss Group generated revenue and net loss after tax of approximately HK$252,347,000 and HK$4,855,000.

Pursuant to the acquisition agreement, the consideration for acquiring the entire share capital of the Dreyfuss Group was subject to the actual performance of the Dreyfuss Group and will be deducted by the shortfall if the Dreyfuss Group failed to meet the agreed profit and net asset value ("NAV") targets. The profit and NAV targets for Dreyfuss Group were based on the assumptions of the continuous promising UK market, the new markets to be further developed in Mainland China and other Asian countries, and the rapid expansion of e-commerce in 2014. However, Dreyfuss Group was yet to further develop new markets in Mainland China and other Asian countries as it had issues working with the then existing distributors in 2014. It was also yet to further expand the e-commerce in 2014 as previously expected. Therefore, it did not meet certain targets and incurred the shortfall as illustrated in the table below.

Year	Guaranteed profit after tax for the year	Actual profit/(loss) after tax for the year	Guaranteed NAV for the year	Actual NAV for the year	Shortfall (note)	Settlement of the shortfall
	GBP'000	GBP'000	GBP'000	GBP'000	GBP'000	
2013	2,150	2,051	10,200	10,751	99	Already deducted from second consideration payment
2014	3,000	(1,114)	13,200	9,611	4,114	To be deducted from final consideration payment

Note:

Pursuant to the acquisition agreement, the second consideration payment shall be reduced by a sum equal to the aggregate of shortfall on the profit after tax and shortfall on the NAV for the year 2013; whereas, the final consideration payment shall be reduced by a sum equal to the shortfall on the profit after tax or shortfall on the NAV for the year 2014, whichever is higher.

The acquisition of the Dreyfuss Group provides an opportunity for the Group to expand its portfolio of brands by adding watch brands with a strong heritage and appeal for consumers. The Group intends to promote the Dreyfuss Group's watch brands internationally and leverage its distribution network in Mainland China to benefit from the enormous potential of Mainland China's imported watch market, in particular in the mid-price segment.

(2) Watches and timepieces – non-proprietary brands

Pursuant to the share transfer agreement signed on 23 September 2013, the Group was to sell 51% of equity interest in Ruihuang (Chongquing) Watch Co., Ltd. ("Ruihuang") together with the assignment of the loans from the Group companies, unpaid dividend and distribution network at a total consideration of RMB100,523,000 (equivalent to approximately HK$127,245,000). The transaction was completed during the year and the Group recorded a net gain of HK$15,859,000.

After the disposal of Ruihuang, the Group has six distribution companies to develop a larger market share in the distribution of non-proprietary brands in different provinces and cities. Through these watch distribution companies, which have around 220 self-owned brand image retail shops and distribution outlets, the Group distributes more than 25 international brands in Beijing, Fujian, Guangdong, Henan, Jilin, Liaoning, Shenyang and other provinces and leading cities in Mainland China.

Collectively, the distribution companies generated revenue and net loss after tax for 2014 of HK$805,527,000 (31 December 2013: HK$971,265,000) and HK$8,672,000 (31 December 2013 net profit after tax: HK$9,194,000) respectively.

Since 2010, we started setting up 51%-owned watch distribution companies, including Beijing Haina Tianshi Watch Co., Ltd. ("Beijing Haina") and Henan Jinjue Enterprise Co., Ltd ("Henan Jinjue"), with PRC partners and agreed on certain profit targets. During the period from 2009 to 2012, the industry for distribution companies was considered promising and it grew strongly as a result of continuous strong economic growth, consumption growth and demand for watch, in particular in Mainland China. During the period from 2009 to 2012, the PRC government's anti-extravagance policies were relatively weak and the economic and consumption growth was very much stronger in Mainland China. Such profit targets were fixed in line with that promising scenario.

However, owing to the relatively slow economic growth in Mainland China and the strong anti-extravagance policies adopted by the PRC Central Government, the demand for the imported mid-range and high-end watches was weakened in the Mainland China market which generally affected the revenue and performance of the distribution companies. In this unexpected scenario particularly affecting our distribution companies, while the variable costs could be reduced, the fixed costs could not be reduced. Accordingly, the industry for the distribution of imported watches did not do well in the last two years. Neither did our distribution companies. Hence, the distribution companies failed to meet the profit targets.

For each of the three years ended 31 December 2014, Beijing Haina did not meet the profit targets and incurred shortfall as illustrated in the table below.

Year	Guaranteed profit for the year RMB'000	Actual profit after tax for the year RMB'000	Shortfall RMB'000	Compensation to the Group by PRC Partner (i.e. 51% of the shortfall) RMB'000	Compensation to the Group already received RMB'000	Compensation to the Group to be received RMB'000
2012	15,000 (note 1)	10,683	4,317	2,202	0	2,202
2013	26,000	5,464	20,536	10,473	0	10,473
2014	33,800	2,901	30,899	15,758	0	15,758

For each of the three years ended 31 December 2014, Henan Jinjue did not meet the profit targets and incurred shortfall as illustrated in the table below.

Year	Guaranteed revenue for the year (note 2) RMB'000	Actual revenue for the year RMB'000	Guaranteed profit for the year RMB'000	Actual profit/(loss) after tax for the year RMB'000	Shortfall RMB'000	Compensation to the Group by PRC Partner (i.e. 51% of the shortfall) RMB'000	Compensation to the Group already received RMB'000	Compensation to the Group to be received RMB'000
2012	12,500 (note 1)	0	1,000 (note 1)	(226)	1,226	625	625	0
2013	195,000	121,730	15,600	3,701	11,899	6,068	6,068	0
2014	253,000	163,290	20,200	5,270	14,930	7,614	0	7,614

Notes:

1. Guaranteed annual revenue and profit for the year ended 31 December 2012 was adjusted on a pro rata basis subject to the actual commencement date of operation.

2. Guaranteed revenue is for indicative purpose only and therefore no compensation is required on the shortfall of revenue.

During 2012, 2013 and 2014, some guarantors in respect of the distribution companies failed to settle the compensations in accordance with the terms of the relevant agreements. Our executives have endeavored to closely monitor the fulfillment of the profit guarantees and the recovery of the compensations. Our executives have held a series of meetings with the guarantors in order to recover the compensations. It is expected that these compensations will be received by the end of 2015.

In the medium term, the revenue is expected to continue to increase due to favorable government policies such as ongoing reduction of import duties, continuous economic growth, rapid urbanization and increased disposable incomes. In order to minimise the impact of the appreciation of the Swiss Franc, the distribution companies would adjust the product portfolio and substitute more expensive watches by relatively less expensive watches.

(3) Watches and timepieces – production

The Group has the capability to produce mechanical movement ranging from basic mechanical movement to tourbillon and fashion watches on an OEM basis for leading global brands at competitive cost.

Guangzhou Five Goat Watch Company Limited

Guangzhou Five Goat Watch Company Limited ("Five Goat"), a 78%-owned subsidiary of the Group, is engaged in the manufacture and distribution of mechanical movements and watches and owns two watch brands, namely, Guangzhou and Dixmont. Five Goat contributed revenue, of which 97% is from mechanical movements and 3% from watches, and net profit after tax attributable to the owners of the Company of approximately HK$75,286,000 (31 December 2013: HK$83,632,000) and HK$8,268,000 (31 December 2013: HK$8,043,000) respectively in 2014. During the first half of 2014, revenue from mechanical movements was affected to some extent due to a substantial increase in price. In the second half of 2014, the gradual increase in demand by domestic watch brands for e-commerce was evident, which increased the sales of movements. E-commerce made a more significant contribution to the sales of watches accounting for more than 50% of watch revenue.

Fair Future Industrial Limited

Fair Future Industrial Limited ("Fair Future"), a 25%-owned associate of the Group, is engaged in the manufacture of watches and accessories of watches for a well-known Japanese brand on an OEM basis. Creative and stylish design is one of the core-competencies of Fair Future. With a design team of more than 30 professionals well exposed to changing global consumer behavior. Fair future has product portfolio that have been well received by OEM customers. Coupled with good quality and cost control, Fair Future is well positioned for sustainable development.

Fair Future contributed net profit after tax in 2014 of HK$13,333,000 (31 December 2013: HK$12,134,000), based on the 25% shareholding owned by the Company. Net profit after tax increased in line with the increased revenue and expanded product range.

For each of the three years ended 31 December 2014, Fair Future managed to meet the profit targets and as illustrated in the table below.

Year	Guaranteed profit after tax for the year HKD'000	Actual profit after tax for the year HKD'000	Shortfall HKD'000
2012	35,000	53,997	0
2013	38,000	48,535	0
2014	43,000	51,969	0

(4) Investment in Citychamp Dartong

A total of 55,000,000 shares of Citychamp Dartong Company Limited ("Citychamp Dartong") were disposed on 12 June 2014, generating a total net gain of HK$163,542,000. As at 31 December 2014, there were 30,389,058 shares of Citychamp Dartong with a market value of HK$308,122,000 owned by the Group.

(5) Property investment

The factory complex in Dongguan, the property on Yan He South Road, Luohu District, Shenzhen, three shop units on Xianghua Road, Zhuhai, in Guangdong Province of Mainland China, and one apartment in Hong Kong owned by the Group have been leased out, generating stable rental returns for the year under review. During the period, the total rental income of the Group was amounted to HK$17,888,000 (31 December 2013: HK$16,957,000).

FINANCIAL POSITION

(1) Liquidity, financial resources and capital structure

As at 31 December 2014, the Group had non-pledged cash and cash equivalents of approximately HK$878,253,000 (31 December 2013: HK$471,621,000). Based on the borrowings of HK$824,677,000 (31 December 2013: HK$597,790,000), the corporate bonds of HK$764,914,000 (31 December 2013: Nil) and shareholders' equity of HK$3,846,524,000 (31 December 2013: HK$4,315,079,000), the Group's gearing ratio (loans plus corporate bonds divided by Shareholders' equity) was 41% (31 December 2013: 14%).

As at 31 December 2014, the Group's bank loans amounting to HK$349,195,000 (42% of all bank loans) were repayable within one year.

(2) Charge on assets

As at 31 December 2014, banking facilities of the Group were secured by the Group's trade receivables of HK$109,760,000, investment properties in Hong Kong of HK$22,800,000, and land and buildings in Switzerland with net book values of HK$132,104,000 totaling HK$264,664,000 (31 December 2013: HK$373,586,000).

(3) Capital commitments

There were capital commitments with an amount of HK$169,024,000 related to the purchase of property, plant and equipment. Except for the above, the Group had no material capital commitments as at 31 December 2014 (31 December 2013: Nil).

FINANCIAL REVIEW

(1) Gross profit

Gross profit for the year was HK$1,690,642,000, an increase of 14% from HK$1,478,839,000 for the same period last year. Before making adjustments for intra-group transactions, Rossini contributed a gross profit of HK$756,730,000 and a gross margin of 72% while EBOHR contributed a gross profit of HK$561,879,000 and a gross margin of 68%.

(2) Selling and distribution expenses

Total selling and distribution expenses was HK$926,387,000, an increase of 28% from HK$724,581,000 last year. Rossini, EBOHR and Corum incurred selling and distribution expenses of HK$268,750,000, HK$298,151,000 and HK$144,216,000 respectively.

(3) Administrative expenses

Total administrative expenses was HK$698,077,000, an increase of 29% from HK$542,743,000 for the same period last year. Rossini, EBOHR, Corum and Eterna incurred administrative expenses of HK$82,693,000, HK$76,696,000, HK$126,418,000 and HK$88,382,000 respectively.

(4) Financial costs

Total financial costs were HK$65,055,000, an increase of 78% from HK$36,554,000 for the same period last year. This increase was due to the increase in the corporate bonds and other bank borrowings in 2014.

(5) Net profit attributable to owners of the Company

Net profit attributable to owners of the Company was HK$132,005,000, an decrease of 77% from HK$565,434,000 for the same period last year. Before making adjustments for intra-group transactions, Rossini contributed a net profit of HK$341,632,000 while EBOHR contributed a net profit of HK$131,038,000.

(6) Inventory

Inventory was HK$2,065,394,000, an increase of 4% from HK$1,987,473,000 for the same period last year. Before making adjustments for intra-group transactions, Rossini, EBOHR, Eterna and Corum contributed inventory of HK$394,115,000, HK$587,173,000, HK$257,464,000 and HK$314,660,000 respectively.

As the Group has initiated measures to enhance sales efficiency at the distribution outlet level, improve overall inventory management with more rapid information exchange among the distribution outlets, the regional sales office and the headquarters, and put increasingly strong efforts to clear old inventory, it is expected that the level of inventory would gradually move in line with revenue generated in the medium term.

OUTLOOK

While the economy in the US is for a consolidation of its recovery, Europe and Japan still face significant challenges. Emerging markets face equally challenging conditions, arising from a stronger US dollar and the prospects of increasing US interest rates. Mainland China continues to try and strike a balance between growth and reform in its economy. In 2015, the world's major central banks' monetary policies are diverging. On one hand, the US Federal Reserve has ended its Quantitative Easing assets purchase program, and both the US Federal Reserve and the Bank of England are expected to increase interest rates. On the other hand, the European Central bank and the Bank of Japan are expected to implement more aggressive expansionary monetary policies in an effort to counteract deflationary forces and stimulate economic growth. In Mainland China, the most important task for the Central Government is to "make efforts to maintain the stabilized growth of the economy." It is clear that the Central Government is ready to loosen fiscal policy, thus the Required Reserve Ratio will be cut and the credit quota will be expanded to stabilize economic growth in 2015. The economy in Mainland China is expected to post a moderate recovery. Such macro-economic developments should have a favorable impact on the performance of the Group, especially for Rossini and EBOHR.

The impact of the appreciation of the Swiss Franc on the Group is limited as a majority of revenue is generated from our proprietary brands in Mainland China whose cost is mainly RMB-based. The distribution companies, through substitution, would adjust the product mix emphasizing relatively inexpensive imported watches to minimize the effect of the appreciation of the Swiss Franc. Our own Swiss watch companies would focus on the effective and stricter control over the entire value chain, from raw materials and component procurement, product design and development, manufacturing of mechanical movements, assembly, inventory management and distribution to marketing with the objective of achieving cost reductions and the impact of the appreciation of the Swiss Franc.

The Group would keep on identifying and evaluating opportunities and undertaking mergers, acquisitions and alliances deals that are in the best interests of the Company and the shareholders as a whole. Through the existing portfolio of watch companies, the Group has laid a strong foundation for growth in the years to come.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group had approximately 4,800 full-time staff in Hong Kong and Mainland China and more than 250 staff in Europe. The remuneration packages offered to the employees are determined and reviewed on an arm's length basis with reference to the market condition and individual performance. The Group also provides other benefits to its employees, including year-end double pay, medical insurance and retirement benefits, and incentive bonuses are offered with reference to the Group's operating results and employees' individual performances. All employees of the Group in Hong Kong have joined the Mandatory Provident Fund Scheme. Employees of Group's subsidiaries in Mainland China also participate in social insurance schemes administrated and operated by local authorities and contributions are made according to the local laws and regulations.

APPRECIATION

Our financial performance and strategic initiatives reflected the joint efforts of the Board and management in successfully pursuing our mission to be one of the leaders in the watch industry of Mainland China. I would like to express my deep gratitude to our employees, customers, suppliers, bankers, professional consultants, business partners, and shareholders for their support.

Shang Jianguang
Chief Executive officer

Hong Kong, 30 March 2015

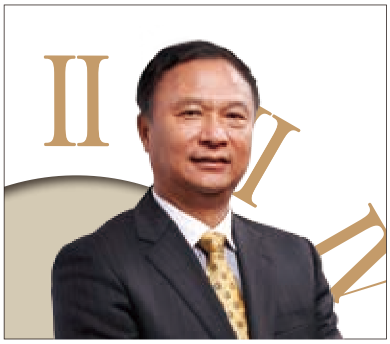
DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

HON Kwok Lung

Chairman

Mr. Hon Kwok Lung, aged 60, joined the Board in April 2004. He is the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr Hon is the Chairman of the Board of Directors of Citychamp Dartong Company Limited ("Citychamp Dartong"), the shares of which are listed on the Shanghai Stock Exchange in the Mainland China. Citychamp Dartong and its subsidiaries are principally engaged in manufacturing and sale of enamelled copper wires and property development in the Mainland China. Mr. Hon has extensive business experience in the Mainland China. Mr. Hon is a Member of the National Committee of the Chinese People's Political Consultative Conference, an Executive Member of All-China Federation of Returned Overseas Chinese Committee and the Executive Vice President of China Federation of Overseas Chinese Entrepreneurs.



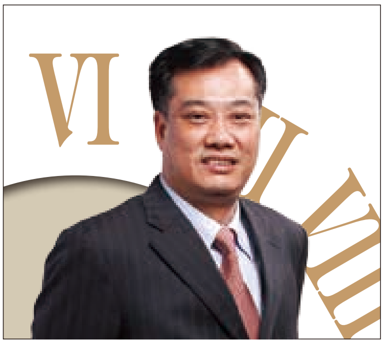
SHANG Jianguang

Chief Executive Officer

Mr. Shang Jianguang, aged 63, joined the Board in November 2004 and is a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Shang graduated in Fuzhou University majoring in Chemistry, is a qualified senior engineer in the Mainland China. Prior to joining the Group, he assumed senior posts in various large companies, and was General Manager and Director of Min Xin Holdings Limited, a company listed on the main board of the Stock Exchange. He also serves as a director of Citychamp Dartong, the shares of which are listed on the Shanghai Stock Exchange, and has extensive knowledge and experience in corporate and investment management.

SHI Tao

Mr. Shi Tao, aged 51, joined the Board in April 2004. Mr. Shi holds a Bachelor degree in Engineering from Tsinghua University and a Master degree in Engineering from Wuhan University of Technology (formerly known as Wuhan Industrial University). Mr. Shi has years of business experience in the Mainland China. He was an Executive Director of New Capital International Investment Limited ("New Capital"), a company listed on the main board of the Stock Exchange.



LAM Toi Man

Mr. Lam Toi Man, aged 57, joined the Board in April 2004. Mr. Lam has various years of experience in property development in the Mainland China. Mr. Lam has been the General Manager of Zhejiang Huashun Real Estate Investment Co., Ltd. and an Executive Director and the General Manager of Hangzhou Yuanhua Mart Construction Co., Ltd.. Mr. Lam is the brother-in-law of Mr. Hon Kwok Lung and uncle of Mr. Hon Hau Wong.

BI Bo

Mr. Bi Bo, aged 35, joined the Board in August 2010. Mr. Bi received a degree of Master of Science (Finance) from The Johns Hopkins University in May 2006. Prior to joining the Group, he was a senior actuarial assistant (supervisor) in Carefirst Bluecross Blueshield, working on actuarial valuation and risk management of insurance company. He qualifies as an associate of the Society of Actuaries (ASA) in 2009. He also has experience in M&A activities.

SIT Lai Hei

Ms. Sit Lai Hei, aged 37, joined the Board in November 2004. She was appointed as a Non-executive Director of the Company first and re-designated as an Executive Director of the Company on 26 March 2012. Ms. Sit graduated in Fuzhou University taking Marketing as her major and is a qualified assistant engineer in Mainland China. Ms. Sit is also a Director of Citychamp Dartong, the shares of which are listed on the Shanghai Stock Exchange. Ms. Sit is the daughter-in-law of Mr. Hon Kwok Lung, the Chairman of the Board and controlling shareholder of the Company. In addition, Ms. Sit's husband is a nephew of Mr. Lam Toi Man and brother of Mr. Hon Hau Wong.

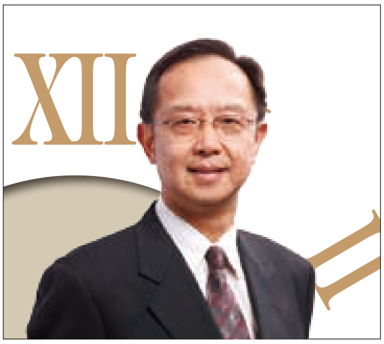
HON Hau Wong

Mr. Hon Hau Wong, aged 37, joined the Board in August 2014. Mr. Hon graduated from Tongji University and holds a bachelor degree in Engineering Management. He also serves as the Deputy Chairman of Citychamp Dartong, a company listed on the Shanghai Stock Exchange. He has extensive experience in the real estate industry in Mainland China. He is currently a member of Fujian Province Committee of the Chinese People's Political Consultative Conference. Mr. Hon Hau Wong is a son of Mr. Hon Kwok Lung, and also a nephew of Mr. Lam Toi Man and brother-in-law of Ms. Sit Lai Hei.

TAO Li

Mr. Tao Li, aged 62, joined the Board in November 2014. Mr. Tao graduated from Beijing Foreign Trade College (currently known as China Foreign Economy and Trade University) majoring in Foreign Trade English. He is also a senior economist in Mainland China. He has over 30 years of experience in respect of business administration, international trading, brands building and marketing. Before he joined the Board, he had been appointed as the Vice President of the Company in charge of the watch manufacturing and distribution businesses in certain subsidiaries of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS



FUNG Tze Wa

Mr. Fung Tze Wa, aged 58, joined the Board in April 2004. He is the chairman of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee of the Company. Mr. Fung is a Certified Public Accountant and a director of an accounting firm in Hong Kong. Mr. Fung has many years of experience in auditing, taxation and company secretarial practice in Hong Kong. He obtained a Master degree in professional accounting from the Hong Kong Polytechnic University in 2000. He is a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the Chartered Association of Certified Accountants, the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. He was an independent non-executive director of New Capital International Investment Limited ("New Capital") from April 2004 to March 2012 and Jiwa Bio-Pharm Holdings Limited from September 2004 to September 2013. He has been appointed as an independent non-executive director of JF Household Furnishings Limited since October 2012. These companies' shares are listed on the Stock Exchange.

KWONG Chun Wai, Michael

Dr. Kwong Chun Wai, Michael, aged 50, joined the Board in April 2004 and is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Dr. Kwong is a fellow of the International Institute of Management, a member of the Hong Kong Institute of Marketing, a business strategist specialising in the area of marketing and business administration. Dr. Kwong obtained a Bachelor of arts degree with honours in philosophy from the University of Nottingham in the United Kingdom in 1987 and a Doctorate degree in business administration from Newport University (US) in 2001. From November 2006 to 21 March 2012, Dr. Kwong was an independent non-executive director of New Capital, a company whose shares are listed on the Stock Exchange.

LI Qiang

Mr. Li Qiang, aged 48, joined the Board in November 2004 and is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Li holds a Master of Science degree and a PhD degree in Economics. He had worked for several financial regulatory authorities in Mainland China and now serves as the managing director of Harvest Capital Management Co., Ltd.. He has over 20 years of experience in Mainland China financial and capital market, including banking, securities and fund management.

SENIOR MANAGEMENT

ZHANG Bin

Mr. Zhang Bin, aged 50, joined the Board in November 2014 and is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Zhang is currently a partner of Beijing Hylands Law Firm ("Hylands"). He obtained a Bachelor of Laws from Fudan University in Shanghai in 1986 and was qualified as a lawyer in China in 1988 and had served as a legal advisor in a large scale state-owned enterprise for years upon his graduation. Before joining Hylands in 2008, he worked in law firms in Beijing, London and Hong Kong. Mr. Zhang is involved in a wide range of areas of practice and has accumulated tremendous experiences in legal affairs in respect of financial investments, real estates and intellectual property rights.

FONG Chi Wah

Mr. Fong Chi Wah, aged 52, is the Chief Financial Officer and Secretary of the Company. Mr. Fong is an associate member of HKICPA, a fellow member of CPA Australia, a Chartered Financial Analyst and a member of the Hong Kong Institute of Directors. Mr. Fong has over 20 years of extensive experience in various sectors of the financial industry, including direct investment, project and structured finance, and capital markets with focus on Mainland China and Hong Kong. Mr. Fong was a director of Baring Capital (China) Management Limited and held various management positions in ING Bank. He joined the Company in September 2004.

YIN Weirong

Mr. Yin Weirong, aged 58, is a qualified senior economist. He is the Vice President of the Company, he is also a Director and a Deputy General Manager of various subsidiaries of the Company. Mr. Yin was the Chief Representative of a reputable multinational company in Mainland China and the General Manager of a large PRC international trust and investment corporation responsible for investment in industrial and financial projects. Having acquired over 30 years of experience in corporate management and developing markets in Mainland China and overseas, he joined the Company in April 2007.

TEGUH Halim

Mr. Teguh Halim, aged 33, is the Vice President of the Company. Mr. Halim graduated from Ohio State University majoring in accounting. He is a director of several subsidiaries of the Group engaged in the watch manufacturing and distribution. He joined the Group in October 2008. Mr. Halim is the son-in-law of Mr. Hon Kwok Lung, the Chairman of the Board and controlling shareholder of the Company.

LU Jun

Mr. Lu Jun, aged 51, has been appointed as the Vice President of the Company since October 2014. Mr. Lu holds a master degree in Executive Master of Business Administration from Tianjin University of Finance & Economics. He had been working for Tianjin Watch Factory (currently known as Tianjin Seagull Watch Co., Ltd, "Tianjin Seagull") since 1983 and acting as the General Manager of Tianjin Seagull for almost four years before joining the Company. Mr. Lu has engaged in the domestic and overseas watch industry for more than 30 years and possesses tremendous experiences in business administration and international trading.

CORPORATE SOCIAL RESPONSIBILITY

As a responsible and caring corporate citizen, the Group is not only focused on achieving business goals and financial targets. The Group is also committed to contributing to its different stakeholders in support of the well-beings of its employees and their families, the community and society at large, and advancing environment protection. The Group upholds the principle that good business practices and corporate social responsibility are vital for the sustainability of the success.

EMPLOYEE TRAINING AND DEVELOPMENT

Considering that the staff is its most valuable asset, the Group regards employees' personal developments and well-being as of the highest importance. As such, we aim to create a quality community and an environment that motivates our employees, in order to enhance staff development and staff retention.

We strive to motivate our employees with a clear career path which provides them with opportunities for advancement and upgrading their professional knowledge, qualifications and skills. In this regard, we provide a wide range of tailor-made training programs to enhance their professionalism. We identify and determine what skill sets are crucial to achieving our business goals and maintaining sustainability and then designate individual staff to the appropriate training programs. Examples include that Rossini in Zhuhai organised 50 training courses in 40 curriculums in 2014, the scope of which ranged from professional and technical training to personal development skills. 5,321 training hours collectively and 8.72 training hours per person were provided to staff at Rossini. The training formats include seminars and workshops hosted by in-house trainers, and seminars delivered by outside experts.

- New employees are provided with corporate orientation and induction programs upon appointment to help them to adjust to the new working environment and familiarize them with their job duties, as well as the business, operations and corporate culture of the Group as soon as possible;

- Sales staff are provided with intensive training programs on customer services and product knowledge;

- Watch craftsmen and technicians have the opportunities to participate in on-going structured and formalized technical trainings to ensure excellence in the product innovation and quality, which includes sending watch craftsmen and technicians of our Chinese brands to Switzerland to learn the most exquisite craftsmanship and cutting-edge technologies and designs; and

- Management personnel are invited to attend management courses to update and refresh their business management expertise and most updated developments and trends regarding the market and industry the individual company operates in; intensive leadership development programs and rotational assignment program motivate and help middle-level managers transit into new or more advanced leadership roles.

We also encourage our staff on self-enhancement. Employees are provided with examination leave and benefits if they join relevant courses and trainings approved by the Group. The Group shall continuously arrange and offer intensive trainings to equip its staff with the qualifications and skills and to encourage them to work as a cohesive team in order to provide consistently high-quality products and services.

EMPLOYEE WELFARE

We value our staff and wish for them to grow with the Group.

Work-Life-Balance Philosophy

The Group promotes the work-life balance philosophy by encouraging its staff to participate in a wide variety of sport and recreational activities.

A multi-purpose recreation center is built, various musical instruments are purchased for building up a company orchestra, and a multi-purpose sport field is built next to the office and manufacturing facilities. Recreational clubs have been established in each major subsidiary to organize and lead regular recreational activities for employees at the expense of the Group, such as parties, anniversary ceremonies, annual dinner gatherings and group travelling. A total of 16 recreational clubs, including basketball, volleyball, yoga, cycling, swimming, bowling, photography, calligraphy, Chinese chess, culinary and fishing, have been set up in Rossini, to offer platforms for staff to maintain good physical health and fitness and relieve pressure after work. The periodic art performances, sport competitions and other recreational activities arranged by those clubs have certainly improved the communication among employees, strengthened their cohesiveness, and enhanced team spirit and work motivation. To extend the care to employees' families, the Group has also organised activities which employees' families are welcome to join.

Occupational Health and Safety

We are committed to ensure the health and safety of our staff by, among other things, providing and maintaining healthy and safe workplaces to our staff, especially in our manufacturing facilities. Strict management systems and policies have been in place to keep an environment qualified under occupational health and safety standards. Our manufacturing facilities in Zhuhai is certified to the Occupational Health and Safety Management System (OHSAS) 18001 standard. Various measures have been implemented including conducting periodical occupational health and safety assessments, providing free body check-ups to employees annually and upon employment, setting up alarming devices and CCTV systems to monitor and minimise the hazardous elements in office and manufacturing plants, as well as engaging third parties to conduct inspections and reviews on the occupational health and safety system on a regular basis.

Employee Benefits and Welfare

We design the compensation package for all our employees to reward them for their work and contribution to our success. Compensation packages include various fringe benefits, depending on the particular situation of the individual subsidiary, such as medical insurance, lunch allowance, free body check-ups, paternity leave, marriage leave, bereavement leave and other subsidies.

COMMUNITIES

During the year, the Group sponsored a number of long-term charitable events.

An 18-year Promise

One of the Group's long-term philanthropic programs "An 18-year Promise", held in cooperation with the China Women's Development Foundation of the All-China Women's Federation, continued for the eighth successive year since the Wenchuan earthquake happened in 2008. The Group continues its commitment to finance the cost of raising 100 children, who became orphans after the earthquake until they are 18 years old. In addition to making donations, volunteers from the Group visit the children around the Children's Day every year. In June 2014, the volunteers went to Hanyuan County in Sichuan Province to visit the orphans, bringing them donations, gifts purchased by using the funds collected from charity auctions at the KANA Charity Event and stationeries and living necessities. Up to the end of 2014, the Group has contributed donations in excess of RMB1.7 million under the "An 18-year Promise" program. In February 2014, the China (Hangzhou) International Watch & Jewelry Business Conference awarded the "2014 Fashion Charity Award" to us in honor of the contribution we've made under this philanthropic program.

KANA Charity Event

In addition, the Group has organised the charity fund-raising event "KANA Charity Event" annually since 2010 with the participation of numerous celebrities in the fashion industry. This program is associated with the "An 18-year Promise" in that all additional funds raised are channeled to provide living and educational benefits for those orphans. The 5th KANA Charity Event was held in Shenzhen in April 2014 with the theme of the year "Love with More Colors". We had Mr. Lu Yi, a famous Chinese artist and the brand spokesperson of EBOHR brand, participate in this event and convey the philanthropic philosophy of this program to the public amplifying the effect on society. Through various activities, including KANA watch charity auctions, writing love cards and donating color pencil boxes matching the theme of the year, we successfully generated wider interest in the society to join the event to deliver their love and warm wishes to the beneficiaries of this program.

We encourage our staff to make personal donations to people suffering from the natural calamity of the Wenchuan earthquake, the Ya'an earthquake and the Southwestern drought or participate in volunteering activities in any way that would help those afflicted by disaster through the difficult times. We are glad to hear our staff sharing their feelings that they can realise their true value as a member of society and build a deeper relationship with society through the charity activities and volunteer programs in which they participate.

Education for the Less Privileged Groups

To create a brighter future for the next generation, the Group has made contributions to educational causes for children, especially those living in impoverished rural areas. The Group has donated RMB500,000 to the Zhongxin Primary School of Yousheng Town, Heping County, also named as Zhuhai Rossiui Hope Primary School, located in Heyuan, Guangdong Province to improve the infrastructure of the school, set up scholarship and subsidize teachers' advanced studies, and also donated useful resources to the pupils and teachers there including air-conditioners, stationery, living necessities and watches, in order to improve their learning and living conditions. The Group has promised to provide continuing support to them under a five-year assistance plan. In September 2014, Rossini, as a member of the Zhuhai Charity Federation, has made a contribution to a watch charity auction and donated the proceeds to aid the impoverished and sick children in Zhuhai, Guangdong Province. In addition, the Shenzhen Shiyan Public School, partially funded by EBOHR, has achieved certain top evaluation marks among the local privately-managed schools and has developed an outstanding reputation in its community.

Cooperation with Universities

The Group has set up the University-Enterprise-Cooperation Program and cooperates with universities and colleges in Mainland China. In 2014, we continued and expanded the University-Enterprise-Cooperation Program and partnered with Jilin University, Beijing Normal University and Guangdong Institute of Science and Technology to share our technical skills and expertise with the students through different workshops, mentorships and internships, with the purpose of transforming the university students into practical talents.

ENVIRONMENTAL PROTECTION

The Group has always placed great emphasis on sustainable environmental development and incorporates it in every aspects of its business.

The manufacturing facilities in Zhuhai have obtained ISO14001 Environmental Management System certification, demonstrating the effectiveness and efficiency of its environmentally-friendly manufacturing process. Selected environmentally friendly manufacturing procedures are as follows:

- Using environmental-friendly materials and incorporating energy-saving concepts in the design and construction of the facilities;
- Appropriately disposing of waste water, waste emissions and industrial waste in compliance with the relevant environmental laws and regulations;
- Building dust-proof clean manufacturing facilities which meets standards as strict as those required by the food and catering industry;
- Controlling and minimizing the density of smoke emitted by the dynamotors through Ringelman Smoke Chart;
- Monitoring and reducing volume of the noise generated the dynamotors; and
- Conducting environmental protection checks and reviewing the results for the entire facilities annually.

Environmental friendliness will continue to be one of the Group's sustainability principles throughout the manufacturing process. With effective trainings and education, employees' awareness of environmental protection has been enhanced.

The Group will continue our efforts to further improve its operations and encourage employees to promote and help create a green living environment.

CORPORATE GOVERNANCE REPORT 2014

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a standard of corporate governance that is consistent with market practices.

The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Government Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31 December 2014 except for code provision E.1.2. Code provision E.1.2 stipulates that the Chairman of the board of directors should attend the annual general meeting (the "AGM"). The Chairman of the board of directors will endeavor to attend all future AGMs of the Company unless unexpected or special circumstances preventing him from doing so. The board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision-making processes are properly regulated.

The followings summarize the Company's key corporate governance practices.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the code of conducts for securities transactions by directors of the Company. All the members of the board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2014.

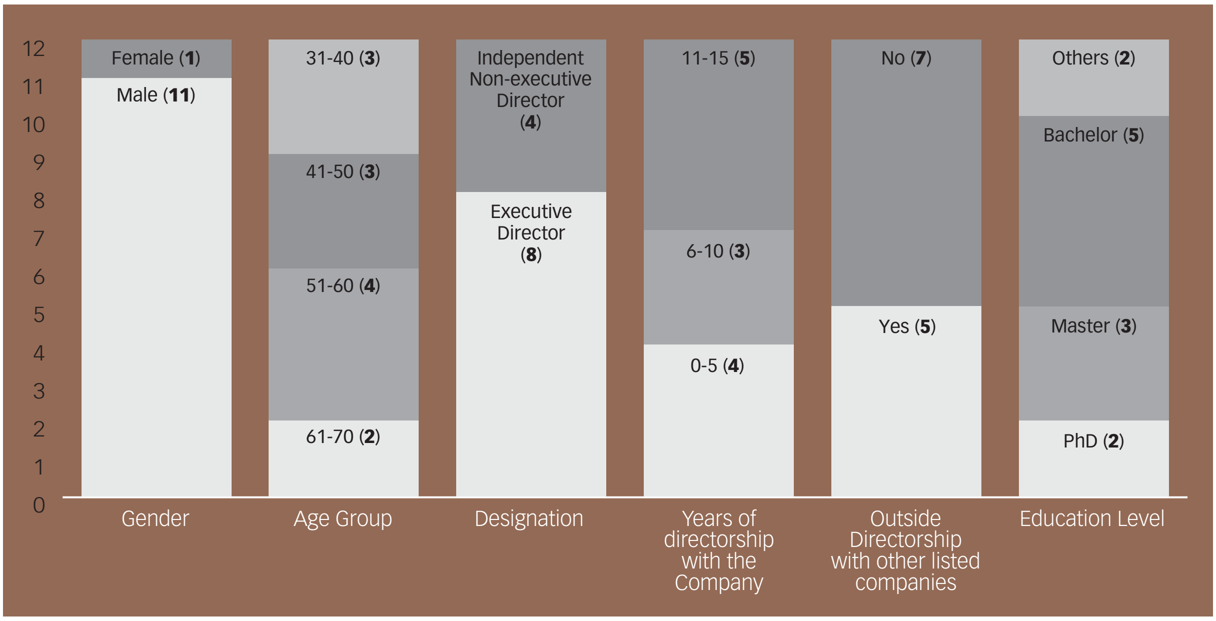
BOARD OF DIRECTORS

The principal focus of the board is on the overall strategic development and direction of the Group. The board also monitors the financial performance and the internal controls of the Group's business operations. Moreover, the board is responsible for performing the corporate governance duties. The board has established a clear segregation of duties and responsibilities between the board and the management as to which types of decisions are to be taken by the board and which are to be delegated to management. This segregation of duties and responsibilities will be regularly reviewed by the board. With the Chairman as a facilitator in the establishment that promotes discussion among directors, the directors of the board have brought a wide spectrum of valuable business experience, knowledge and professionalism to the board for its efficient and effective delivery of the board functions.

Size and Composition of the Board

The board currently comprises of eight Executive Directors (one of whom is the Chairman and the other of whom is the Chief Executive Officer) and four Independent Non-executive Directors. The Company considers diversity at the board level important to the achievement of strategic objectives and sustainable development of the Company. A number of aspects, including but not limited to gender, age, educational background, professional experience, skills, knowledge and length of service are taken into account. The board reviews its size and composition on a regular basis to ensure its effectiveness. In 2014, Mr. Hon Hau Wong and Mr. Tao Li were appointed as Executive Directors and Mr. Zhang Bin as an Independent Non-executive Directors of the Company. All of those new directors were selected with regard to their respective skills, knowledge, experience and abilities, which the Company believes will help build a more balanced and experienced team aligned to the long-term strategy and goals of the Company.

Board Composition
(no. of members)



Profiles of directors are set out in the pages 23 to 27 of this Annual Report.

As at 31 December 2014, the board comprises the following members:

Name of Director	Position	Date of first appointment to the Board	Date of last re-election as Director
HON Kwok Lung	Chairman/Executive Director	08/04/2004	15/05/2013
SHANG Jianguang	Chief Executive Officer/Executive Director	18/11/2004	21/05/2014
SHI Tao	Executive Director	08/04/2004	15/05/2013
LAM Toi Man	Executive Director	08/04/2004	21/05/2014
BI Bo	Executive Director	24/08/2010	21/05/2014
SIT Lai Hei	Executive Director	18/11/2004	15/05/2013
HON Hau Wong	Executive Director	29/08/2014	N/A
TAO Li	Executive Director	26/11/2014	N/A
FUNG Tze Wa	Independent Non-executive Director	08/04/2004	28/05/2012
KWONG Chun Wai, Michael	Independent Non-executive Director	08/04/2004	28/05/2012
LI Qiang	Independent Non-executive Director	18/11/2004	28/05/2012
ZHANG Bin	Independent Non-executive Director	26/11/2014	N/A

Save as mentioned below, there is no relationship among members of the board:

(i) Mr. Lam Toi Man (Executive Director) is the brother-in-law of Mr. Hon Kwok Lung (Chairman of the board).

(ii) Ms. Sit Lai Hei (Executive Director) is the daughter-in-law of Mr. Hon Kwok Lung (Chairman of the board) and Ms. Sit's husband is a nephew of Mr. Lam Toi Man.

(iii) Mr. Hon Hau Wong (Executive Director) is the son of Mr. Hon Kwok Lung (Chairman of the board) and a nephew of Mr. Lam Toi Man (Executive Director). He is also the brother-in-law of Ms. Sit Lai Hei (Executive Director).

Independent Non-executive Directors

One of the Independent Non-executive Directors possesses appropriate professional accounting qualifications and financial management expertise.

With a wide range of expertise and a balance of skills, the Independent Non-executive Directors bring independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct through their participating in board meetings and committee work. The Company appointed Mr. Zhang Bin, who is a PRC lawyer, as an Independent Non-executive Director in November 2014, and the Company believes that Mr. Zhang will bring his profound experience and expertise in the legal background to the board, thus raising the level of discussion on the board and improving the quality of decision-making of the board.

The views of the Independent Non-executive Directors carry significant weight in the board's decision-making process. The board considers that each Independent Non-executive Director is independent in character and judgment and that they all meet the specific independent criteria as required by the Listing Rules. The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such directors to be independent. Mr. Zhang Bin confirmed in writing to the Exchange upon his appointment his independence pursuant to Rule 3.13 of the Listing Rules. The Independent Non-executive Directors are explicitly identified in all corporate communications.

Chairman and Chief Executive Officer

The posts of Chairman and CEO are segregated and each of them plays distinct a role. The segregation of such two roles ensures a clear division between the Chairman's respective responsibilities of the Chairman and the CEO. The Chairman, Mr. Hon Kwok Lung, is mainly responsible for setting direction and strategies of the business development, and leading and managing the board of directors. The CEO, Mr. Shang Jianguang, undertakes a supervisory role to manage the day-to-day operation and business of the Company.

AGM, Board Meetings and Board Practices

The board meets regularly throughout the year to review the overall strategy, discuss business opportunities and to monitor the operation as well as the financial performance of the Group. With the assistance of the Company Secretary, the Chairman and the Chief Executive Officer are primarily responsible for drawing up and approving the agenda for each board meeting in consultation with all directors. Notice of at least 14 days have been given to all directors for all regular board meetings and the directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular board meetings are sent out in full to all directors within reasonable time prior to confirmation.

Minutes of board meetings and meetings of board committees are kept by duly appointed secretaries of the respective meetings and all directors have access to board papers and related materials, and are promptly provided with adequate information, which enable the board to make an informed decision on matters placed before it.

During the year ended 31 December 2014, 6 board meetings and the AGM for the year 2014 (the "AGM 2014") were held and the individual attendance of each director is set out below:

	Attendance/Meetings Held	
Name of director	**Board Meetings**	**AGM 2014**
HON Kwok Lung	6/6	0/1
SHANG Jianguang	6/6	1/1
SHI Tao	4/6	0/1
LAM Toi Man	6/6	1/1
BI Bo	6/6	1/1
SIT Lai Hei	6/6	1/1
HON Hau Wong (Note 1)	1/1	N/A
TAO Li (Note 2)	N/A	N/A
FUNG Tze Wa	6/6	1/1
KWONG Chun Wai, Michael	5/6	1/1
LI Qiang	5/6	1/1
ZHANG Bin (Note 3)	N/A	N/A

Notes:

1. Mr. Hon Hau Wong was appointed as an Executive Director effective 29 August 2014.

2. Mr. Tao Li was appointed as an Executive Director effective 26 November 2014.

3. Mr. Zhang Bin was appointed as an Independent Non-executive Director effective 26 November 2014.

Re-election of Directors

Each of the directors is appointed for a specific term. All Independent Non-executive Directors of the Company were appointed for a specific term of two years and are subject to the relevant provisions of the Articles of Association of the Company whereby the directors shall vacate and retire.

According to the Clause 99 of the Articles of Association of the Company, any director appointed as an addition to the board shall hold office only until the next following AGM of the Company and shall be eligible for re-election at that meeting. Further, according to the Clause 116 of the Articles of Association one-third of the directors for the time being or, if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation. Every director should be subject to retirement by rotation at least once every three years.

Continuing Professional Development

Pursuant to the revised CG Code which took effect on 1 April 2012, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant.

To facilitate the directors to discharge their responsibilities, the board of directors is continuously updated from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime, the business and market changes, the strategic development of the Group and particularly the information on directors' training courses.

Any director may request the Company to provide independent professional advice at the expense of the Company to perform the director's duties and responsibilities.

Introduction tailored kit will be given newly appointed director to his individual needs. This includes meetings with senior management to enable them to have better understanding of the Group's business and strategy and the key risks and issues. With such information, the directors can carry out their duties in an informed manner.

All directors are requested to provide the Company with their respective training records pursuant to the CG Code.

Communication with Directors

The Company acknowledges the importance of providing sufficient and accurate information to all member of the board on timely basis so as to enable them to discharge their duties and responsibilities effectively. All directors are entitled to have access to board papers and relevant materials. Agenda, board papers and those relevant materials are sent to all directors in a timely manner before the date of a board or board committee meeting, to enable the board to make informed decisions on matters placed before it at the meetings. All directors are provided with monthly consolidated accounts of the Group and financial information updates giving a balanced and understandable assessment of the performance, financial position and prospects of the Group. Board briefings are issued and circulated to all members of the board when necessary and appropriate, covering financial and operating highlights of the Company. All directors are also provided from time to time the latest changes and development of the Listing Rules, corporate governance practice and other regulatory regime. The management is prepared to provide additional information and explanations if there are areas the directors need to elaborate.

Independent Non-executive Directors are given the opportunity to discuss issues of the Company with the Chairman in the absence of Executive Directors. Besides, they are also given the opportunity to discuss issues of the Company with the management in the absence of Executive Directors. The Independent Non-executive Directors, also being the members of Audit Committee, regularly pay visit to major subsidiaries of the Company and meet the management of those subsidiaries. During the visits, Independent Non-executive Directors receive presentations from the management of subsidiaries in relation to the updated developments of those subsidiaries and review and comment on the issues concerning the internal control systems and risk management.

Insurance for Directors

The Company has arranged Directors' and Officers' Liability Insurance ("D&O Insurance") for directors and officers of the Company. The Company undertakes an annual review of the Company's D&O Insurance policy in terms of the amount of cover, the reputation and financial strength of the potential insurer and the provisions of the insurance policy to ensure that sufficient cover and protection are provided to the directors and officers of the Company.

DELEGATION BY THE BOARD OF DIRECTORS

Audit Committee

The members of the Audit Committee are:

Independent Non-Executive Directors

Fung Tze Wa (Chairman)
Kwong Chun Wai, Michael
Li Qiang
Zhang Bin (appointed on 26 November 2014)

The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. Terms of reference of the Audit Committee are available on the Exchange's website and the Company's website.

During the year under review, the Committee met with the Company's external auditor, the board and senior management. The Committee has met two times to review the financial reporting (including half-yearly and annual results) and other information to shareholders, the accounting system, the system of internal controls, risk management, independency of the external auditor, effectiveness and objectivity of the audit process and perform other duties set out in this terms of reference. Members of the Committee visited subsidiaries of the Group and enquired about and commented on the matters related to system of accounting, internal controls and risk management of those subsidiaries. They also reviewed and commented internal audit reports of subsidiaries and adequacy of resources, qualifications, experience and training of staff engaged in the accounting and financial reporting function. The Committee also heard reports on the internal audits of selected subsidiaries of the Company conducted during the year under review.

The Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the financial statements for the year ended 31 December 2014.

During the year, two meetings were held and the individual attendance of each member is set out below:

Name of director	Attendance/ Meetings Held	Attendance Rate
FUNG Tze Wa	2/2	100%
KWONG Chun Wai, Michael	2/2	100%
LI Qiang	2/2	100%
ZHANG Bin[1]	N/A	N/A

1 Mr. Zhang Bin was appointed as a member of the Audit Committee effective 26 November 2014.

Remuneration Committee

The Remuneration Committee currently comprises following members:

Independent Non-executive Directors

Fung Tze Wa (Chairman)
Kwong Chun Wai, Michael
Li Qiang
Zhang Bin (appointed on 26 November 2014)

Executive Directors

Hon Kwok Lung
Shang Jianguang

The Committee makes recommendations to the board on the Company's policy and structure for all directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. The Committee also makes recommendations to the board on the remuneration packages of individual executive directors and senior management. The Committee ensures that no director or any of his/her associates is involved in deciding his/her own remuneration. Terms of reference of the Remuneration Committee are available on the Exchange's website and the Company's website.

The Remuneration Committee has met once on 28 March 2014 to review the main elements of the Company's remuneration policy for directors and senior management, and to review and approve the specific remuneration packages of all directors and senior management.

During the year, one meeting was held. The individual attendance of each member is set out below:

Name of director	Attendance/ Meetings Held	Attendance Rate
FUNG Tze Wa	1/1	100%
KWONG Chun Wai, Michael	1/1	100%
LI Qiang	1/1	100%
HON Kwok Lung	1/1	100%
SHANG Jianguang	1/1	100%
ZHANG Bin[2]	N/A	N/A

[2] Mr. Zhang Bin was appointed as a member of the Remuneration Committee effective 26 November 2014.

Nomination Committee

The Nomination Committee was established on 26 March 2012 with terms of reference in compliance with the revised CG Code effecting on 1 April 2012. Currently the Nomination Committee comprises following members:

Independent Non-executive Directors

Fung Tze Wa
Kwong Chun Wai, Michael
Li Qiang
Zhang Bin (appointed on 26 November 2014)

Executive Directors

Hon Kwok Lung (Chairman)
Shang Jianguang

The principal duties of the Committee are to review the structure, size and composition of the board, identify and nominate individuals suitable qualified to become board members and make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors. The Committee is also responsible for assess the independence of independent non-executive directors. Terms of reference of the Remuneration Committee are available on the Exchange's website and the Company's website.

COMPANY SECRETARY

The company secretary supports the Chairman in promoting the highest standards of corporate governance and facilitates the effective functioning of the board and its committees. All directors have direct access to the advice and services of the company secretary. The company secretary reports to the Chairman of the board on board governance matters, and is responsible for ensuring that board procedures are followed and for facilitating timely and appropriate information flows among directors. The company secretary also plays an essential role in the relationship between the Company and investors. The company secretary and the assistant company secretary participate in a variety of trainings organized by the professional accounting and company secretarial associations. During 2014, each of the company secretary and the assistant company secretary undertook over 15 hours of relevant professional training to update their skills and knowledge.

The biography of the company secretary is set out in the Senior Management section in the pages 27 to 28 of this Annual Report.

EXTERNAL AUDITOR

The Group's external auditor for the year ended 31 December 2014 was BDO Limited ("BDO"). BDO has made a written declaration to the Audit Committee that they are independent with respect to the Company and that they are not aware of any matters which may reasonably be though to bear on their independence. The Audit Committee has assessed the independence of BDO at a meeting of the Audit Committee. The following table illustrates the fees paid/payable by the Group to BDO in the past two years for audit and non-audit services:

	2014	**2013**
Audit fee	HK$2,380,000	HK$2,100,000
Non-audit fee	HK$600,000	HK$560,000
Total	HK$2,980,000	HK$2,660,000

The non-audit fee for the year ended 31 December 2014 mainly included professional fees in relation to review of the compilation of the interim financial information and a bond offering circular.

INTERNAL CONTROLS

The board has overall responsibility for maintaining sound and effective internal control systems of the Company and for reviewing its effectiveness. The board is committed to implementing effective and sound internal control systems to safeguard shareholders' investment and the Group's assets. The board has delegated to management the implementation of the system of internal controls and reviewing of all relevant financial, operational, compliance controls and risk management functions within an established framework and reporting to the board and Audit Committee on its material findings.

The board of directors has the responsibility to identify and analyse the risks underlying the achievement of the corporate goals and objectives and to decide what methods should be adopted to manage and mitigate such risks.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2014, the directors:

(a) selected suitable accounting policies and applied them consistently;

(b) adopted appropriate Hong Kong Financial Reporting Standards (and Hong Kong Accounting Standards);

(c) made adjustments and estimates that are prudent and reasonable; and

(d) ensured that the financial statements were prepared on the going concern basis.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

SHAREHOLDERS' RIGHT

Pursuant to Article 72 of the Articles of Association of the Company, an extraordinary general meeting shall be convened on the written requisition of any two members of the Company or any one of more members together holding shares carrying not less one tenth of the voting rights at general meetings of the Company deposited at the registered office specifying the objects of the meeting and signed by the requisitionists.

If the directors do not within twenty-one days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as result of the failure of the failure of the directors shall be reimburse to them by the Company.

Shareholders and other stakeholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary. The Company Secretary will forward the enquiring or concerns to the Chief Executive Officer or the chairman of the Board committees or senior management as appropriate within their area of responsibilities for handling.

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at shareholders' meeting. Proposal shall be sent to the Board or the Company Secretary by written requisition. Pursuant to the Articles of Association of the Company, shareholders who wish to put forward a proposal shall convene an extraordinary general meeting by following the procedures set out above.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONSHIP

The Company endeavors to maintain a high level of transparency in communicating with shareholders and the investment community at large. In order to ensure effective, clear and accurate communications with the shareholders and investors, all corporate communications are arranged and handled by the executive directors and designated senior executives according to established practices and procedures of the Company. The Company provides up-to-date and extensive information in its annual reports, interim reports, circulars and announcements in a timely manner and within the time limits set out in the Listing Rules to ensure that all shareholders are able to form an accurate understanding of the business performance and financial position of the Company and make informed investment decisions.

The Company treats AGM as the principal forum for the board of directors to meet and communicate with the shareholders fact to face. The chairman of the board of directors, all executive directors, chairmen of the board committees and the external auditors endeavor to attend the AGM to report the business and operation of the Company to the shareholders and develop a balanced understanding of the view of the shareholders.

The AGM 2014 was held on 21 May 2014. Separate resolutions were proposed at the general meetings on each substantially separate issue, including the re-election of individual directors. In addition, procedures for demanding a poll were included in the circular to shareholders dispatched together with the annual report.

The Company continues to enhance communications and relationships with investment community at large. Executive directors and designated senior management will maintain open and active dialogues with shareholders, institutional investors, fund managers, analysts and the media. The management is pleased to help them better understand the Company and respond to enquiries raised by them during meetings, interviews and road shows, within the constraints of information already provided to the public.

Key shareholders' events in 2014 are set out below.

Event	Date
Announcement in relation to proposed off-market share repurchase	13 February 2014
Circular in relation to proposed off-market share repurchase	6 March 2014
2013 annual results announcement	22 March 2014
Extraordinary general meeting to approved proposed off-market share repurchase	31 March 2014
Announcement in relation to acquisition of a subsidiary	11 April 2014
Announcement in relation to proposed connected transaction	2 May 2014
AGM 2014	21 May 2014
Circular in relation to proposed connected transaction	25 May 2014
Extraordinary general meeting to approve proposed connected transaction	11 June 2014
Announcement in relation to change of company name	30 June 2014
Announcement in relation to proposed issue of bonds	7 July 2014
Further announcement in relation to proposed issue of bonds	23 July 2014
2014 interim results announcement	29 August 2014
Announcement in relation to appointment of a director	29 August 2014
Closure of Register of members for receiving the 2014 interim dividend	6 October 2014 to 8 October 2014
Payment of 2014 interim dividend	31 October 2014
Voluntary announcement in relation to bonds	5 November 2014
Announcement in relation to appointment of directors	26 November 2014

The name of the Company was changed from "China Haidian Holdings Limited 中國海澱集團有限公司" to "Citychamp Watch & Jewellery Group Limited 冠城鐘錶珠寶集團有限公司" with effect from 26 May 2014. There was no change to the Memorandum and Articles of Association of the Company during the year ended 31 December 2014.

The Company website (www.irasia.com/listco/hk/citychamp) enables shareholders, investors and the general public to have access to the information of the Company on a timely basis. Financial information and all corporate communications of the Company are made available on the Company' s website and updated regularly.

Shareholders who wish to raise any queries with the Board may write to the Company Secretary at Units 1902–04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 22 to the financial statements. There were no other significant changes to the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 54 to 152.

The Board has resolved not to recommend to distribute a final dividend for the year ended 31 December 2014 (year ended 31 December 2013: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on pages 153 and 154. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Company and of the Group during the year are set out in notes 18 and 19 to the financial statements, respectively. Further details of the Group's principal investment properties are set out on page 155 of the annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 40 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 existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2014, the Company made the following off-market repurchase of the Company's listed shares:

Date of share repurchase	Number of shares repurchased	Consideration per share HK$	Total consideration HK$
1 April 2014	340,300,000	0.75	255,225,000

Saved as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2014.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 42 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

In addition to the retained profits of the Company, the share premium account of the Company is also available for distribution to shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid.

As at 31 December 2014, the Company had reserves of HK$829,607,000 being the aggregate of accumulated losses and share premium account, available for cash distribution and/or distribution in specie.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales and purchases attributable to the major customers and suppliers respectively is set out as follows.

	Percentage of the total sales/purchases	
	Sales	Purchases
Top five customers	3%	–
Top five suppliers	–	13%
The largest customer	2%	–
The largest supplier	–	5%

DIRECTORS

The directors of the Company during the year and up to the date of this report were as follows:

Executive Directors:
Mr. Hon Kwok Lung, *Chairman*
Mr. Shang Jianguang, *Chief Executive Officer*
Mr. Shi Tao
Mr. Lam Toi Man
Mr. Bi Bo
Ms. Sit Lai Hei
Mr. Hon Hau Wong (appointed on 29 August 2014)
Mr. Tao Li (appointed on 26 November 2014)

Independent Non-executive Directors:
Mr. Fung Tze Wa
Dr. Kwong Chun Wai, Michael
Mr. Li Qiang
Mr. Zhang Bin (appointed on 26 November 2014)

In accordance with Article 116 of the Articles of Association of the Company, Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael and Mr. Li Qiang will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election. Since Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael and Mr. Li Qiang, being the Independent Non-executive Directors, have served the Company for more than nine years, the re-election of each of them will be proposed by separate resolutions put forward for shareholders' consideration at the forthcoming AGM in accordance with the Code Provision A.4.3 of the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Additionally, in accordance with Article 99 of the Articles of Association of the Company, Mr. Hon Hau Wong, Mr. Tao Li and Mr. Zhang Bin, being directors appointed as additions to the board in year 2014, will retire at the forthcoming AGM and, being eligible, for re-election as well.

The Company has received annual confirmation of independence from each of the four Independent Non-executive Directors that they have met all the factors concerning their independence as set out in Rule 3.13 of the Listing Rules and that there are no other factors which may affect their independence. The Company's board of directors considers all the Independent Non-executive Directors to be independent.

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 23 to 28 of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS SERVICE CONTRACTS

Mr. Shang Jianguang, an Executive Director and the Chief Executive Officer of the Company, has a service contract with the Company for a term of three years commencing from 18 November 2011 and is subject to termination by either party by giving not less than three month's written notice. The contract can be reviewed upon both parties' consent.

Mr. Hon Kwok Lung, the Chairman of the Company, Mr. Shi Tao, and Mr. Lam Toi Man, Executive Directors of the Company, have service contracts with the Company for an initial term of two years commencing from 1 July 2004 and is subject to termination by either party by giving not less than two months written notice. These service contracts will each continue for successive terms of one year unless terminated by not less than two months written notice served by either party to the other.

Mr. Bi Bo has entered into a service agreement with the Company for an initial term of two years commencing from 24 August 2010 and is subject to termination by either party by giving not less than two months' written notice. The service agreement will continue for successive terms of one year unless terminated by not less than two months' written notice served by either party to the other.

Ms. Sit Lai Hei has entered into a service agreement with the Company for an initial term of two years commencing from 26 March 2012 and is subject to termination by either party by giving not less than two months' written notice. The service agreement will continue for successive terms of one year unless terminated by not less than two months' written notice served by either party to the other.

Mr. Hon Hau Wong has entered into a service agreement with the Company for an initial term of two years commencing from 29 August 2014 and is subject to termination by either party by giving not less than two months' written notice. The service agreement will continue for successive terms of one year unless terminated by no less than two months' written notice served by either party to the other.

Mr. Tao Li has entered into a service agreement with the Company for an initial term of two years commencing from 26 November 2014 and is subject to termination by either party by giving not less than two months' written notice. The service agreement will continue for successive terms of one year unless terminated by no less than two months' written notice served by either party to the other.

Mr. Fung Tze Wa and Dr. Kwong Chun Wai, Michael, Independent Non-executive Directors of the Company, have service contracts with the Company for an initial term of two years commencing from 3 May 2004. These service contracts will each continue for successive terms of one year unless terminated by not less than one month's written notice served by either party to the other.

Mr. Zhang Bin, Independent Non-executive Director of the Company, has service contract with the Company for an initial term of two years commencing from 26 November 2014. The service contract will continue for successive terms of one year unless terminated by not less than one month's written notice served by either party to the other.

No director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees can be fixed by the directors of the Company and are subject to shareholders' authorisation at general meetings. Other emoluments are determined by the Board with reference to the duties, responsibilities and performance of the directors and the results of the Group.

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2014, the interests or short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Appendix 10 of the Listing Rules, were as follows:

Long positions in Shares

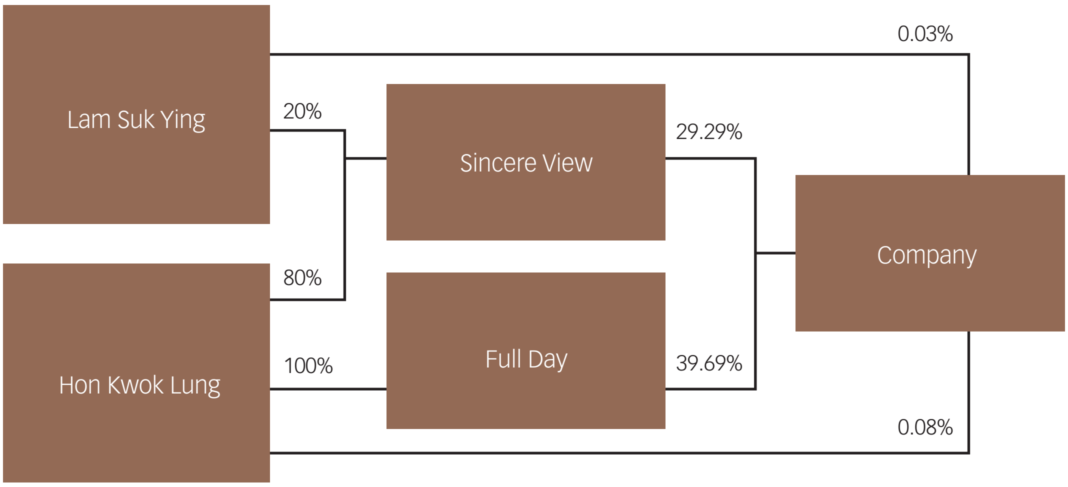
Name of Director	Nature of interest	Number of Shares held	Percentage of shareholding
Hon Kwok Lung	Corporate (Note 1)	3,041,187,515	68.98%
	Beneficial owner	3,500,000	0.08%
	Family Interest (Note 2)	1,374,000	0.03%
Shang Jianguang	Beneficial owner	8,000,000	0.18%
Shi Tao	Beneficial owner	5,000,000	0.11%
Lam Toi Man	Beneficial owner	3,500,000	0.08%
Fung Tze Wa	Beneficial owner	2,500,000	0.06%
Hon Hau Wong	Beneficial owner	1,750,000	0.04%
Tao Li	Beneficial owner	5,000,000	0.11%

Notes:

1. The 3,041,187,515 shares comprise of 1,750,000,000 shares held by Full Day Limited ("Full Day") and 1,291,187,515 shares held by Sincere View International Limited ("Sincere View").

2. 1,374,000 shares were held by Mr. Hon Kwok Lung's wife, Ms. Lam Suk Ying.

The deemed interest held by Hon Kwok Lung was summarised in the following chart.



Long positions in share options of the Company

Name of Director	Date of grant	Number of share options outstanding	Exercisable period	Exercise price per share HK$
Hon Kwok Lung	9/12/2008	–	9/12/2009 – 7/1/2019	0.325
Shang Jianguang	9/12/2008	–	9/12/2009 – 7/1/2019	0.325
Shi Tao	9/12/2008	–	9/12/2009 – 7/1/2019	0.325
Lam Toi Man	9/12/2008	–	9/12/2009 – 7/1/2019	0.325
Hon Hau Wong	9/12/2008	–	9/12/2009 – 7/1/2019	0.325
Tao Li	9/12/2008	–	9/12/2009 – 7/1/2019	0.325
Fung Tze Wa	9/12/2008	–	9/12/2009 – 7/1/2019	0.325
Kwong Chun Wai, Michael	9/12/2008	–	9/12/2009 – 7/1/2019	0.325
Li Qiang	9/12/2008	3,500,000	9/12/2009 – 7/1/2019	0.325

Long position in Zhuhai Rossini Watch Industry Limited ("Rossini") (Note 1)

Name of Director	Nature of interest	Percentage of shareholding
Sit Lai Hei	Corporate (Note 2)	9%
Hon Hau Wong	Corporate (Note 2)	9%

Notes:

1. Rossini is owned as to 91% indirectly by the Company and 9% by Fujian Fengrong Investment Company Limited ("Fujian Fengrong"). Rossini is an associated corporation of the Company within the meaning of Part XV of the SFO.

2. The interest in Rossini was held by Fujian Fengrong, which is owned as to approximately 68.5% by Ms. Sit Lai Hei, Executive Director, and 31.5% by Ms. Lu Xiaojun. Both Ms. Sit Lai Hei and Ms. Lu Xiaojun are daughters-in-law of Mr. Hon Kwok Lung, an Executive Director of the Company. Mr. Hon Hau Wong, the Executive Director of the Company, being the husband of Ms. Lu Xiaojun, is also deemed to be interested in the 31.5% interest in Fujian Fengrong.

Save as disclosed above, as at 31 December 2014, no person had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

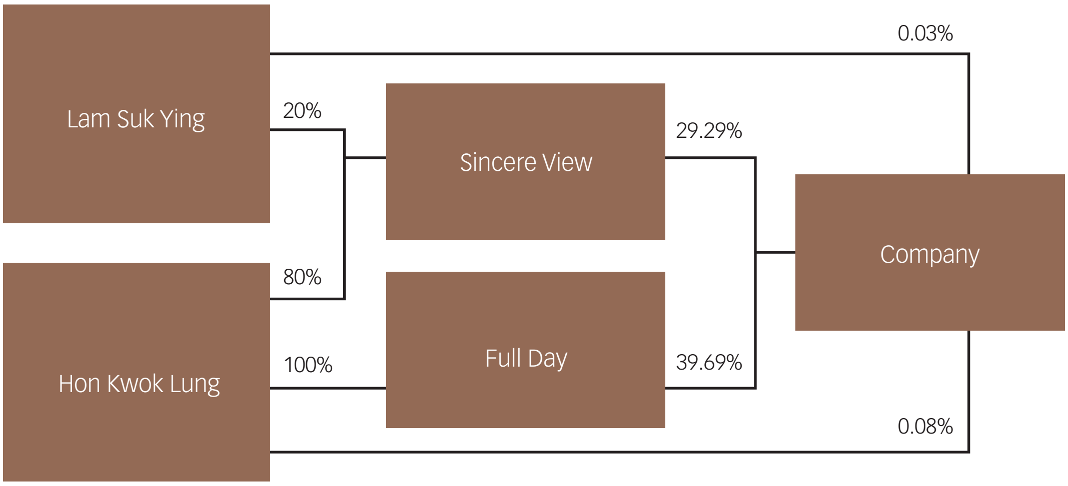
SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2014, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

	No. of Shares	Percentage of existing issued capital
Sincere View International Limited	1,291,187,515	29.29%
Full Day Limited	1,750,000,000	39.69%
Hon Kwok Lung (Note)	3,046,061,515	69.09%
Lam Suk Ying (Note)	3,046,061,515	69.09%
Keywise Capital Management (HK) Limited	249,546,000	5.66%

Note:

Mr. Hon Kwok Lung and Ms. Lam Suk Ying are deemed to have an interest in the same parcel of 3,046,061,515 shares (1,291,187,515 shares held by Sincere View, 1,750,000,000 Shares held by Full Day, 3,500,000 shares held by Mr. Hon Kwok Lung and 1,374,000 shares are held by Ms. Lam Suk Ying). The shareholding structure was summarised in the following chart:



Save as disclosed above, as at 31 December 2014, no person, other than the directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in shares and underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTION

On 2 May 2014, as disclosed in the announcement of the Company dated 2 May 2014 and the circular dated 25 May 2014, Starlex Limited ("Starlex"), a wholly-owned subsidiary of the Company, and Fujian Fengrong entered into a share disposal agreement, pursuant to which Starlex conditionally agreed to sell and Fujian Fengrong conditionally agreed to acquire not more than 55,000,000 shares of Citychamp Dartong Company Limited ("Citychamp Dartong") through the Shanghai Stock Exchange block trading system on a date on or before 31 December 2014 ("Proposed Share Disposal"). Fujian Fengrong is owned as to approximately 68.5% by Ms. Sit Lai Hei, an Executive Director, and 31.5% by Ms. Lu Xiaojun. Both Ms. Sit and Ms. Lu are daughters-in-law of Mr. Hon Kwok Lung, an executive Director and the controlling shareholder of the Company. As such, Fujian Fengrong was a connected person of the Company and the Proposed Share Disposal constituted a disclosable and connected transaction of the Company. On 12 June 2014, the Proposed Share Disposal completed and Starlex sold 55,000,000 Citychamp Dartong shares to Fujian Fengrong at a total consideration of RMB302.1 million through the Shanghai Stock Exchange block trading system.

Save as disclosed above, there was no other material connected transaction of the Group under the Listing Rules during the year.

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company are set out in note 41 to the financial statements.

The following table discloses movements in the Company's share options for the year ended 31 December 2014:

	Number of share options		
Name or category of participants	**At 1 January 2014**	**Exercised during the year**	**At 31 December 2014**
Independent Non-executive Director			
Mr. Li Qiang	3,500,000	–	3,500,000
Sub-total	3,500,000	–	3,500,000
Other eligible employees			
In aggregate	6,925,000	(2,625,000)	4,300,000
Other eligible persons			
In aggregate	6,285,000	(200,000)	6,085,000
Total	16,710,000	(2,825,000)	13,885,000

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year, no director is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules, other than those businesses to which the directors were appointed as directors to represent the interest of the Company and/or the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company's shares which are in the hands of the public exceeded 25% of the Company's total issued share capital as at the date of this report.

CORPORATE GOVERNANCE

A report on the corporate governance practices of the Company is set out on pages 33 to 42 of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Having made specific enquiry with all the Company's directors, the Company has ascertained that all of its directors have complied with the required standards set out in the Model Code throughout the accounting year covered by this annual report.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises the four Independent Non-executive Directors of the Company, being Mr. Fung Tze Wa (Chairman of the Committee), Dr. Kwong Chun Wai, Michael, Mr. Li Qiang and Mr. Zhang Bin (appointed on 29 November 2014). The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial matters including the review of the audited financial statements for the year ended 31 December 2014.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") on 23 August 2005 in compliance with the Listing Rules, terms of reference of which have been adopted by the Board of the Company are consistent with the requirements of the Code. The Remuneration Committee currently comprises the four Independent Non-executive Directors, Mr. Fung Tze Wa (Chairman of the Committee), Dr. Kwong Chun Wai, Michael, Mr. Li Qiang and Mr. Zhang Bin (appointed on 29 November 2014), the Chairman of the Board, Mr. Hon Kwok Lung and the Chief Executive Officer, Mr. Shang Jianguang.

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") on 26 March 2012 in compliance with the Listing Rules, terms of reference of which have been adopted by the Board of the Company are consistent with the requirements of the Code. The Nomination Committee currently comprises the four Independent Non-executive Directors, Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael, Mr. Li Qiang and Mr. Zhang Bin (appointed on 29 November 2014), the Chairman of the Board, Mr. Hon Kwok Lung (Chairman of the Committee) and the Chief Executive Officer, Mr. Shang Jianguang.

AUDITOR

A resolution will be proposed at the forthcoming AGM of the Company to re-appoint BDO Limited as auditor of the Company.

ON BEHALF OF THE BOARD

Hon Kwok Lung
Chairman

Hong Kong
30 March 2015

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Citychamp Watch & Jewellery Group Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Citychamp Watch & Jewellery Group Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 54 to 152, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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 2014 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.

BDO Limited
Certified Public Accountants

Yu Tsui Fong
Practising Certificate Number P05440
Hong Kong

30 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	7	**3,488,553**	3,176,423
Cost of sales		**(1,797,911)**	(1,697,584)
Gross profit		**1,690,642**	1,478,839
Other income and financial income	8	**150,825**	74,945
Selling and distribution expenses		**(926,387)**	(724,581)
Administrative expenses		**(698,077)**	(542,743)
Gain/(Loss) on fair value changes in financial assets at fair value through profit or loss, net	29	**45,734**	(11,450)
Gain on fair value changes in contingent consideration payable	35	**54,511**	–
Gain on fair value changes in derivative financial instruments	36	**18,615**	12,093
Net surplus on revaluation of investment properties	19	**3,078**	8,185
Dividend income from available-for-sale financial assets	24(a)	**–**	30,965
Gain on disposal of available-for-sale financial assets		**163,542**	456,023
Gain on disposal of a subsidiary	12.2	**15,859**	–
Impairment loss on goodwill	21	**(49,395)**	–
impairment loss on intangible assets	25	**(133,166)**	–
Share of profit of associates	23	**13,333**	12,134
Finance costs	9	**(65,055)**	(36,554)
Profit before income tax	10	**284,059**	757,856
Income tax expense	11	**(121,027)**	(157,246)
Profit for the year		**163,032**	600,610
Other comprehensive income			
Item that will not be subsequently reclassified to profit or loss			
– Remeasurement of net defined benefit obligations		**(5,955)**	1,785
Items that may be subsequently reclassified to profit or loss			
– Exchange (loss)/gain on translation of financial statements of foreign operations		**(2,021)**	32,719
– Release of exchange fluctuation reserve to profit or loss upon disposal of a subsidiary	12.2	**(2,015)**	–
– Share of other comprehensive income of associates	23	**(16)**	–
– Release of investment revaluation reserve upon disposal	24(a)	**(163,542)**	(456,023)
– Changes in fair value of available-for-sale financial assets	24(a)	**(11,533)**	94,418
		(179,127)	(328,886)
Other comprehensive income for the year		**(185,082)**	(327,101)
Total comprehensive income for the year		**(22,050)**	273,509

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Profit for the year attributable to:	13		
Owners of the Company		**132,005**	565,434
Non-controlling interests		**31,027**	35,176
		163,032	600,610
Total comprehensive income for the year attributable to:			
Owners of the Company		**(55,528)**	233,899
Non-controlling interests		**33,478**	39,610
		(22,050)	273,509
Earnings per share attributable to owners of the Company	15		
– Basic		**HK 2.94 cents**	HK 12.50 cents
– Diluted		**HK 2.93 cents**	HK 12.47 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	18	**576,661**	553,193
Investment properties	19	**112,175**	109,097
Prepaid land lease payments	20	**37,800**	38,921
Goodwill	21	**741,636**	670,777
Interests in associates	23	**56,020**	70,203
Available-for-sale financial assets	24	**308,204**	699,408
Intangible assets	25	**229,924**	278,263
Prepayments and deposits	26	**23,992**	26,771
Deferred tax assets	39	**10,223**	1,344
		2,096,635	2,447,977
Current assets			
Inventories	27	**2,065,394**	1,987,473
Trade receivables	28	**792,839**	633,269
Prepaid land lease payments	20	**1,028**	935
Prepayments, deposits and other receivables	26	**473,745**	250,782
Tax recoverable		**2,538**	–
Financial assets at fair value through profit or loss	29	**271,552**	214,302
Derivative financial assets	36	**1,653**	–
Short-term investments	30	**149,241**	55,696
Cash and cash equivalents	31	**878,253**	471,621
		4,636,243	3,614,078
Assets of a disposal group classified as held for sale	12.1	**–**	211,576
		4,636,243	3,825,654
Current liabilities			
Trade payables	32	**358,839**	400,456
Other payables and accruals	33	**507,023**	368,546
Dividend payables		**1,492**	453
Tax payables		**67,672**	60,373
Borrowings	34	**349,195**	231,011
Contingent consideration payable	35	**10,669**	–
Derivative financial liabilities	36	**26,479**	49,450
Due to associates	37	**–**	92,545
Due to related companies	37	**13,961**	12,821
		1,335,330	1,215,655
Liabilities of a disposal group classified as held for sale	12.1	**–**	55,523
		1,335,330	1,271,178
Net current assets		**3,300,913**	2,554,476
Total assets less current liabilities		**5,397,548**	5,002,453

	Notes	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Other payables	33	**55,406**	48,937
Borrowings	34	**475,482**	366,779
Corporate bonds	38	**764,914**	–
Deferred tax liabilities	39	**26,816**	24,693
		1,322,618	440,409
Net assets		**4,074,930**	4,562,044
EQUITY			
Equity attributable to owners of the Company			
Share capital	40	**440,893**	472,840
Reserves	42	**3,405,631**	3,842,239
		3,846,524	4,315,079
Non-controlling interests		**228,406**	246,965
Total equity		**4,074,930**	4,562,044

On behalf of the Board

Hon Kwok Lung
Director

Shang Jianguang
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	**2014 HK$'000**	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	18	**2,891**	1,681
Interests in subsidiaries	22	**1,437,907**	2,017,248
		1,440,798	2,018,929
Current assets			
Prepayments, deposits and other receivables	26	**9,849**	22,778
Financial assets at fair value through profit or loss	29	**75,165**	47,935
Cash and cash equivalents	31	**462,980**	95,372
		547,994	166,085
Current liabilities			
Other payables and accruals	33	**123,425**	14,613
Dividend payables		**1,492**	453
Borrowings	34	**108,618**	16,000
Due to associates	37	**–**	85,000
Due to a related company	37	**1,140**	–
		234,675	116,066
Net current assets		**313,319**	50,019
Total assets less current liabilities		**1,754,117**	2,068,948
Non-current liabilities			
Other payables	33	**977**	–
Borrowings	34	**457,842**	273,408
		458,819	273,408
Net assets		**1,295,298**	1,795,540
EQUITY			
Share capital	40	**440,893**	472,840
Reserves	42	**854,405**	1,322,700
Total equity		**1,295,298**	1,795,540

On behalf of the Board

Hon Kwok Lung
Director

Shang Jianguang
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	**2014 HK$'000**	2013 HK$'000
Cash flows from operating activities			
Profit before income tax		**284,059**	757,856
Adjustments for:			
Interest income	8	**(28,966)**	(19,937)
Finance costs	9	**65,055**	36,554
Dividend income from available-for-sale financial assets	24(a)	**–**	(30,965)
Gain on disposal of available-for-sale financial assets		**(163,542)**	(456,023)
Dividend income from financial assets at fair value through profit or loss	8	**(17,731)**	(2,114)
Net surplus on revaluation of investment properties	19	**(3,078)**	(8,185)
Depreciation	10	**103,824**	65,879
Amortisation of prepaid land lease payments	10	**1,028**	1,015
Amortisation of intangible assets	10	**14,037**	17,297
Amortisation of issuance costs of corporate bonds	10	**2,001**	–
Share of profit of associates		**(13,333)**	(12,134)
Gain on fair value change in contingent consideration payable	35	**(54,511)**	–
Gain on fair value change in derivative financial instruments	36	**(18,615)**	(12,093)
(Gain)/Loss on disposal of property, plant and equipment	10	**(1,067)**	317
Reversal of impairment loss on trade receivables	10	**(321)**	–
Reversal of provision for inventories	10	**(17,808)**	–
Provision for inventories	10	**16,807**	27,630
Provision for impairment loss on trade receivables	10	**61,145**	2,380
Gain on disposal of a subsidiary		**(15,859)**	–
Impairment loss on goodwill		**49,395**	–
Impairment loss on intangible assets		**133,166**	–
Operating profit before working capital changes		**395,686**	367,477
Decrease/(Increase) in inventories		**34,155**	(132,723)
Increase in trade receivables		**(125,466)**	(171,329)
(Increase)/Decrease in prepayments, deposits and other receivables		**(76,287)**	31,896
Increase in financial assets at fair value through profit or loss		**(46,581)**	(107,373)
Decrease in trade payables		**(71,198)**	(6,547)
Decrease in other payables and accruals		**(24,534)**	(70,111)
Cash generated from/(used in) operations		**85,775**	(88,710)
Interest received		**28,966**	19,937
Interest paid		**(51,394)**	(36,554)
Income tax paid		**(132,416)**	(140,272)
Net cash used in operating activities		**(69,069)**	(245,599)
Cash flows from investing activities			
Dividends received from available-for-sale financial assets		**–**	30,965
Proceeds from disposal of available-for-sales investments	24(a)	**379,671**	804,189
Dividends received from financial assets at fair value through profit or loss	8	**17,731**	2,114
Purchases of property, plant and equipment		**(125,652)**	(178,241)
Purchases of intangible assets		**(1,367)**	(3,732)
Compensation paid for derivative financial liabilities		**(6,109)**	–
Net cash (outflow)/inflow from acquisition of subsidiaries	47	**(282,540)**	28,819
Net cash inflow from disposal of a subsidiary	12.2	**63,888**	–
Proceeds from disposals of property, plant and equipment		**2,899**	675
Increase in short-term investments		**(93,545)**	(24,462)
Net cash (used in)/generated from investing activities		**(45,024)**	660,327

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from financing activities			
Dividends paid to owners of the Company		**(157,682)**	(81,800)
Dividends paid to non-controlling interests		**(28,037)**	(13,863)
Proceeds from bank and other borrowings		**735,804**	386,204
Repayments of bank borrowings		**(553,089)**	(618,314)
Repurchase of ordinary shares		**(153,135)**	–
Proceeds from shares issued under share option scheme		**919**	1,097
Proceeds from issuance of corporate bonds	38	**762,913**	–
Capital contribution from non-controlling interests		**–**	54,120
Decrease/(Increase) in amount due to associates		**(92,545)**	92,545
Increase in amount due to related companies		**1,140**	12,662
Net cash generated from/(used in) financing activities		**516,288**	(167,349)
Net increase in cash and cash equivalents		**402,195**	247,379
Cash and cash equivalents at 1 January		**478,713**	217,840
Effect of foreign exchange rate changes, net		**(2,655)**	13,494
Cash and cash equivalents at 31 December		**878,253**	478,713
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents			
– Remaining group		**878,253**	471,621
– Disposal group	12.1	**–**	7,092
		878,253	478,713

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Equity attributable to owners of the Company												
	Share capital HK$'000	Share premium account* HK$'000	Share option reserve* HK$'000	Other reserve* HK$'000	Goodwill arising on consolidation* HK$'000	Statutory reserve* HK$'000	Exchange fluctuation reserve* HK$'000	Investment revaluation reserve* HK$'000	Shares to be issued reserve*# HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2013	426,806	798,647	3,046	22,692	(15,300)	26,268	63,258	725,385	18,049	1,720,170	3,789,021	167,098	3,956,119
Transactions with owners													
Issuance of shares for acquisitions of intangible assets, subsidiaries and an associate	45,696	253,570	–	–	–	–	–	–	(8,204)	–	291,062	–	291,062
Proceeds from shares issued under share option scheme	338	759	–	–	–	–	–	–	–	–	1,097	–	1,097
Exercise of share options	–	512	(512)	–	–	–	–	–	–	–	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	54,120	54,120
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(13,863)	(13,863)
Total transactions with owners	46,034	254,841	(512)	–	–	–	–	–	(8,204)	–	292,159	40,257	332,416
Comprehensive income													
Profit for the year	–	–	–	–	–	–	–	–	–	565,434	565,434	35,176	600,610
Other comprehensive income													
Remeasurement of defined benefit obligations	–	–	–	–	–	–	–	–	–	1,785	1,785	–	1,785
Exchange gain on translation of financial statements of foreign operations	–	–	–	–	–	–	28,285	–	–	–	28,285	4,434	32,719
Release of investment revaluation reserve upon disposal	–	–	–	–	–	–	–	(456,023)	–	–	(456,023)	–	(456,023)
Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	–	94,418	–	–	94,418	–	94,418
Total comprehensive income	–	–	–	–	–	–	28,285	(361,605)	–	567,219	233,899	39,610	273,509
Balance at 31 December 2013 and 1 January 2014	472,840	1,053,488	2,534	22,692	(15,300)	26,268	91,543	363,780	9,845	2,287,389	4,315,079	246,965	4,562,044
Transactions with owners													
Issuance of shares for acquisition of an associate	1,800	8,045	–	–	–	–	–	–	(9,845)	–	–	–	–
Repurchase of ordinary shares	(34,030)	(221,195)	–	–	–	–	–	–	–	–	(255,225)	–	(255,225)
Proceeds from shares issued under share option scheme	283	636	–	–	–	–	–	–	–	–	919	–	919
Exercise of share options	–	428	(428)	–	–	–	–	–	–	–	–	–	–
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(24,000)	(24,000)
2014 interim dividend payable to owners of the Company	–	–	–	–	–	–	–	–	–	(158,721)	(158,721)	–	(158,721)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(28,037)	(28,037)
Total transactions with owners	(31,947)	(212,086)	(428)	–	–	–	–	–	(9,845)	(158,721)	(413,027)	(52,037)	(465,064)
Comprehensive income													
Profit for the year	–	–	–	–	–	–	–	–	–	132,005	132,005	31,027	163,032
Other comprehensive income													
Remeasurement of defined benefit obligations	–	–	–	–	–	–	–	–	–	(5,955)	(5,955)	–	(5,955)
Exchange (loss)/gain on translation of financial statements of foreign operations	–	–	–	–	–	–	(4,472)	–	–	–	(4,472)	2,451	(2,021)
Release of exchange fluctuation reserve to profit or loss upon disposal of a subsidiary	–	–	–	–	–	–	(2,015)	–	–	–	(2,015)	–	(2,015)
Share of other comprehensive income of associates	–	–	–	–	–	–	(16)	–	–	–	(16)	–	(16)
Release of investment revaluation reserve upon disposal	–	–	–	–	–	–	–	(163,542)	–	–	(163,542)	–	(163,542)
Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	–	(11,533)	–	–	(11,533)	–	(11,533)
Total comprehensive income	–	–	–	–	–	–	(6,503)	(175,075)	–	126,050	(55,528)	33,478	(22,050)
Balance at 31 December 2014	440,893	841,402	2,106	22,692	(15,300)	26,268	85,040	188,705	–	2,254,718	3,846,524	228,406	4,074,930

* These reserve accounts comprise the consolidated reserves of HK$3,405,631,000 (2013: HK$3,842,239,000) in the consolidated statement of financial position.

The shares to be issued reserve represented the fair value of 18,000,000 ordinary shares to be issued for the acquisition of an associate, which had been issued to the vendor in January 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL INFORMATION

Citychamp Watch & Jewellery Group Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. Its registered office address is P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands and its principal place of business is Units 1902-04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to the passing of a special resolution at the Annual General Meeting held on 21 May 2014, the English name of the Company was changed from "China Haidian Holdings Limited" to "Citychamp Watch & Jewellery Group Limited" and the Chinese name of the Company was changed from "中國海澱集團有限公司" to "冠城鐘錶珠寶集團有限公司". The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies of the Cayman Islands on 26 May 2014.

During the year, the principal activities of the Company and its subsidiaries (together referred to as the "Group") include:

– Manufacture and distribution of watches and timepieces;

– Property investments; and

– Distribution of yachts

As disclosed in notes 12 and 47(a) to the financial statements, the Group completed the disposal of its 51% equity interest in Ruihuang (Chongqing) Watch Company Limited ("Ruihuang") on 17 June 2014 and acquired the entire equity interests of The Dreyfuss Group Limited and its subsidiaries (together "Dreyfuss Group") on 11 April 2014.

Other than the aforementioned, there was no other significant change in the Group's operations during the year.

The Group's principal places of the business are in Hong Kong, Switzerland, United Kingdom and the People's Republic of China (the "PRC").

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) Adoption of new/revised HKFRSs – effective 1 January 2014

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) 21	Levies

Except as explained below, the adoption of the new/revised standards and interpretations has no significant impact on the Group's financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(a) Adoption of new/revised HKFRSs – effective 1 January 2014 (continued)

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 "Consolidated Financial Statements" and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

The adoption of the amendments has no impact on these financial statements as the Company is not an investment entity.

Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The amendments provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not apply hedge accounting.

HK (IFRIC) 21 – Levies

HK (IFRIC) 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation has been applied retrospectively.

The adoption of HK (IFRIC) 21 has no impact on these financial statements as the interpretation is consistent with the Group's previous application of its accounting policies on provisions.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
HKFRS 9 (2014)	Financial Instruments[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 15	Revenue from Contracts with Customers[4]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2018

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 19 (2011) – Defined Benefit Plans: Employee Contributions

The amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered instead of allocating the contributions to periods of service.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 15 – Revenue from Contracts with Customers (continued)

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements.

The Group is in the process of making assessments of the potential impact of these new/revised HKFRSs and the directors anticipate that more disclosure would be made but are not yet in a position to state whether they would have material impact on the Group's financial statements.

(c) New Companies Ordinance provisions

The requirements of Part 9, "Accounts and Audit", of the new Companies Ordinance Cap. 622, come into operation from the Company's first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The directors consider that there will be no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. The statement of financial position of the Company will be presented in the notes rather than a separate statement and the related notes need not be included, while generally the disclosures will be simplified.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

3.2 Basis of measurement

The financial statements have been prepared under historical cost convention except for investment properties and financial instruments classified as available-for-sale and at fair value through profit or loss, derivative financial instruments and contingent consideration payable, which are stated at fair values. The measurement bases are fully described in the accounting policies as set out in note 4 below.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented, unless otherwise stated. The adoption of new/revised HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2(a).

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

3.3 Functional and presentation currency

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK$'000") unless otherwise stated.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure non-controlling interest that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Business combination and basis of consolidation (continued)

Subsequent to acquisition, the carrying amount of non-controlling interest that represent present ownership interests is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in the non-controlling interest having a deficit balance.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets. Accounting policies on impairment of investment in associates are described in note 4.5 below.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. Accounting policies on impairment of goodwill are described in note 4.5 below.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4.5 Impairment of non-financial assets

Goodwill, intangible assets, property, plant and equipment, prepaid land lease payments and interests in subsidiaries and associates are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that it is impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions, less costs to disposal 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those of other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflow independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill in particular is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for CGUs, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less costs to disposal, or value-in-use, if determinable.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Impairment of non-financial assets (continued)

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

Under the Listing Rules, 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.

Impairment losses recognised in an interim period in respect of goodwill 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.

4.6 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Related parties (continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4.7 Property, plant and equipment

Buildings held for own use which are situated on leasehold land, where the fair value of the buildings could be measured separately from the fair value of the leasehold land at the inception of the lease, and other items of plant and equipment, other than construction in progress ("CIP"), are stated at acquisition cost less accumulated depreciation and any identified impairment.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as an expense in profit or loss in the year in which they are incurred.

Depreciation is provided to write off the cost less their estimated residual values over their estimated useful lives, using straight-line method, at the following rates per annum:

Land and buildings	Over the terms of the leases or estimated useful lives, ranging between 20 years and 40 years, whichever is shorter
Leasehold improvements	Over the terms of the leases, or estimated useful life of 5 years, whichever is shorter
Plant and machinery	6% to 20%
Furniture, fixtures and office equipment	6% to 50%
Motor vehicles	9% to 25%

The assets' estimated useful lives, estimated residual values and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

CIP, which mainly represents renovation work on buildings and installation of machinery, is stated at cost less any impairment losses and is not depreciated. Cost comprises direct costs incurred during the periods of construction, installation and testing. CIP is reclassified to the appropriate class of property, plant and equipment and depreciation commences when the construction work and installation are substantially completed and the asset is ready for use.

The gain or loss arising on retirement or disposal is determined as the difference between the net sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property.

The carrying amounts recognised in the consolidated statement of financial position reflect the prevailing market conditions at the reporting date.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

4.9 Operating leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Operating lease charges as the lessee

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss using straight-line method over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the year in which they are incurred.

(ii) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

Rental income receivable from operating leases is recognised in profit or loss on the straight-line method 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Operating leases (continued)

(iii) Prepaid land lease payments

Prepaid land lease payments are up-front payments to acquire the long-term interests in usage of land on which the buildings are situated. These payments are stated at cost less accumulated amortisation and any impairment loss. Amortisation is calculated using straight-line method over the respective lease terms.

4.10 Intangible assets

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with definite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

Supplier and distribution networks	10 years
Brand names	10 years
Patents	10 years

Intangible assets with indefinite useful lives shall not be amortised.

(ii) Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(iii) Impairment

Accounting policies for intangible assets have been set out in note 4.5 above.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and derivative financial assets. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at the end of each reporting period.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, that is, the date that the Group commits to purchase or sell the asset. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

De-recognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At the end of each reporting period, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are mainly financial assets held for trading and they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

– the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

– the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's accounting policies in note 4.19.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Financial assets (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(iii) Available-for-sale financial assets

These include non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the investment revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recycled to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to profit or loss.

For available-for-sale investment in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition.

(iv) Derivative financial assets

Accounting policies for derivative financial assets have been set out in note 4.13 below.

Impairment of financial assets

At the end of each reporting period, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets 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; or

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Financial assets (continued)

Impairment of financial assets (continued)

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

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

(i) Financial assets carried at amortised cost

A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of 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). The amount of the loss is recognised in profit or loss of the year in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the year in which the reversal occurs.

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals of impairment for investment in equity instruments classified as available-for-sale are not recognised in profit or loss. The subsequent increase in fair value is recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Financial liabilities

The Group's financial liabilities include trade payables, other payables and accruals, contingent consideration payable, derivative financial liabilities, borrowings, corporate bonds and amounts due to associates and related companies. These are included in the consolidated statement of financial position line items as trade payables, other payables and accruals, contingent consideration payable, derivative financial liabilities, borrowings, corporate bonds and amounts due to associates and related companies.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs as set out in note 4.22.

A financial liability is de-recognised when the obligations specified in the relevant contract are discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss. Other than derivative financial liabilities which are detailed in note 4.13 below, measurements of the financial liabilities are as follows.

(i) Borrowings and corporate bonds

Borrowings and corporate bonds are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings and corporate bonds is recognised over the terms of the borrowings and corporate bonds.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(ii) Trade payables, other payables and accruals and amounts due to associates and related companies

These are recognised initially at fair value and subsequently measured at amortised cost less settlement payments, using effective interest method.

(iii) Contingent consideration payable

Contingent consideration payable is recognised initially at fair value. Subsequent to initial recognition, contingent consideration payable is measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

4.13 Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date when the derivative contract is entered into. At the end of each reporting period, the fair value is re-measured. Gain or loss arising from changes in fair value is charged immediately to profit or loss for the year, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using weighted average basis, and in the case of work-in-progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expense and the estimated costs necessary to make the sale.

4.15 Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash are subject to an insignificant risk of changes in values.

4.16 Government grants

Government grants are recognised 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.

4.17 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and 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 expenditures expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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 non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. These are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

4.18 Income taxes

Income tax comprises current and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting dates. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Income taxes (continued)

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case taxes are also recognised directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

a. the Group has the legally enforceable right to set off the recognised amounts; and

b. intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

a. the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

b. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    i. the same taxable entity; or

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Revenue recognition

Revenue comprises the fair value of the sale of goods and services and the use by others of the Group's assets yielding interest and dividends, net of applicable value-added tax ("VAT"), rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of goods are recognised upon transfer of significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Rental income under operating leases is recognised on straight-line method over the term of the relevant lease.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Dividend is recognised when the right to receive the dividend is established.

4.20 Employee benefits

Retirement benefits to employees are provided through defined contribution plans and defined benefit pension plans.

Defined contribution plans

The Group operates a defined contribution staff retirement scheme (the "ORSO Scheme") for certain employees, the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the ORSO Scheme. When an employee leaves the ORSO Scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group can be reduced by the relevant amount of forfeited contributions.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees in Hong Kong who are eligible to participate in the MPF Scheme not previously covered by the ORSO Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government (the "Scheme"). These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The Scheme is responsible for the entire pension obligations payable to the retired employees and the Group has no further obligations for the actual pension payments or other post-retirement benefits beyond the employer contributions. Contributions under the Scheme are charged to profit or loss as they become payable in accordance with the rules of the PRC.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Employee benefits (continued)

Defined benefit pension plans

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the consolidated statement of financial position in respect of defined pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflow using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in profit or loss.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for unused annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

4.21 Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments that are expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium account. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. Other borrowing costs are expensed when incurred.

4.23 Foreign currency

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with in the exchange fluctuation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into HK$ at the closing rate.

Other exchange differences arising from the translation of the net investment are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

4.24 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

The Group has identified the following reportable segments: (a) manufacture and distribution of watches and timepieces; (b) property investments and (c) distribution of yachts.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.24 Segment reporting (continued)

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

– expenses related to share-based payments

– share of profit or loss of associates accounted for using equity method

– finance costs

– income tax

– corporate income and expenses which are not directly attributable to the business activities of any operating segment

are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but goodwill, interests in associates, available-for-sale financial assets, financial assets at fair value through profit or loss, derivative financial assets short-term investments and assets of a disposal group classified as held for sale. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include borrowings, corporate bonds, amounts due to associates and related companies, contingent consideration payable, derivative financial liabilities and liabilities of a disposal group classified as held for sale.

No asymmetrical allocations have been applied to reportable segments.

4.25 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium account (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued any consideration received net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.26 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

– they are available for immediate sale;

– management is committed to a plan to sell;

– it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;

– an active programme to locate a buyer has been initiated;

– the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and

– a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy and fair value less costs to disposal.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of goodwill

The Group tests on an annual basis whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 4.5. The recoverable amounts of the CGUs have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates of the future cash flows expected to arise from the CGUs, the timeframe for the cash flows forecast and the suitable discount rates in order to calculate the present value. Details in impairment assessment are set out in note 21 to the financial statements.

Provision against inventories

Provision for inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the provision involves management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of inventories and provision charge/write-back in the period in which such estimate has been changed.

Depreciation and amortisation

The Group depreciates and amortises its property, plant and equipment and intangible assets with definite useful lives using straight-line method over their respective estimated useful lives, starting from the date on which the assets are put into productive use. The estimated useful lives reflect the directors' estimate of the period that the Group intends to derive future economic benefits from the use of these assets.

Estimated impairment of trade and other receivables

Impairment loss on receivables of the Group is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Allowances for impairment are determined by management of the Group based on the repayment history of its debtors and the current market conditions. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. Management reassesses the amount of impairment allowances of receivables, if any, at each reporting date.

Estimated impairment of non-financial assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market condition existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Income taxes

The Group is subject to income taxes in Hong Kong, Switzerland, United Kingdom and the PRC. Significant judgement is required in determining the amount of the provision for income taxes and the timing of the payments of related taxes. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Assessment of identifiable assets and liabilities on acquisition of subsidiaries

Upon completion of acquisition of subsidiaries or businesses, the directors have assessed the acquisition-date fair value of the identifiable assets acquired and liabilities assumed from the acquisition. The directors use their judgement in selecting an appropriate valuation technique for the Group's property, plant and equipment, intangible assets and inventories obtained upon the acquisition of subsidiaries during the year. The fair values of the property, plant and equipment, intangible assets and inventories are estimated by an independent professional valuer. Where fair value of the identifiable assets acquired and liabilities assumed from the acquisition exceed the fair value of consideration paid for the acquisition, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Warranty provision

Warranty provision is made for expenditure associated with future variable services and repair cost related to warranty claims. The management makes an assessment of the future costs related to this work by using the proportion of actual tasks related to warranty work as the basis for the calculation. The assessment of provision involves management judgement and estimates. When the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of warranty provision and provision charge/write-back in the period in which such estimate has been changed.

Estimation of defined benefit obligations

The Group operates two defined benefit plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with HKAS 19 (2011), Employee Benefits. Under this method, the cost of providing pensions is charged to the profit or loss in accordance with the advice of the actuaries who carry out a full valuation of the plans. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. All actuarial gains and losses are recognised in full, in the year in which they occur, in other comprehensive income.

Management appointed actuaries to carry out a full valuation of these pension plans to determine the pension obligations that are required to be disclosed and accounted for in the accounts in accordance with the requirements of HKFRSs.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimation of defined benefit obligations (continued)

The actuaries use assumptions and estimates in determining the fair value of the defined benefit plans and evaluate and update these assumptions on an annual basis. Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

Research and development costs

In accordance with the accounting policy set out in note 4.10, costs associated with research activities are expensed in profit or loss as they are incurred, while costs that are directly attributable to development activities are recognised as intangible assets provided they meet all the requirements as set out in note 4.10. This requires the management to make judgements to distinguish the research phase and development phase of the projects being undertaken. Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the application of research, findings or other knowledge to a plan or design for the production of new or substantially improved materials devices, products, processes, systems or services before the start of commercial production or use. Determining the amounts to be expensed in profit or loss or to be capitalised required management to make judgement, and assumptions regarding the expected progress and outcome of the research and development activities the future expected cash generation of the assets, discount rates to be applied, and also the expected period of, probable future economic benefits. Because of the nature of the Group's research and development activities the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the projects. Hence research costs are generally recognised as expenses in the period in which they are incurred.

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

– Level 1 valuations: Quoted prices in active markets for identical items (unadjusted);

– Level 2 valuations: Observable direct or indirect inputs other than Level 1 inputs;

– Level 3 valuations: Unobservable inputs (i.e. not derived from market data).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Fair value measurement (continued)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures the following items at fair value:

– Investment properties (note 19)

– Available-for-sales financial assets (note 24)

– Financial assets at fair value through profit or loss (note 29)

– Derivative financial assets (note 36)

– Contingent consideration payable (note 35)

– Derivative financial liabilities (note 36)

For more detailed information in relation to the fair value measurement of the items above, please refer to the respective notes.

6. SEGMENT INFORMATION

The chief operating decision-maker, being the Company's executive directors, has identified the Group's product and service lines as operating segments as follows:

(a) manufacture and distribution of watches and timepieces;

(b) property investments; and

(c) distribution of yachts.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

6. SEGMENT INFORMATION (continued)

2014

	Watches and timepiece HK$'000	Property investment HK$'000	Yacht HK$'000	Total HK$'000
Segment revenue and income:				
Sales to external customers	3,460,865	17,888	9,800	3,488,553
Other income and financial income	104,463	4,308	–	108,771
Total	3,565,328	22,196	9,800	3,597,324
Segment results	198,422	5,492	(2,535)	201,379
Unallocated corporate income and expenses, net				(29,140)
				172,239
Gain on disposal of available-for-sale financial assets				163,542
Share of profit of associates				13,333
Finance costs				(65,055)
Profit before income tax				284,059
Income tax expense				(121,027)
Profit for the year				163,032
Segment assets	4,262,959	209,882	34,879	4,507,720
Goodwill				741,636
Interests in associates				56,020
Available-for-sale financial assets				308,204
Financial assets at fair value through profit or loss				271,552
Derivative financial assets				1,653
Short-term investments				149,241
Unallocated corporate assets				696,852
Total assets				6,732,878
Segment liabilities	783,383	43,269	–	826,652
Borrowings				824,677
Corporate bonds				764,914
Due to related companies				13,961
Contingent consideration payable				10,669
Derivative financial liabilities				26,479
Unallocated corporate liabilities				190,596
Total liabilities				2,657,948
Other segment information				
Interest income	19,827	126	–	19,953
Provision for impairment loss on trade receivables	61,145	–	–	61,145
Provision for inventories	16,807	–	–	16,807
Depreciation and amortisation	112,912	4,937	1	117,850
Additions to non-current assets	127,019	–	–	127,019
Net surplus on revaluation of investment properties	–	3,078	–	3,078
Gain on disposal of a subsidiary	15,859	–	–	15,859
Impairment loss on goodwill	49,395	–	–	49,395
Impairment loss on intangible assets	133,166	–	–	133,166
Gain on fair value change in contingent consideration payable	54,511	–	–	54,511

6. SEGMENT INFORMATION (continued)

2013

	Watches and timepiece HK$'000	Property investment HK$'000	Yacht HK$'000	Total HK$'000
Segment revenue and income:				
Sales to external customers	3,152,966	16,957	6,500	3,176,423
Other income and financial income	59,630	4,239	1,000	64,869
Total	3,212,596	21,196	7,500	3,241,292
Segment results	392,288	9,983	(1,618)	400,653
Unallocated corporate income and expenses, net				(74,400)
				326,253
Gain on disposal of available-for-sale financial assets				456,023
Share of profit of associates				12,134
Finance costs				(36,554)
Profit before income tax				757,856
Income tax expense				(157,246)
Profit for the year				600,610
Segment assets	3,893,191	166,317	46,061	4,105,569
Goodwill				670,777
Interests in associates				70,203
Available-for-sale financial assets				699,408
Financial assets at fair value through profit or loss				214,302
Short-term investments				55,696
Assets of a disposal group classified as held for sale				211,576
Unallocated corporate assets				246,100
Total assets				6,273,631
Segment liabilities	771,594	42,289	–	813,883
Borrowings				597,790
Due to associates				92,545
Due to related companies				12,821
Derivative financial instruments				49,450
Liabilities of a disposal group classified as held for sale				55,523
Unallocated corporate liabilities				89,575
Total liabilities				1,711,587
Other segment information				
Interest income	11,752	229	–	11,981
Provision for impairment loss on trade receivables	2,380	–	–	2,380
Provision for inventories	27,630	–	–	27,630
Depreciation and amortisation	77,957	5,076	1	83,034
Additions to non-current assets	219,070	–	–	219,070
Net surplus on revaluation of investment properties	–	8,185	–	8,185

Unallocated corporate income and expenses mainly comprised dividend income from financial assets at fair value through profit or loss and available-for-sale financial assets, gain or loss on fair value changes in financial assets at fair value through profit or loss and other corporate income and expenses of the Group's headquarter which are not directly attributable to the business activities of any operating segment.

6. SEGMENT INFORMATION (continued)

Unallocated corporate assets mainly comprised of cash and cash equivalents which held as the general working capital of the Group as a whole and other corporate assets of the Group's headquarter which are not directly attributable to the business activities of any operating segment.

Unallocated corporate liabilities mainly comprised of the promissory notes issued to the vendors for the repurchase of the Company's ordinary shares and other corporate liabilities of the Group's headquarter which are not directly attributable to the business activities of any operating segment.

Management determines the Group is domiciled in Hong Kong, which is the location of the Group's principal office. The Group's revenues from external customers and its non-current assets (other than available-for-sale financial assets and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		**Non-current assets**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (domicile)	**48,627**	44,495	**83,477**	101,515
PRC	**2,809,125**	2,747,379	**1,158,518**	1,140,972
Switzerland	**60,192**	45,763	**272,248**	501,550
Germany	**11,423**	35,491	**887**	679
United Kingdom	**252,475**	–	**260,686**	–
Singapore	**40,218**	32,441	**–**	–
Others	**266,493**	270,854	**2,392**	2,509
	3,488,553	3,176,423	**1,778,208**	1,747,225

The geographical location of revenue is based on the location of customers. For goodwill and intangible assets, the geographical location is based on the areas of operation of CGUs. The geographical location of other non-current assets is based on the physical location of the asset.

The Group has a large number of customers and there is no significant revenue derived from specific external customers for the years ended 31 December 2014 and 2013.

7. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and rental income received and receivable. Revenue recognised during the year is as follows:

	2014	2013
	HK$'000	HK$'000
Sales of goods	**3,470,665**	3,159,466
Gross rental income	**17,888**	16,957
	3,488,553	3,176,423

8. OTHER INCOME AND FINANCIAL INCOME

	2014 HK$'000	2013 HK$'000
Bank interest income	28,966	19,937
Dividend income from financial assets at fair value through profit or loss	17,731	2,114
Exchange gain	38,378	3,425
Sales of scrap materials	3,917	2,026
Sub-lease income	346	346
Other operating income	22,524	23,832
Government subsidies	24,420	10,291
Sundry income	14,543	12,974
	150,825	74,945

9. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest charged on corporate bonds	13,661	–
Interest charged on bank and other borrowings	51,290	36,554
Interest charged on finance leases	104	–
	65,055	36,554

10. PROFIT BEFORE INCOME TAX

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

	2014 HK$'000	2013 HK$'000
Cost of inventories recognised as expense, including:	1,797,911	1,697,584
– Reversal of provision for inventories	(17,808)	–
– Provision for inventories	16,807	27,630
Depreciation (note a)	103,824	65,879
Amortisation of prepaid land lease payments (note b)	1,028	1,015
Amortisation of intangible assets (note b)	14,037	17,297
Amortisation of issuance cost of corporate bonds	2,001	–
Minimum lease payments under operating leases in respect of land and buildings	50,128	40,920
Auditor's remuneration	2,380	2,100
Gross rental income	(17,888)	(16,957)
Less: direct operating expenses	3,498	3,033
Net rental income	(14,390)	(13,924)
Exchange loss	41,276	18,880
(Gain)/Loss on disposal of property, plant and equipment	(1,067)	317
Provision for impairment loss on trade receivables	61,145	2,380
Reversal of impairment loss on trade receivables	(321)	–
Research and development expenses (note b)	74,449	73,166

Notes:

(a) Depreciation expense of HK$21,278,000 (2013: HK$11,021,000) has been included in cost of sales, HK$37,774,000 (2013: HK$24,637,000) in selling and distribution expenses and HK$44,772,000 (2013: HK$30,221,000) in administrative expenses.

(b) Amortisation expenses and research and development expenses had been included in the administrative expenses.

11. INCOME TAX EXPENSE

For both the years ended 31 December 2014 and 2013, no provision for Hong Kong profit tax has been made as the Group has no assessable profits arising in Hong Kong.

The subsidiaries established in the PRC are subject to income taxes at tax rates ranging between 15% and 25% (2013: 15% and 25%). Overseas tax is calculated at the rates applicable in the respective jurisdictions.

Under the current general provisions of the PRC Corporate Income Tax Law and published tax circulars, the Group would be subject to PRC withholding tax at the rate of 10% in respect of its PRC sourced income earned, including rental income from properties in the PRC, dividend income derived from PRC incorporated company and profit arising from the transfer of equity interest in PRC incorporated company.

	2014 **HK$'000**	2013 HK$'000
Current tax for the year		
PRC	**146,064**	158,816
Switzerland	**270**	99
United Kingdom	**4,271**	–
Over-provision in respect of prior years		
PRC	**(728)**	(1,669)
Deferred tax for the year (note 39)	**(28,850)**	–
Total income tax expense	**121,027**	157,246

Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2014 **HK$'000**	2013 HK$'000
Profit before income tax	**284,059**	757,856
Tax calculated at the rates applicable to the tax jurisdictions concerned	**74,595**	89,949
Tax effect of income not taxable	**(19,932)**	(5,348)
Tax effect of non-deductible expenses	**25,411**	20,629
Over-provision in respect of prior years	**(728)**	(1,669)
Utilisation of tax losses not recognised	**(144)**	(470)
Tax effect of tax losses not recognised	**41,825**	54,155
Total income tax expense	**121,027**	157,246

12. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE/GAIN ON DISPOSAL OF A SUBSIDIARY

The Group's management committed to dispose of its 51% equity interest in Ruihuang. In accordance with HKFRS 5, the Group reclassified the assets and liabilities of Ruihuang (the "Disposal Group") as at 31 December 2013 as assets and liabilities of a disposal group classified as held for sale in the Group's consolidated statement of financial position. The disposal of Ruihuang was completed on 17 June 2014.

12.1 An analysis of the assets and liabilities of the Disposal Group classified as held for sale as at 31 December 2013 is as follow:

	HK$'000
Assets of a disposal group classified as held for sale:	
Property, plant and equipment (note 18)	3,229
Intangible assets (note 25)	7,824
Inventories	163,213
Trade receivables	21,796
Prepayments, deposits and other receivables	8,422
Cash and cash equivalents	7,092
	211,576
Liabilities of a disposal group classified as held for sale:	
Trade payables	31,252
Other payables and accruals	23,610
Tax payables	661
	55,523

The aggregated income recognised in other comprehensive income relating to the Disposal Group is approximately HK$4,377,000 as at 31 December 2013.

12. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE/GAIN ON DISPOSAL OF A SUBSIDIARY (continued)

12.2 Gain on disposal of a subsidiary, Ruihuang for the year ended 31 December 2014 was analysed as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	2,459
Intangible assets	7,360
Inventories	163,418
Trade receivables	43,722
Prepayments, deposits and other receivables	5,603
Cash and cash equivalents	6,311
Trade payables	(31,953)
Other payables and accruals	(5,265)
Dividend payable	(42,748)
Amounts due to related companies	(94,067)
	54,840
Non-controlling interests	(24,000)
	30,840
Release of exchange fluctuation reserve upon disposal	(2,015)
	28,825
Add: Amounts due to the Group assigned to the buyer	60,759
Add: Dividend payable to the Group assigned to the buyer	21,802
	111,386
Less: Fair value of consideration	(127,245)
Gain on disposal of Ruihuang	(15,859)

	HK$'000
Net cash inflow arising on disposal:	
Fair value of consideration	127,245
Less: Consideration receivables (note)	(57,046)
Cash and cash equivalents disposed of	(6,311)
Net cash inflow	63,888

Note:

The cash consideration of HK$70,199,000 from disposal of Ruihuang has been received by the Group during the year. The remaining consideration of HK$57,046,000 will be received before 31 December 2015.

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit attributable to owners of the Company of HK$132,005,000 (2013: HK$565,434,000), a loss of HK$113,022,000 (2013: HK$118,927,000) has been dealt with in the financial statements of the Company.

14. DIVIDENDS

Dividend attributable to the year

	2014 HK$'000	2013 HK$'000
Interim dividend: HK3.6 cents per share (2013: Nil)	**158,721**	–

The directors do not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

15. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share attributable to owners of the Company are based on the following data:

Earnings	**2014 HK$'000**	2013 HK$'000
Profit attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	**132,005**	565,434

Number of shares	**2014 Number of shares '000**	2013 Number of shares '000
Weighted average number of shares for the purpose of calculating basic earnings per share	**4,491,328**	4,522,925
Effect of dilutive potential shares:		
– share options issued by the Company	**10,595**	11,045
Weighted average number of shares for the purpose of calculating diluted earnings per share	**4,501,923**	4,533,970

16. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

16.1 Employee benefit expense

	2014 HK$'000	2013 HK$'000
Wages and salaries	674,101	598,411
Pension costs	56,274	47,203
	730,375	645,614

16.2 Defined benefit pension plans

	2014 HK$'000	2013 HK$'000
Net defined benefit liability	53,398	44,587

Net defined benefit liability has been included in other payables in the consolidated statement of financial position.

The defined benefit pension plans is primarily arising from Eterna AG Uhrenfabrik and its subsidiaries (together "Eterna Group") and Montres Corum Sàrl and its subsidiaries (together "Corum Group"). The Group makes contributions to the defined benefit pension plans that provide post-retirement benefits for employees upon retirement. Under the schemes, the employees in Switzerland are entitled to retirement benefits based on the plan assets accumulated on attainment of the retirement age and a fixed annual rate. Since there is potential down-side risk for the employer to pay additional contributions in case the plan has a deficit, Swiss plans are classified as defined benefit pension plans.

The latest independent actuarial valuations of plan assets and the present value of the defined benefit obligation on Eterna Group were carried out at 31 December 2014 and 2013 by Martin Schnider, a member of the Institute of Actuaries in Switzerland, using the projected unit credit method.

The latest independent actuarial valuations of plan assets and the defined benefit obligations on Corum Group were carried out at 31 December 2014 and 2013 by Nicolas Colozier, a member of the Institute of Actuaries in Switzerland, using the projected unit credit method.

(a) The amounts included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2014 HK$'000	2013 HK$'000
Present value of defined benefit funded obligations	310,229	349,767
Fair value of planned assets	(256,831)	(305,180)
Net liability arising from defined benefit obligations	53,398	44,587

16. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) (continued)

16.2 Defined benefit pension plans (continued)

(b) Movements in the present value of the defined benefit obligations for both the year ended 31 December 2014 and 2013 are as follows:

	2014 **HK$'000**	2013 HK$'000
At 1 January	**349,767**	153,420
Addition through acquisition of subsidiaries	**–**	193,006
Current service costs	**24,049**	31,655
Interest cost	**5,571**	6,403
Past service cost	**–**	(22,206)
Actuarial losses	**21,438**	2,160
Benefits paid	**(56,036)**	(29,722)
Exchange realignment	**(34,560)**	15,051
At 31 December	**310,229**	349,767

(c) Movements in the fair value of the plan assets for both the year ended 31 December 2014 and 2013 are as follows:

	2014 **HK$'000**	2013 HK$'000
At 1 January	**305,180**	141,361
Addition through acquisition of subsidiaries	**–**	144,886
Interest income	**2,035**	6,319
Return on plan assets	**5,402**	1,472
Actuarial gains	**10,081**	2,473
Contributions by the employer	**11,151**	15,560
Contributions by plan participants	**8,031**	10,270
Benefit paid	**(56,036)**	(29,722)
Exchange realignment	**(29,013)**	12,561
At 31 December	**256,831**	305,180

16. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) (continued)

16.2 Defined benefit pension plans (continued)

(d) Amounts recognised in the consolidated statement of comprehensive income in respect of these defined benefit plans are as follows.

	2014 HK$'000	2013 HK$'000
Service cost:		
Current service cost	**24,049**	31,655
Past service cost	**–**	(22,206)
Net interest expense	**3,536**	84
Components of defined benefit costs recognised in profit or loss	**27,585**	9,533
Remeasurement on the net defined benefit liability:		
Return on plan assets	**5,402**	1,472
Actuarial gains and losses	**(11,357)**	313
Components of defined benefit costs recognised in other comprehensive income	**(5,955)**	1,785

The defined benefit cost of HK$27,585,000 (2013:HK$9,533,000) has been included in the administrative expenses.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

(e) The major categories of the fair value of the plan assets at the end of reporting period are as follows:

	2014 HK$'000	2013 HK$'000
Equity instruments	**56,221**	63,801
Debt instruments	**96,659**	145,074
Properties	**75,962**	68,548
Commodities instruments	**1,027**	1,768
Asset from reinsurance	**6,366**	5,827
Hedge funds	**7,519**	–
Cash	**13,077**	20,162
	256,831	305,180

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair value of properties, commodities instruments, asset from reinsurance and hedge funds are not based on quoted market prices in active markets.

16. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) (continued)

16.2 Defined benefit pension plans (continued)

(f) The principal assumption used for the purpose of the actuarial valuations were as follows.

	2014	2013
Discount rate(s)	**0.85%–1%**	2%–2.15%
Expected rate(s) of salary increase	**0.5%–1.5%**	1%–1.15%

(g) Sensitivity analysis on defined benefit pension plans

Significant actuarial assumptions for the determination of the defined benefit obligations are discount rate and expected salary growth increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 50 basis points higher/(lower), the defined benefit obligation would decrease by HK$32,613,000 (2013: HK$28,351,000)/(increase by HK$37,797,000 (2013: HK$31,574,000)).

- If the expected salary increases/(decreases) by 50 basis points, the defined benefit obligations would increase by HK$4,290,000 (2013: HK$5,135,000/(decrease by HK$4,925,000 (2013: HK$4,083,000)).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit liability recognised in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

17. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

17.1 Directors' emoluments

2014

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contributions to pension scheme HK$'000	Total HK$000
Executive directors				
Mr. Hon Kwok Lung	–	1,690	17	1,707
Mr. Shang Jianguang	–	8,776	72	8,848
Mr. Shi Tao	–	1,690	17	1,707
Mr. Lam Toi Man	–	1,430	17	1,447
Mr. Bi Bo	–	1,456	17	1,473
Ms. Sit Lai Hei	–	1,430	17	1,447
Mr. Hon Hau Wong (note a)	–	488	7	495
Mr. Tao Li (note b)	–	119	–	119
Independent non-executive directors				
Mr. Fung Tze Wa	200	–	–	200
Dr. Kwong Chun Wai, Michael	150	–	–	150
Mr. Li Qiang	150	–	–	150
Mr. Zhang Bin (note b)	15	–	–	15
	515	17,079	164	17,758

2013

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contributions to pension scheme HK$'000	Total HK$000
Executive directors				
Mr. Hon Kwok Lung	–	1,690	15	1,705
Mr. Shang Jianguang	–	7,568	72	7,640
Mr. Shi Tao	–	1,690	15	1,705
Mr. Lam Toi Man	–	1,430	15	1,445
Mr. Bi Bo	–	1,456	15	1,471
Ms. Sit Lai Hei	–	1,430	15	1,445
Independent non-executive directors				
Mr. Fung Tze Wa	200	–	–	200
Dr. Kwong Chun Wai, Michael	150	–	–	150
Mr. Li Qiang	150	–	–	150
	500	15,264	147	15,911

17. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

17.1 Directors' emoluments (continued)

Notes:

(a) Mr. Hon Hau Wong was appointed as an executive director of the Company with effect from 29 August 2014.

(b) Mr. Tao Li was appointed as an executive director and Mr. Zhang Bin was appointed as an independent non-executive director of the Company with effect from 26 November 2014.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

17.2 Five highest paid individuals

The five highest paid individuals of the Group during the year included one (2013: one) director, details of whose remuneration are reflected in the analysis presented in note 17.1. Details of the remuneration of the remaining four (2013: four) non-director, highest paid individuals of the Group for the year are as follows:

	2014 HK$'000	2013 HK$'000
Salaries, allowances and benefits in kind	**11,660**	12,431
Contribution to pension scheme	**1,045**	1,075
	12,705	13,506

The emoluments of non-director highest paid individuals were within following bands:

	2014 HK$'000	2013 HK$'000
HK$2,500,001 to HK$3,000,000	**3**	1
HK$3,000,001 to HK$3,500,000	**0**	1
HK$3,500,001 to HK$4,000,000	**0**	1
HK$4,000,001 to HK$4,500,000	**1**	0
HK$4,500,001 to HK$5,000,000	**0**	1
	4	4

No emolument was paid by the Group to the directors or the four (2013: four) highest paid employee(s) as an inducement to join or upon joining the Group, or as compensation for loss of office (2013: Nil).

17.3 Remunerations payable to members of senior management

The remunerations payable to members of senior management (excluding the remunerations to directors which have been disclosed in note 17.1 above) were within the following bands:

	2014	2013
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**2**	2
HK$4,000,001 to HK$4,500,000	**1**	0
HK$4,500,001 to HK$5,000,000	**0**	1
	5	4

18. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor Vehicles HK$'000	CIP HK$'000	Total HK$'000
At 1 January 2013							
Cost	176,167	32,447	88,895	84,040	48,027	9,337	438,913
Accumulated depreciation	(20,741)	(13,352)	(22,574)	(37,480)	(23,986)	–	(118,133)
Net carrying amount	155,426	19,095	66,321	46,560	24,041	9,337	320,780
Year ended 31 December 2013							
Opening net book amount	155,426	19,095	66,321	46,560	24,041	9,337	320,780
Additions	18,277	14,606	43,770	87,322	4,331	9,935	178,241
Acquisition of subsidiaries (note 47(b))	94,064	552	6,088	6,664	228	–	107,596
Reclassification to assets of a disposal group classified as held for sale (note 12.1)	–	(2,073)	–	(93)	(1,063)	–	(3,229)
Depreciation	(8,726)	(8,443)	(15,740)	(26,364)	(6,606)	–	(65,879)
Disposal	–	(136)	(542)	(55)	(259)	–	(992)
Exchange realignment	8,448	496	2,868	3,622	407	835	16,676
Closing carrying amount	267,489	24,097	102,765	117,656	21,079	20,107	553,193
At 31 December 2013							
Cost	297,530	45,567	141,208	182,306	49,976	20,107	736,694
Accumulated depreciation	(30,041)	(21,470)	(38,443)	(64,650)	(28,897)	–	(183,501)
Net carrying amount	267,489	24,097	102,765	117,656	21,079	20,107	553,193
Year ended 31 December 2014							
Opening net book amount	**267,489**	**24,097**	**102,765**	**117,656**	**21,079**	**20,107**	**553,193**
Additions	**6,120**	**7,157**	**33,337**	**52,675**	**6,576**	**19,787**	**125,652**
Acquisition of subsidiaries (note 47(a))	**–**	**1,412**	**–**	**29,110**	**–**	**–**	**30,522**
Depreciation	**(9,947)**	**(11,074)**	**(19,512)**	**(57,022)**	**(6,269)**	**–**	**(103,824)**
Disposal	**–**	**(261)**	**(525)**	**(724)**	**(322)**	**–**	**(1,832)**
Exchange realignment	**(12,055)**	**(323)**	**(4,807)**	**(7,133)**	**(224)**	**(2,508)**	**(27,050)**
Closing carrying amount	**251,607**	**21,008**	**111,258**	**134,562**	**20,840**	**37,386**	**576,661**
At 31 December 2014							
Cost	**291,121**	**52,824**	**166,377**	**227,756**	**54,347**	**37,386**	**829,811**
Accumulated depreciation	**(39,514)**	**(31,816)**	**(55,119)**	**(93,194)**	**(33,507)**	**–**	**(253,150)**
Net carrying amount	**251,607**	**21,008**	**111,258**	**134,562**	**20,840**	**37,386**	**576,661**

18. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2013				
Cost	1,615	1,936	10,048	13,599
Accumulated depreciation	(1,456)	(1,561)	(8,211)	(11,228)
Net carrying amount	159	375	1,837	2,371
Year ended 31 December 2013				
Opening net book amount	159	375	1,837	2,371
Additions	81	157	–	238
Depreciation	(135)	(163)	(630)	(928)
Closing carrying amount	105	369	1,207	1,681
At 31 December 2013				
Cost	1,696	2,093	10,048	13,837
Accumulated depreciation	(1,591)	(1,724)	(8,841)	(12,156)
Net carrying amount	105	369	1,207	1,681
Year ended 31 December 2014				
Opening net book amount	**105**	**369**	**1,207**	**1,681**
Additions	**–**	**83**	**1,984**	**2,067**
Depreciation	**(34)**	**(136)**	**(687)**	**(857)**
Closing carrying amount	**71**	**316**	**2,504**	**2,891**
At 31 December 2014				
Cost	**1,696**	**2,176**	**11,735**	**15,607**
Accumulated depreciation	**(1,625)**	**(1,860)**	**(9,231)**	**(12,716)**
Net carrying amount	**71**	**316**	**2,504**	**2,891**

18. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(a) The carrying value of the Group's land and buildings are held under the following lease terms:

	2014 HK$'000	2013 HK$'000
Short-term leases	**515**	553
Medium-term leases	**250,639**	266,468
Long-term leases	**453**	468
	251,607	267,489

The aforesaid land and buildings are located outside Hong Kong.

At 31 December 2014, land and buildings in Switzerland with an aggregated carrying value of HK$132,104,000 (2013: HK$144,552,000) have been pledged to secure banking facilities granted to the Group (note 34(a)).

(b) At 31 December 2014, the Group has not yet obtained the title certificates for certain leasehold buildings in the PRC with an aggregate carrying value of approximately HK$597,000 (2013: HK$643,000). The Group's legal advisor has confirmed that the Group has legally obtained the rights to use the buildings. The directors are now in process of obtaining the title certificates from the relevant government authorities.

(c) The carrying amount of the Group's furniture, fixture and office equipment includes an amount of HK$1,591,000 (2013: Nil) in respect of assets acquired under finance leases.

19. INVESTMENT PROPERTIES – GROUP

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Changes to the carrying amounts presented in the consolidated statement of financial position can be summarised as follows:

	2014 HK$'000	2013 HK$'000
Carrying amount at 1 January	**109,097**	100,912
Net surplus on revaluation of investment properties	**3,078**	8,185
Carrying amount at 31 December	**112,175**	109,097

19. INVESTMENT PROPERTIES – GROUP (continued)

The carrying amounts of the Group's investment properties situated in Hong Kong and the PRC held under medium-term leases are analysed as follows:

	2014 HK$'000	2013 HK$'000
Hong Kong	**22,800**	22,200
PRC	**89,375**	86,897
	112,175	109,097

Investment properties were revalued at 31 December 2014 by Asset Appraisal Limited and Chung, Chan & Associate, independent professionally qualified valuers, at HK$112,175,000 (2013: HK$109,097,000) in aggregate. Asset Appraisal Limited is a member of Hong Kong Institutes of Surveyors, and Chung, Chan & Associates is a member of Royal Institution of Chartered Surveyors. Both of them have appropriate qualifications and recent experiences in the valuation of similar properties.

At 31 December 2014, the Group has not obtained the relevant title certificates for investment properties with an aggregate carrying value of HK$42,780,000 (2013: HK$41,100,000). The Group's legal advisors have confirmed that the Group is the rightful and equitable owner of these investment properties. The directors are now in process of obtaining the title certificates from the relevant government authorities.

At 31 December 2014, investment properties in Hong Kong with an aggregate carrying amount of HK$22,800,000 (2013: HK$22,200,000) have been pledged to secure banking facilities granted to the Group (note 34(a)).

Fair value hierarchy

The fair value of investment properties is a Level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below.

	2014 HK$'000	2013 HK$'000
Opening balance (Level 3 recurring fair value)	**109,097**	100,912
Gain on revaluation of investment properties	**3,078**	8,185
Closing balance (Level 3 recurring fair value)	**112,175**	109,097
Change in unrealised gains or losses for the year included in profit or loss for assets held at 31 December	**3,078**	8,185

During the year ended 31 December 2014 and 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

For the fair value measurement for investment properties in the PRC under income approach, the fair value was determined by taking into account the net rental incomes of the properties derived from the existing tenancies with due allowance for the reversionary income potential of the tenancies, which are then capitalised into the values at appropriate capitalisation rates.

19. INVESTMENT PROPERTIES – GROUP (continued)

Fair value hierarchy (continued)

Significant unobservable inputs	Range
Capitalisation rate	2.5% to 7% (2013: 2.5% to 7%)
Market unit rent per square metre	HK$6 to HK$83 (2013: HK$5 to HK$82)

A lower in the capitalisation rate and a higher in the market unit rent used would result in an increase in the fair value measurement of the investment properties, and vice versa.

For the fair value measurement for investment property in Hong Kong under direct comparison method, it is assumed that each of the properties is capable of being sold in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets.

One of the key inputs used under direct comparison method in valuing the investment property was the price per square feet and taking into account of location and other individual factors. The price per square feet used is approximately HK$14,060 (2013: HK$13,680). An increase in the price per square feet would result in an increase in the fair value measurement of the investment property, and vice versa.

There has been no change from the valuation technique used in the prior year. The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

20. PREPAID LAND LEASE PAYMENTS – GROUP

Changes to the carrying amounts are summarised as follows:

	2014 HK$'000	2013 HK$'000
Carrying amount at 1 January	**39,856**	40,191
Amortisation during the year	**(1,028)**	(1,015)
Exchange realignment	**–**	680
Carrying amount at 31 December	**38,828**	39,856
Less: Current portion	**(1,028)**	(935)
Non-current portion	**37,800**	38,921

As at 31 December 2014 and 2013, all of the Group's prepaid land lease payments are related to land located in the PRC and held under medium-term leases.

21. GOODWILL – GROUP

The amount of goodwill capitalised as an asset recognised in the consolidated statement of financial position, arising from business combinations, is as follows:

	2014 HK$'000	2013 HK$'000
At 1 January		
Gross carrying amount	**670,777**	621,382
Accumulated impairment	**–**	–
Net carrying amount	**670,777**	621,382

	2014 HK$'000	2013 HK$'000
Year ended 31 December		
Opening carrying amount	**670,777**	621,382
Acquisition of subsidiaries (note 47)	**120,254**	49,395
Impairment loss	**(49,395)**	–
Closing carrying amount	**741,636**	670,777

	2014 HK$'000	2013 HK$'000
At 31 December		
Gross carrying amount	**791,031**	670,777
Accumulated impairment losses	**(49,395)**	–
Net carrying amount	**741,636**	670,777

For the purpose of impairment testing, goodwill is allocated to the CGUs under watch and timepieces segment. The CGUs were identified as follows:

	2014 HK$'000	2013 HK$'000
Jia Cheng Investment Limited and its subsidiaries	**621,382**	621,382
Corum Group	**49,395**	49,395
Dreyfuss Group	**120,254**	–
Gross carrying amount	**791,031**	670,777

21. GOODWILL – GROUP (continued)

A valuation was carried out by Asset Appraisal Limited to assess the recoverable amount of the goodwill arising from the acquisitions.

The Group's management's key assumptions for the Group include stable profit margins, which have been determined based on the past performance and its expectations for the market share after taking into consideration of published market forecasts included in industry reports.

Jia Cheng Investment Limited and its subsidiaries

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, followed by an extrapolation of expected cash flow at the growth rates of 3% which do not exceed the long-term growth rate for the business in which the CGU operates, and a discount rate of 17.55% per annum (2013: 19.06%). The discount rate used are pre-tax and reflect specific risks relating to the CGU. The directors believe that any reasonably possible changes in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable of the CGU.

Dreyfuss Group

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, followed by an extrapolation of expected cash flow at the growth rates of 3% which do not exceed the long-term growth rate for the business in which the CGU operates, and a discount rate of 17.32% (2013: N/A) per annum. The discount rate used are pre-tax and reflect specific risks relating to the CGU. The directors believe that any reasonably possible changes in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable of the CGU.

Corum Group

The recoverable amount of this CGU is determined based on a value-in-use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, followed by an extrapolation of expected cash flow at the growth rate of 3% which do not exceed the long-term growth rate for the business in which the CGU operates, and a discount rate of 19.56% per annum (2013: 15.04%). The discount rate used are pre-tax and reflect specific risks relating to the CGU.

Corum Group incurred significant loss for the year ended 31 December 2014 and the revenue growth is not achieved as previously expected. The directors of the Company considered the goodwill and intangible assets arising from the acquisition of Corum Group should be impaired. As the recoverable amount of the CGU of Corum Group amounting to HK$158,611,000 is lower than its carrying amount, an impairment loss on the goodwill of HK$49,395,000 (2013: Nil) was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2014.

Goodwill arising from business combinations prior to 2001 had been eliminated against the consolidated reserves. As at 31 December 2014, the carrying amount of goodwill in the consolidated reserves was HK$15,300,000 (2013: HK$15,300,000).

22. INTERESTS IN SUBSIDIARIES – COMPANY

	2014 HK$'000	2013 HK$'000
Unlisted investments, at cost	**794,060**	793,194
Deemed capital contribution	**222,095**	189,951
Due from subsidiaries	**846,688**	1,337,806
	1,862,843	2,320,951
Less: Impairment for due from subsidiaries	**(361,452)**	(303,703)
Impairment for deemed capital contribution	**(63,484)**	–
	1,437,907	2,017,248

Amounts due from subsidiaries are unsecured, interest-free and are not expected to be repaid within the next twelve months. These balances are classified as non-current assets accordingly.

In the view of poor financial performance of certain subsidiaries, the directors of the Company are of the opinion that it was appropriate to provide impairment on the relevant amounts due from subsidiaries and deemed capital contribution for the years ended 31 December 2014 and 2013.

Particulars of the principal subsidiaries at 31 December 2014 are as follows:

Name	Place of incorporation/ establishment	Particulars of issued/paid-up capital	Percentage of issued ordinary/ paid-up capital held Directly	Indirectly	Principal activities and place of operation
Qingapen Limited	Hong Kong	HK$2	100	–	Property investment in the PRC
China Haidian Commercial Network Services Limited	Hong Kong	HK$2	100	–	Property investment in the PRC
Haidian-Creation International Limited	British Virgin Islands	US$1	100	–	Investment holding in Hong Kong
Sure Best Management Limited	Hong Kong	HK$1	100	–	Property investment in Hong Kong
EBOHR Luxuries International Co., Limited (note a)	PRC	HK$36,000,000	–	100	Manufacture and distribution of watches and timepieces in the PRC
Shenzhen EBOHR Luxuries Online E-commerce Company Limited (note b)	PRC	RMB1,000,000	–	100	Distribution of watches and timepieces in the PRC
Seti Timber Industry (Shenzhen) Co., Ltd. (note c)	PRC	US$45,525,860	–	100	Investment holding in the PRC

22. INTERESTS IN SUBSIDIARIES – COMPANY (continued)

Name	Place of incorporation/ establishment	Particulars of issued/paid-up capital	Percentage of issued ordinary/ paid-up capital held Directly	Indirectly	Principal activities and place of operation
Shenzhen Seti Trading Development Company Limited (note b)	PRC	RMB500,000	–	100	Investment holding in the PRC
Jia Cheng Investment Limited	British Virgin Islands	US$1	100	–	Investment holding in Hong Kong
Actor Investments Limited	Hong Kong	HK$10,000	–	100	Investment holding in Hong Kong
Zhuhai Rossini Watch Industry Limited (note d)	PRC	RMB100,000,000	–	91	Manufacture and distribution of watches and timepieces in the PRC
PAMA Precision Manufacturing Limited (note b)	PRC	RMB10,000,000	–	100	Manufacture and distribution of watches and timepieces in the PRC
Shenzhen Permanence Commerce Co., Limited (note b)	PRC	RMB23,000,000	–	100	Distribution of watches and timepieces in the PRC
Zhuhai Rossini Glasses Industry Limited (note b)	PRC	RMB1,000,000	–	91	Distribution of glasses in the PRC
Swiss Chronometric AG	Switzerland	CHF2,000,000	–	100	Manufacture and distribution of watches and timepieces in Switzerland
Eterna AG Uhrenfabrik	Switzerland	CHF6,000,000	–	100	Manufacture and distribution of watches and timepieces in Switzerland
Eterna Uhren GmbH, Kronberg	Germany	EUR205,000	–	100	Distribution of watches and timepieces in Germany
Eterna Movement AG	Switzerland	CHF1,000,000	–	100	Manufacturing and distribution of watches and timepieces in Switzerland
Guangdong Juxin Watch Co., Limited (note d)	PRC	RMB15,000,000	–	51	Distribution of watches and timepieces in the PRC
Liaoning Hengjia Horologe Co., Limited (note d)	PRC	RMB25,500,000	–	51	Distribution of watches and timepieces in the PRC

22. INTERESTS IN SUBSIDIARIES – COMPANY (continued)

Name	Place of incorporation/ establishment	Particulars of issued/paid-up capital	Percentage of issued ordinary/ paid-up capital held Directly	Indirectly	Principal activities and place of operation
Guangzhou Five Sheep Watch Co., Limited (note b)	PRC	RMB100,000,000	–	78	Manufacture and distribution of watches and timepieces in the PRC
Eterna (Asia) Limited	Hong Kong	HK$5,000,000	–	70	Distribution of watches and timepieces in Hong Kong
Centenaire Trading (Shanghai) Co., Ltd (note a)	PRC	RMB4,550,000	–	70	Distribution of watches and timepieces in the PRC
Eterna (Beijing) International Trading Co., Ltd (note b)	PRC	RMB1,000,000	–	70	Distribution of watches and timepieces in the PRC
Beijing Haina Tianshi Watch Company Limited (note d)	PRC	RMB30,000,000	–	51	Distribution of watches and timepieces in the PRC
Jilin Dayou Watch Limited (note d)	PRC	RMB15,000,000	–	51	Distribution of watches and timepieces in the PRC
Henan Jinjue Enterprise Company Limited (note b)	PRC	RMB100,000,000	–	51	Distribution of watches and timepieces in the PRC
Gold Vantage Industrial Limited	Hong Kong	HK$10,000	–	51	Investment holding in the PRC
Qinzhou Jintai Precision Products Co., Ltd. (note b)	PRC	RMB1,000,000	–	51	Manufacturing of watches and related accessories in the PRC
Shenzhen Grand Chances Watch Manufacture Ltd. (note b)	PRC	RMB500,000	–	51	Manufacturing of watches and related accessories in the PRC
Qinzhou Pros Watch Industrial Co., Ltd. (note b)	PRC	RMB1,000,000	–	51	Manufacturing of watches and related accessories in the PRC
Montres Corum Sàrl	Switzerland	CHF3,000,000	–	100	Manufacture, and distribution of watches and timepieces in Switzerland
Montres Corum (UK) Ltd.	United Kingdom	GBP3,383,424	–	100	Distribution of watches and timepieces in United Kingdom
Corum Italia SRL	Italy	EUR10,400	–	100	Distribution of watches and timepieces in Italy

22. INTERESTS IN SUBSIDIARIES – COMPANY (continued)

Name	Place of incorporation/ establishment	Particulars of issued/paid-up capital	Percentage of issued ordinary/ paid-up capital held Directly	Indirectly	Principal activities and place of operation
Montres Corum Europe SA	Switzerland	CHF100,000	–	100	Distribution of watches and timepieces in Switzerland
Servicio de Importacion SA	Spain	EUR739,000	–	100	Distribution of watches and timepieces in Spain
Corum Deutschland GmbH	Germany	EUR200,000	–	100	Distribution of watches and timepieces in Germany
Corum (Hong Kong) Limited	Hong Kong	HK$1,000	–	100	Distribution of watches and timepieces in Hong Kong
The Dreyfuss Group Limited	United Kingdom	GBP221,541	–	100	Distribution of watches and timepieces in United Kingdom
Rotary Overseas Limited	United Kingdom	GBP1,000,000	–	100	Distribution of watches and timepieces in United Kingdom
Artemis Watch Company Limited	United Kingdom	GBP100	–	100	Distribution of watches and timepieces in United Kingdom
Rotary Watches LLC	United States of America	USD10	–	100	Distribution of watches and timepieces in the United States of America
Dreyfuss & Co SA	Switzerland	CHF100,000	–	100	Manufacturing of watches and timepieces in Switzerland
Fabrique de Moritres Rotary S.A	Switzerland	CHF1,000,000	–	100	Manufacturing and distribution of watches and timepieces in Switzerland
Citychamp Watch abd Jewellery SwissCo AG	Switzerland	CHF100,000	100	–	Issuance of bonds in Switzerland

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes:

(a) These subsidiaries are registered as wholly foreign owned enterprises under the law of PRC.

(b) These subsidiaries are registered as limited liability companies under the law of PRC.

(c) This subsidiary is registered as foreign joint venture under the law of PRC.

(d) These subsidiaries are registered as sino-foreign joint ventures under the law of PRC.

23. INTERESTS IN ASSOCIATES – GROUP

	2014 HK$'000	2013 HK$'000
At 1 January	**70,203**	58,065
Share of total comprehensive income of associates	**13,317**	12,134
Dividend income from an associate	**(27,500)**	–
Exchange realignment	**–**	4
	56,020	70,203

Particulars of the principal associate at 31 December 2014 are as follows:

Name	Particulars of issued/ paid-up capital	Place of incorporation	Percentage of interest held	Principal activities and place of operation
Fair Future Industrial Limited	HK$600,000	Hong Kong	25% (2013: 25%)	Manufacturing of watches and related accessories in the PRC

The summarised financial information of the Group's material associate extracted from its management accounts for the years ended 31 December 2014 and 2013 is as follows:

Summarised financial information (material associate)

	2014 HK$'000	2013 HK$'000
Fair Future Industrial Limited		
As at 31 December		
Current assets	**862,878**	735,168
Non-current assets	**34,633**	22,348
Current liabilities	**824,487**	628,550
Non-current liabilities	**531**	784
Net assets	**72,493**	128,182
Less: Non-controlling interests	**(1,043)**	–
Net assets attributable to shareholders of an associate	**71,540**	128,182
Reconciliation to the Group's interest in an associate:		
Proportion of the Group's ownership	**25%**	25%
Group's share of net assets of an associate	**17,863**	32,046
Goodwill on acquisition	**37,987**	37,987
Carrying amount of the investment	**55,850**	70,033
Included in the above amounts are:		
Cash and cash equivalents	**70,333**	48,506
Current financial liabilities (excluding trade and other payables)	**526,462**	354,158
Non-current financial liabilities (excluding other payables and provisions)	**531**	784

23. INTERESTS IN ASSOCIATES – GROUP (continued)

Summarised financial information (material associate) (continued)

	2014 HK$'000	2013 HK$'000
For the year ended 31 December		
Revenue	**1,109,062**	904,089
Profit for the year	**51,969**	48,535
Other comprehensive income	**(66)**	243
Total comprehensive income	**51,903**	48,778
Profit for the year attributable to shareholders of an associate	**53,333**	48,535
Total comprehensive income for the year attributable to shareholders of an associate	**53,267**	48,778
Dividend receivable from an associate	**27,500**	–
Included in the above amounts are:		
Depreciation	**3,165**	3,290
Interest income	**8,188**	4,951
Interest expense	**9,170**	4,574
Income tax expense	**16,802**	10,862

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2014 HK$'000	2013 HK$'000
Listed equity investment, at fair value (note a)	**308,122**	699,326
Unlisted equity investment, at cost		
– Others (note b)	**82**	82
Total	**308,204**	699,408

Notes:

(a) During the year, Citychamp Dartong Company Limited (referred to "Dartong" and its shares referred to as the "Dartong Shares") did not declare any cash dividend or bonus issue.

In 2013, Dartong declared RMB2.12 for every 10 Dartong Shares and issued bonus issues of 6 shares for every 10 Dartong Shares. A dividend income totalling HK$30,965,000 was recognised by the Group in the consolidated statement of comprehensive income for the year ended 31 December 2013.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP (continued)

Notes: (continued)

(a) (continued)

Particulars of the available-for-sale financial assets of listed equity investment, at fair value are as follows:

Name	Country of incorporation	Particulars of issued shares held	Number of shares held by the Group	Percentage of ownership interest attributable to the Group
Citychamp Dartong Company Limited	PRC	Ordinary A Share	30,389,058 (2013: 85,389,058)	2.55% (2013: 7.18%)

During the year, the decrease in fair value of Dartong Shares of HK$11,533,000 (2013: increase in fair value of HK$94,418,000) has been dealt with in other comprehensive income and the investment revaluation reserve.

During the year, the Group has completed the disposal of 55,000,000 Dartong Shares at a cash consideration of RMB302,104,000 (equivalent to HK$379,671,000). The related cumulative gain previously recognised in other comprehensive income of HK$163,542,000 was reclassified from the investment revaluation reserve to profit or loss for the year.

In 2013, the Group completed the disposal of 88,600,000 Dartong Shares at a cash consideration of RMB637,100,000 (equivalent to HK$804,189,000). The related cumulative gain previously recognised in other comprehensive income of HK$456,023,000 was reclassified from the investment revaluation reserve to profit or loss for the year ended 31 December 2013.

(b) These are investments in unlisted private entities incorporated in the PRC. Its fair value information is not disclosed because the related fair value cannot be measured reliably.

25. INTANGIBLE ASSETS – GROUP

	Supplier and distribution networks HK$'000	Brand names HK$'000	Patents HK$'000	Total HK$'000
At 1 January 2013				
Cost	92,858	37,488	30,541	160,887
Accumulated amortisation	(11,759)	(79)	–	(11,838)
Net carrying amount	81,099	37,409	30,541	149,049
Year ended 31 December 2013				
Opening carrying amount	81,099	37,409	30,541	149,049
Additions	39,520	–	1,548	41,068
Acquisition of subsidiaries (note 47(b))	2,384	107,735	–	110,119
Reclassification to assets of a disposal group classified as held for sale (note 12.1)	(7,824)	–	–	(7,824)
Amortisation	(13,303)	(80)	(3,914)	(17,297)
Exchange realignment	787	1,650	711	3,148
Closing carrying amount	102,663	146,714	28,886	278,263
At 31 December 2013				
Cost	123,195	146,855	32,959	303,009
Accumulated amortisation	(20,532)	(141)	(4,073)	(24,746)
Net carrying amount	102,663	146,714	28,886	278,263
Year ended 31 December 2014				
Opening carrying amount	**102,663**	**146,714**	**28,886**	**278,263**
Additions	**–**	**–**	**1,367**	**1,367**
Acquisition of subsidiaries (note 47(a))	**–**	**124,720**	**–**	**124,720**
Impairment loss	**(2,024)**	**(104,833)**	**(26,309)**	**(133,166)**
Amortisation	**(13,675)**	**(80)**	**(282)**	**(14,037)**
Exchange realignment	**(198)**	**(24,060)**	**(2,965)**	**(27,223)**
Closing carrying amount	**86,766**	**142,461**	**697**	**229,924**
At 31 December 2014				
Cost	**122,670**	**247,518**	**30,933**	**401,121**
Accumulated amortisation and impairment losses	**(35,904)**	**(105,057)**	**(30,236)**	**(171,197)**
Net carrying amount	**86,766**	**142,461**	**697**	**229,924**

25. INTANGIBLE ASSETS – GROUP (continued)

Intangible assets with indefinite useful lives amounted to HK$98,441,000 (2013: HK$109,365,000) and intangible assets with definite useful lives amounted to HK$5,055,000 (2013: HK$6,065,000) are attributable to the CGU of Corum Group. As the recoverable amount of the CGU of Corum Group is lower than is carrying amount, an impairment loss on the intangible assets of HK$75,417,000 (2013: Nil) was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2014. Details of the impairment assessment of the CGU of Corum Group are set out in note 21 to the financial statements.

Intangible assets with indefinite useful lives amounted to HK$33,034,000 (2013: HK$36,700,000) and intangible assets with definite useful lives amounted to HK$24,715,000 (2013:HK$27,458,000) are attributable to the CGU of Eterna Group. The recoverable amount of the CGU of Eterna Group has been determined from a value in use calculation in which overall negative cash flow is expected. As a result, the recoverable amount of the CGU of Eterna Group would be nil. In the opinion of the directors of the Company, the revenue growth of Eterna Group is not achieved as previously expected and it is uncertain that those intangible assets could generate economic benefit to Eterna Group. As such, the recoverable amount of the intangible assets would be minimal. An impairment loss on the intangible assets of HK$57,749,000 (2013: Nil) was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2014.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other receivables	**218,051**	193,335	**5,232**	19,846
Dividend receivable for an associate	**27,500**	–	**–**	–
Consideration receivable from disposal of a subsidiary (note 12.2)	**57,046**	–	**–**	–
Prepayments	**190,368**	81,068	**18**	91
Deposits	**4,772**	3,150	**4,599**	2,841
Carrying amount at 31 December	**497,737**	277,553	**9,849**	22,778
Less: Current portion	**(473,745)**	(250,782)	**(9,849)**	(22,778)
Non-current portion	**23,992**	26,771	**–**	–

27. INVENTORIES – GROUP

	2014	2013
	HK$'000	HK$'000
Raw materials	**312,300**	234,633
Work-in-progress	**276,705**	295,415
Finished goods and merchandise	**1,476,389**	1,457,425
	2,065,394	1,987,473

28. TRADE RECEIVABLES – GROUP

	2014 HK$'000	2013 HK$'000
Trade receivables	**854,833**	635,746
Less: Provision for impairment loss	**(61,994)**	(2,477)
Trade receivables, net	**792,839**	633,269

The Group's trading terms with its customers are mainly on credit, except for certain customers, where payment in advance is required. The credit period is generally for a period of one to six months (2013: one to six months) for major customers. Each customer has a maximum credit limit. The credit term for customers is determined by the management according to various market criteria. In view of the aforementioned and the fact that the Group's trade receivables relate to a wide range of customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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.

Movements in the provision for impairment of trade receivables are as follows:

	2014 HK$'000	2013 HK$'000
At 1 January	**2,477**	–
Reversal of impairment loss previously recognised	**(321)**	–
Impairment loss for the year	**61,145**	2,380
Exchange realignment	**(1,307)**	97
At 31 December	**61,994**	2,477

At each reporting date, the Group reviews trade receivables for evidence of impairment on both an individual and collective basis. The Group does not hold any collateral over these balances. As at 31 December 2014, HK$109,760,000 (2013: HK$206,834,000) have been pledged to secure banking facilities granted to the Group (note 34).

Ageing analysis of trade receivables as at the reporting date, based on invoice date, and net of provisions, is as follows:

	2014 HK$'000	2013 HK$'000
1 to 3 months	**612,274**	471,195
4 to 6 months	**110,593**	84,981
Over 6 months	**69,972**	77,093
	792,839	633,269

28. TRADE RECEIVABLES – GROUP (continued)

Ageing analysis of trade receivables as at the reporting date, based on due date and net of provisions, is as follows:

	2014 HK$'000	2013 HK$'000
Neither past due nor impaired	**250,157**	216,573
Less than 3 months past due	**417,471**	261,324
More than 3 months but less than 6 months past due	**74,297**	80,637
More than 6 months past due	**50,914**	74,735
	542,682	416,696
	792,839	633,269

Receivables that were neither past due nor impaired related to a wide range of customers for whom most of them do not have recent history of default.

Receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, management believes that no additional 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 directors of the Company consider that as trade receivables are expected to be recovered within one year, their fair values are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Listed equity investments in Hong Kong, at market value	**271,552**	214,302	**75,165**	47,935

Financial assets at fair value through profit or loss are held for trading purposes. The fair value gain during the year was amounted to HK$45,734,000 (2013: HK$11,450,000), which has been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2014.

30. SHORT-TERM INVESTMENTS – GROUP

During the year, the Group purchased short-term investments from major banks in the PRC in which the balance of HK$73,417,000 (2013: HK$3,797,000) was not subject to maturity and balance of HK$75,824,000 (2013: HK$51,899,000) was subject to maturity up to January 2015 (2013: March 2014).

For those short-term investments not subject to maturity, the Group is entitled to redeem the investments with the banks at anytime with immediate effect. The estimated return from these short-term investments ranged from 4.4% to 6% per annum (2013: 3.8% to 6% per annum). The accrued and unpaid interest will be received upon redemption of the investment from the banks. The directors of the Company consider that the carrying value of short-term investments approximate their fair value at end of the reporting period.

31. CASH AND CASH EQUIVALENTS

Cash at bank earns interest at the floating rates based on the daily bank deposits rates.

Included in cash and cash equivalents of the Group are the amount of HK$195,577,000 (2013: HK$328,986,000) denominated in RMB which are placed with the banks in the PRC. RMB is not freely convertible into other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB into foreign currencies through the banks authorised to conduct foreign exchange business.

32. TRADE PAYABLES – GROUP

Ageing analysis of trade payables as at the reporting dates, based on the invoice dates, is as follows:

	2014 HK$'000	2013 HK$'000
1 to 3 months	**316,213**	385,583
4 to 6 months	**22,046**	13,193
Over 6 months	**20,580**	1,680
	358,839	400,456

Trade payables are non-interest-bearing.

33. OTHER PAYABLES AND ACCRUALS

	Group		**Company**	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Accruals	**103,393**	108,968	**11,412**	3,712
Promissory notes for share repurchase (note)	**102,090**	–	**102,090**	–
Other payables	**350,130**	308,515	**10,900**	10,901
Warranty provision	**6,816**	–	**–**	–
Carrying amount at 31 December	**562,429**	417,483	**124,402**	14,613
Less: Current portion	**(507,023)**	(368,546)	**(123,425)**	(14,613)
Non-current portion	**55,406**	48,937	**977**	–

33. OTHER PAYABLES AND ACCRUALS (continued)

Note:

Promissory notes in the aggregate with the principal amount of approximately US$26,312,000 (equivalent to approximately HK$204,400,000) were issued to the vendor for the repurchase of the Company's ordinary shares. The outstanding amount of the promissory notes as at 31 December 2014 was US$13,156,000 (equivalent to approximately HK$102,090,000). Promissory notes are unsecured, interest-free and repayable on 15 June 2015 and 15 December 2015.

34. BORROWINGS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings (note a)	**772,750**	597,790	**566,460**	289,408
Other borrowings (note b)	**50,387**	–	**–**	–
Finance lease payables (note c)	**1,540**	–	**–**	–
Carrying amount at 31 December	**824,677**	597,790	**566,460**	289,408
Less: Current portion	**(349,195)**	(231,011)	**(108,618)**	(16,000)
Non-current portion	**475,482**	366,779	**457,842**	273,408

Notes:

(a) Bank borrowings

Based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause. Bank borrowings are repayable as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Portion of bank loans due for repayment within one year	**292,698**	223,361	**108,618**	16,000
Other bank loans due for repayment after one year:				
After one year but within two years	**304,879**	77,338	**302,699**	–
After two years but within five years	**157,533**	279,846	**155,143**	273,408
After five years	**17,640**	17,245	**–**	–
	480,052	374,429	**457,842**	273,408
	772,750	597,790	**566,460**	289,408

The abovementioned bank borrowings are changed at floating rates with the range of 2.18%–7.34% (2013: 1.82%–7.34% per annum) for the year ended 31 December 2014.

34. BORROWINGS (continued)

Notes: (continued)

(a) Bank borrowings (continued)

At the reporting date, the Group's bank borrowings and banking facilities were secured by:

(i) corporate guarantees provided by subsidiaries within the Group as at 31 December 2014 and 2013;

(ii) a corporate guarantee provided by Fujian Fengrong Investment Company Limited ("Fengrong") as at 31 December 2014 and 2013 (note 45.1 (v));

(iii) a legal charge over certain of the Group's land and buildings and investment properties with the carrying amounts of HK$132,104,000 (2013: HK$144,552,000) (note 18(a)) and HK$22,800,000 (2013: HK$22,200,000) (note 19) respectively;

(iv) Certain of the Group's trade receivables with the carrying amounts of HK$109,760,000 (2013: HK$206,834,000) (note 28); and

(v) a personal guarantee of HK$27,600,000 provided by the director of a subsidiary as at 31 December 2014 and 2013.

Certain of bank borrowings contain clause which give the banks the right at their sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations. None of the portion of borrowings due for repayment after one year which contain a repayment on demand clause and are classified as current liabilities are expected to be settled within one year. The carrying amounts of the borrowings approximate to their fair value.

(b) Other borrowings

In February 2014, the Group has entered gold borrowing agreement and gold purchase and sales contracts with a major bank in the PRC solely for the financing purpose. Costs involved in the agreement and contracts are treated as finance cost in the consolidated statement of comprehensive income for the year ended 31 December 2014. The effective interest rate is 6.3% per annum and the borrowings had been repaid in February 2015.

(c) Finance lease payables

The analysis of the obligations under finance leases as at 31 December 2014 is as follows:

	HK$'000
Total minimum lease payables	
Due within one year	1,613
Future finance charges on finance leases	(73)
Present value of finance lease liabilities	1,540
Present value of finance lease liabilities is as follows:	
Due within one year	1,540
Less: Due within one year included under current portion of borrowings	(1,540)
Non-current portion included under non-current liabilities	–

35. CONTINGENT CONSIDERATION PAYABLE – GROUP

	2014 HK$'000	2013 HK$'000
Contingent consideration payable	**10,669**	–

Contingent consideration payable represented the fair value of final consideration payment of the acquisition of Dreyfuss Group as disclosed in note 47(a) to the financial statements.

As at 31 December 2014, the directors of the Company are of the opinion that Dreyfuss Group cannot achieve the profit target as disclosed in note 47(a) (iv) by reference to 2014 actual financial result. The final consideration payment to vendor should be adjusted from GBP5,000,000 (equivalent to approximately HK$65,180,000) to GBP885,000 (equivalent to approximately HK$10,669,000). The fair value gain of contingent consideration payable of HK$54,511,000 has been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2014.

The fair value of contingent consideration payable is a Level 3 recurring fair value measurement. The details of assessment are set out in note 49 to the financial statements.

36. DERIVATIVE FINANCIAL INSTRUMENTS – GROUP

	2014 HK$'000	2013 HK$'000
Derivative financial assets		
Currency forward contracts (note a)	**1,653**	–
Derivative financial liabilities		
Financial undertakings provided by the Group in relation to issuance of ordinary shares for:		
– Acquisition of intangible assets (note b)	**(25,544)**	(40,242)
– Acquisition of an associate (note b)	**(935)**	(9,208)
	(26,479)	(49,450)

36. DERIVATIVE FINANCIAL INSTRUMENTS – GROUP (continued)

Notes:

(a) Currency forward contracts

The major terms of the outstanding forward exchange contracts at 31 December 2014 were as follows:

Notional amount	Maturity	Exchange rate
Buy USD1,000,000	15/1/2015	GBP1: USD1.600860
Buy USD500,000	15/1/2015	GBP1: USD1.704465
Buy USD400,000	16/3/2015	GBP1: USD1.702062
Buy USD300,000	15/4/2015	GBP1: USD1.700854
Buy CNY2,500,000	15/1/2015	GBP1: CNY10.276010
Buy CNY2,500,000	16/2/2015	GBP1: CNY10.277476
Buy CNY2,500,000	16/3/2015	GBP1: CNY10.277234
Buy CNY2,500,000	16/4/2015	GBP1: CNY10.414862
Buy CHF200,000	15/1/2015	GBP1: CHF1.535000
Buy CHF500,000	16/2/2015	GBP1: CHF1.517226
Buy CHF300,000	16/2/2015	GBP1: CHF1.533500
Buy CHF300,000	16/3/2015	GBP1: CHF1.531800
Buy CHF200,000	15/4/2015	GBP1: CHF1.530500
Buy CHF300,000	15/5/2015	GBP1: CHF1.530000

The fair value gain during the year was amounted to HK$1,753,000 (2013: Nil), which has been recognised in the consolidated statement of comprehensive income for the year.

(b) Acquisition of intangible assets

In previous years, the Group completed the acquisition of intangible assets by issue and allotment of ordinary shares of the Company. Pursuant to the terms of the acquisition agreement, the Group has provided a financial undertaking to compensate the vendor the shortfall in cash if the average selling price of the consideration shares disposed by the vendor from the expiration of the respective lock-up periods is less than HK$1.

Acquisition of an associate

In previous year, the Group completed the acquisition of an associate, Fair Future Industrial Limited by issue and allotment of 56,000,000 ordinary shares of the Company. 38,000,000 ordinary shares had been issued to the vendor before 31 December 2013 and the remaining 18,000,000 ordinary shares has been issued to the vendor in January 2014. Pursuant to the terms of the acquisition agreement, the Group has provided a financial undertaking to compensate the vendor the shortfall in cash if the average selling price of the consideration shares disposed by the vendor within the 12-month period from the expiration of the respective lock-up periods is less than HK$1.

The aforementioned financial undertakings meet the definition of derivatives in accordance with HKAS 39. The value of the financial undertakings will change in response to changes in the share price of the Company's shares. There are no initial net investments and they are settled at a future date. In these regards, the financial undertakings are accounted for as derivative financial instruments, which are designated as financial liabilities at fair value through profit or loss. The fair value gain of the derivative financial liabilities during the year was amounted to HK$16,862,000 (2013: HK$12,093,000), which has been recognised in the consolidated statement of comprehensive income for the year.

37. DUE TO ASSOCIATES/RELATED COMPANIES

The amounts due are unsecured, interest-free and repayable on demand.

38. CORPORATE BONDS – GROUP

	2014 HK$'000	2013 HK$'000
Corporate bonds	**764,914**	–

During the year ended 31 December 2014, the Group issued CHF denominated corporate bonds of principal amount of CHF100,000,000 bears interest at 3.625% per annum. The interests of the corporate bonds are paid in arrears on 24 July every year. The corporate bonds are listed in SIX Swiss Exchange in Switzerland and guaranteed by the Company. The corporate bonds will mature on 24 July 2019.

Net proceeds from the issue of the corporate bonds, as reduced by transaction cost, amounted to approximately CHF97,295,000 (equivalent to approximately HK$762,913,000).

The Company may, at any time after the date of issuance and prior to the date of maturity, redeem the whole corporate bonds at 100% of the total principal amounts together with payments of interest accrued up to the dates of such early redemption by serving a prior notice to a period of not less than 30 days nor more than 60 days.

39. DEFERRED TAX – GROUP

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable tax rates prevailing in the jurisdictions in which the Group operates.

Details of the Group's deferred tax assets/(liabilities) recognised and movements are as follows:

	Provision for inventories HK$'0000	Revaluation of inventories HK$'000	Revaluation of intangible assets HK$'000	Revaluation of property, plant and equipment HK$'000	Tax losses HK$'000	Impairment loss on investments HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 January 2013	1,311	–	(7,655)	(208)	7,863	–	–	1,311
Acquisition of subsidiaries (note 47(b))	–	(20,681)	(18,574)	(5,289)	44,544	(23,304)	–	(23,304)
Charged/(Credit) to profit or loss for the year	–	12,160	–	–	(12,160)	–	–	–
Exchange realignment	33	(903)	(208)	(6)	1,117	(1,389)	–	(1,356)
At 31 December 2013 and 1 January 2014	**1,344**	**(9,424)**	**(26,437)**	**(5,503)**	**41,364**	**(24,693)**	**–**	**(23,349)**
Acquisition of subsidiaries (note 47(a))	**–**	**(3,269)**	**(28,723)**	**–**	**5,666**	**–**	**2,100**	**(24,226)**
(Credit)/Charged to profit or loss for the year	**(1,344)**	**12,379**	**25,739**	**–**	**(32,733)**	**23,745**	**1,064**	**28,850**
Exchange realignment	**–**	**314**	**2,879**	**550**	**(2,061)**	**674**	**(224)**	**2,132**
At 31 December 2014	**–**	**–**	**(26,542)**	**(4,953)**	**12,236**	**(274)**	**2,940**	**(16,593)**

39. DEFERRED TAX – GROUP (continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of deferred tax balances for financial reporting purposes:

	2014 **HK$'000**	2013 HK$'000
Deferred tax assets	**10,223**	1,344
Deferred tax liabilities	**(26,816)**	(24,693)
	(16,593)	(23,349)

As at 31 December 2014, the Group has estimated tax losses arising in Hong Kong of HK$237,859,000 (2013: HK$213,499,000), subject to the agreement of Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As at 31 December 2014, the Group has estimated tax losses arising in the PRC was amounted to HK$42,556,000 (2013: HK$16,739,000) which are available for offsetting against future taxable profits of the companies will expire from 2015 to 2019 (2013: 2014 to 2018). Deferred tax assets have not been recognised in respect of these estimated tax losses as these were incurred by the companies that have been loss-making for some time.

As at 31 December 2014, the Group has estimated tax losses in United Kingdom of HK$37,396,000 (2013: Nil), subject to the agreement of tax bureau in United Kingdom, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets of HK$7,283,000 (2013: Nil) have been recognised in respect of these estimated losses.

As at 31 December 2014, the Group has estimated tax losses in Switzerland of HK$1,442,007,000 (2013: HK$1,296,333,000), subject to the agreement of tax bureau in Switzerland, that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets of HK$4,953,000 (2013: HK$41,364,000) have been recognised in respect of these estimated tax losses to the extent of deferred tax liabilities recognised in respect of revaluation of identifiable assets as a result of the acquisitions. Deferred tax assets have not been recognised in respect of the remaining estimated unused tax losses as these were incurred by the subsidiaries that have been loss-making for some time. These estimated unused tax losses will expire at various dates from 2015 to 2020 (2013: 2014 to 2019).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders during the year.

As at 31 December 2014, deferred taxation has not been provided in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amounted to HK$1,395,929,000 (2013: HK$1,120,636,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

40. SHARE CAPITAL

	2014 Number of shares '000	**2014** HK$'000	2013 Number of shares '000	2013 HK$'000
Authorised:				
Ordinary shares of HK$0.10 each at 1 January and 31 December	**6,000,000**	**600,000**	6,000,000	600,000
Issued and fully paid:				
At 1 January	**4,728,399**	**472,840**	4,268,064	426,806
Issuance of shares for acquisitions of intangible assets, subsidiaries and an associate (note a)	**18,000**	**1,800**	456,960	45,696
Repurchase of ordinary shares (note b)	**(340,300)**	**(34,030)**		
Share option scheme – proceeds from shares issued (note c)	**2,825**	**283**	3,375	338
At 31 December	**4,408,924**	**440,893**	4,728,399	472,840

Notes:

(a) The Group completed the acquisition of an associate, Fair Future Industrial Limited by issue and allotment of 56,000,000 ordinary shares of the Company in 2012. 38,000,000 ordinary shares had been issued to the vendor before 31 December 2013 and the remaining 18,000,000 ordinary shares has been issued to the vendor in January 2014 (note 36(b)). The excess of the fair value of shares issued over the nominal value of the ordinary shares of HK$8,045,000 has been included in share premium account.

In 2013, 37,335,000, 15,000,000 and 404,625,000 new ordinary shares of the Company were issued for the acquisitions of intangible assets (note 36(b)), an associate (note 36(b)) and subsidiaries (note 47(b)) respectively. The excess of the fair value of shares issued over the nominal value of the ordinary shares of HK$12,185,000, HK$6,704,000 and HK$234,681,000 has been included in share premium account.

(b) On 13 February 2014, the Company entered into a share repurchase agreement with Severin Participations GmbH and the trustee of Severin Wunderman Family Trust for the benefit of Michael Wunderman as the vendors, pursuant to which the Company conditionally agreed to purchase and vendors conditionally agreed to sell 340,300,000 shares of the Company. The agreed repurchase price is HK$0.75 and the aggregate consideration is HK$255,225,000. Following the completion of the share repurchase, the number of issued shares was reduced by 340,300,000 accordingly. Details of the share repurchase were set out in the Company's announcement dated 13 February 2014.

(c) During the year, 2,825,000 (2013: 3,375,000) new ordinary shares of the Company were issued upon the exercise of share options. The total proceeds received for the issues of shares under the share option scheme are HK$919,000 (2013: HK$1,097,000). The amount of HK$636,000 (2013: HK$759,000), representing the excess of the proceeds received over the nominal value of the ordinary shares of HK$283,000 (2013: HK$338,000), has been included in share premium account.

Details of the share options exercised during the years ended 31 December 2014 and 2013 are summarised in note 41 to the financial statements. All shares issued in both years in relation to the share option scheme have the same rights as the Company's other issued ordinary shares.

41. SHARE-BASED COMPENSATION

At the general meeting held on 30 May 2008, the shareholders of the Company terminated the option scheme adopted on 25 May 2001 and adopted a new share option scheme (the "New Scheme") for a period of 10 years commencing on the adoption date.

The directors may, at their discretion, invite the eligible participants to take up options to subscribe for shares. The eligible participants include (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any directors (including executive directors, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries.

Under the New Scheme, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme shall not exceed 30% of the share capital of the Company in issue from time to time. No options may be granted under the New Scheme if the grant of such option will result in the limit being exceeded. Subject to the approval of the Company's shareholders, the aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme shall not exceed 30% of the Company's shares in issue from time to time.

The total number of shares issued and which may fall to be issued upon exercise of the options and the options granted under the New Scheme (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company. Where any further grant of options to a grantee would result in the shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the New Scheme in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant requires approval of the shareholders of the Company in general meeting with such grantee and his associates abstaining from voting.

The maximum number of shares issued and to be issued upon exercise of the options granted under the New Scheme to each of any eligible persons (including those cancelled, exercised and outstanding options), in any 12 months period up to the date of the latest grant shall not exceed 1% of the Company's shares in issue provided that the number of shares issued and to be issued upon exercise of all options granted and to be granted to each of the independent non-executive directors or substantial shareholders of the Company or any of their respective associates in the 12 months period up to the date of such grant in excess of 0.1% of the Company's shares in issue and with a value in excess of HK$5 million must be approved in advance by the Company's independent shareholders. Any further grant of options in excess of such limit requires the approval of the shareholders in general meeting in accordance with the requirements of the Listing Rules.

The exercise period of the share options granted is determinable by the directors, and should not be later than 10 years from the date of the acceptance of the share options (the "Option Period").

The subscription price is equal to the higher of (i) the nominal value of the share of the Company; (ii) the closing price per share of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant; and (iii) the average closing price per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

41. SHARE-BASED COMPENSATION (continued)

The fair value of share options granted is recognised in profit or loss taking into account the probability that the options will vest over the vesting period. Upon the exercise of the options the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded in the share premium account. At the time when the share options are exercised, the amount previously recognised in share option reserve is transferred to share premium account. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve is transferred to retained profits. Lapsed options are deleted from the outstanding options prior to their exercise date. All equity-settled share-based compensation expense is settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The grantees may exercise the options in whole or in part by giving exercise notice to the grantor at any time during the Option Period provided that the grantees shall exercise the options to acquire the option shares in accordance with the following vesting schedule:

Vesting schedule	**Maximum percentage of option shares comprised in an option which may be exercised**
One year after the grant date	30%
Two years after the grant date	35%
Three years after the grant date	35%

Details of the share options granted up to the reporting date are as follows:

Date of grant:	9 December 2008
Exercisable period:	9 December 2009 to 7 January 2019
Exercise price:	HK$0.325

Share options and weighted average exercise price are as follows for the reporting periods presented:

	2014		2013	
	Number '000	**Weighted average exercise price HK$**	Number '000	Weighted average exercise price HK$
Outstanding at 1 January	**16,710**	**0.325**	20,085	0.325
Exercised	**(2,825)**	**0.325**	(3,375)	0.325
Outstanding at 31 December	**13,885**	**0.325**	16,710	0.325
Exercisable at the end of the year	**13,885**	**0.325**	16,710	0.325

41. SHARE-BASED COMPENSATION (continued)

The options outstanding at 31 December 2014 had a weighted average remaining contractual life of 4 years (2013: 5 years). The weighted average share price for share options exercised during the year at the date of exercise was HK$0.95 (2013: HK$0.76) per share.

During the year, there is no equity-settled share-based compensation (2013: Nil).

Movements of the New Scheme for the years ended 31 December 2014 and 2013 are as follows:

2014

	Number of share options		
Name or category of participants	**At 1 January 2014**	**Exercised during the year**	**At 31 December 2014**
Independent non-executive director			
Mr. Li Qiang	**3,500,000**	**–**	**3,500,000**
Other eligible employees			
In aggregate	**6,925,000**	**(2,625,000)**	**4,300,000**
Other eligible persons			
In aggregate	**6,285,000**	**(200,000)**	**6,085,000**
Total	**16,710,000**	**(2,825,000)**	**13,885,000**

2013

	Number of share options		
Name or category of participants	At 1 January 2013	Exercised during the year	At 31 December 2013
Independent non-executive directors			
Mr. Fung Tze Wa	1,400,000	(1,400,000)	–
Mr. Li Qiang	3,500,000	–	3,500,000
Sub-total	4,900,000	(1,400,000)	3,500,000
Other eligible employees			
In aggregate	7,300,000	(375,000)	6,925,000
Other eligible persons			
In aggregate	7,885,000	(1,600,000)	6,285,000
Total	20,085,000	(3,375,000)	16,710,000

42. RESERVES

Group

The amounts of the Group's reserves and movements therein during the year are presented in the consolidated statement of changes in equity.

In accordance with the PRC regulations, certain of the Group's subsidiaries established in the PRC are required to transfer part of their profits after tax to the statutory reserve before profit distributions are made. The amounts of the transfers are subject to the approval of the boards of the directors of these subsidiaries, in accordance with their joint venture agreements and/or articles of association. The statutory reserve is non-distributable and has restricted use.

Certain amounts of goodwill arising on the acquisition of subsidiaries in prior years remain eliminated against the consolidated reserves as explained in note 21 to the financial statements.

Company

	Share premium account HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Shares to be issued reserves HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
At 1 January 2013	798,647	3,046	22,692	18,049	133,246	975,680
Issuance of shares for acquisitions of intangible assets, subsidiaries and an associate	253,570	–	–	(8,204)	–	245,366
Proceeds from shares issued under share option scheme	759	–	–	–	–	759
Exercise of share options	512	(512)	–	–	–	–
Profit and total comprehensive income for the year	–	–	–	–	100,895	100,895
At 31 December 2013 and 1 January 2014	**1,053,488**	**2,534**	**22,692**	**9,845**	**234,141**	**1,322,700**
Issuance of shares for acquisition of an associate	**8,045**	**–**	**–**	**(9,845)**	**–**	**(1,800)**
Repurchase of ordinary shares	**(221,195)**	**–**	**–**	**–**	**–**	**(221,195)**
Proceeds from shares issued under share option scheme	**636**	**–**	**–**	**–**	**–**	**636**
Exercise of share options	**428**	**(428)**	**–**	**–**	**–**	**–**
Dividends paid to owners of the Company	**–**	**–**	**–**	**–**	**(158,721)**	**(158,721)**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**–**	**(87,215)**	**(87,215)**
At 31 December 2014	**841,402**	**2,106**	**22,692**	**–**	**(11,795)**	**854,405**

Under the Companies Law Cap. 22, (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

43. OPERATING LEASE ARRANGEMENTS/COMMITMENTS

43.1 At 31 December 2014, total future minimum lease receivables by the Group under non-cancellable leases are as follows:

	2014 **HK$'000**	2013 HK$'000
Within one year	**14,995**	9,682
In the second to fifth years	**48,957**	32,326
After five years	**36,748**	29,622
	100,700	71,630

The Group leases certain of its properties under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. None of the leases include contingent rentals.

43.2 At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group		**Company**	
	2014 **HK$'000**	2013 HK$'000	**2014** **HK$'000**	2013 HK$'000
Within one year	**21,829**	19,016	**15,251**	9,741
In the second to fifth years	**37,889**	33,983	**22,290**	9,741
After five years	**–**	2,526	**–**	–
Total	**59,718**	55,525	**37,541**	19,482

The Group and the Company lease certain offices and factory premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to ten years. None of the leases include contingent rentals.

43.3 The Group is required to pay an annual fee in respect of the leasehold land in the PRC from 1992 up to 2042 with a 20% increment for every five years. During the year, an annual fee of HK$531,000 (2013: HK$531,000) was charged as an expense in profit or loss of the Group.

44. CAPITAL COMMITMENTS

Group

	2014 **HK$'000**	2013 HK$'000
Contracted, but not provided for		
Purchase of property, plant and equipment	**169,024**	–

Company

At 31 December 2014, the Company did not have any significant capital commitments (2013: Nil).

45. RELATED PARTY TRANSACTIONS

45.1 Other than those disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties:

(i) Rental income

	2014 HK$'000	2013 HK$'000
Rental income received (note a)	**120**	120
Sub-lease income received (note b)	**346**	346

(a) This was received from a director and this was charged at HK$10,000 (2013: HK$10,000) per month on average.

(b) Sub-lease income was received from a company of which certain directors of the Company are also directors of the related company, and this was charged at approximately HK$29,000 (2013: HK$29,000) per month on average.

(ii) Interest expense

	2014 HK$'000	2013 HK$'000
Interest expense	**–**	518

The interest expense was paid to a company of which a director of the Company, is also a director of the related company. On 22 April 2013, the Company borrowed an unsecured loan from this related company, with the principal amount of HK$45,000,000 and bearing interest at 5% per annum. The loan was fully repaid on 26 July 2013. No such expense has been incurred for the year ended 31 December 2014.

(iii) Outstanding balances included in other receivables

	2014 HK$'000	2013 HK$'000
Due from an associate (note a)	**38,517**	–
Due from related companies (note b)	**285**	1,441

(a) The balance was unsecured, interest-free and repayable on demand. The maximum amount outstanding during the year was HK$38,517,000 (2013: Nil).

(b) The amounts were due from companies of which certain directors of the Company are also the directors of the related companies. The balance was unsecured, interest-free and repayable on demand. The maximum amount outstanding during the year was HK$1,441,000 (2013: HK$1,441,000).

45. RELATED PARTY TRANSACTIONS (continued)

45.1 (continued)

(iv) Disposal of Dartong Shares

During the year, the Group has disposed of 55,000,000 Dartong Shares (2013: 52,000,000 Dartong Shares) to Fengrong at a consideration of approximately RMB302,104,000 (equivalent to HK$379,671,000) (2013: approximately RMB392,600,000 (equivalent to HK$495,587,000)). Ms. Sit Lai Hei, a director of the Company is also a director and a beneficial owner of Fengrong.

(v) Financial guarantee

On 24 June 2013, the Company executed an agreement with Fengrong in respect of a financial guarantee of RMB300,000,000 provided by Fengrong in favour of a bank for a loan facility granted to the Group of EUR35,000,000. The financial guarantee provided by Fengrong covered a 3-year period from 27 June 2013 to 26 June 2016, and secured by 72,000,000 ordinary shares of Dartong owned by Fengrong. Fengrong shall pay an annual guarantee fee of RMB4,500,000 to the bank and the Group will fully reimburse Fengrong all the guarantee fees and other direct expenses related to the financial guarantee totalling RMB14,000,000 in three years as incurred during the guarantee period. During the year, the Group has made early repayment of EUR21,000,000 (2013: Nil) and reimbursed guarantee fee and other direct expenses totaling HK$1,140,000 (2013: HK$6,357,000) to Fengrong.

45.2 Key management personnel compensation:

Included in staff costs are key management personnel compensation and comprises the following categories:

	2014 HK$'000	2013 HK$'000
Short-term employee benefits	**17,594**	15,764
Post-employment benefits	**164**	147
	17,758	15,911

The key management represents the directors of the Company. Further details of directors' emoluments are included in note 17.1 to the financial statements.

46. MAJOR NON-CASH TRANSACTION

During the year, the Group did not have any major non-cash transactions. For the year ended 31 December 2013, the Group issued 37,335,000 ordinary shares to acquire the intangible assets (note 36(b)) and issued 404,625,000 ordinary shares to acquire the entire equity interest of Montres Corum Sàrl (note 47(b)).

47. ACQUISITION OF SUBSIDIARIES

(a) On 11 April 2014, the Company acquired the entire equity interests of Dreyfuss Group which is principally engaged in watch design and selling, both to the United Kingdom and overseas markets, and of watch manufacturing and repair. Following the acquisition, the Company owned the entire equity interest in Dreyfuss and obtained the controls over Dreyfuss Group through the Company's right to nominate all the members of Dreyfuss's board of directors, and Dreyfuss Group became the wholly-owned subsidiaries of the Company. The acquisition of Dreyfuss Group was made with the aim to expand the Group's manufacture and distribution of watches and timepieces business.

47. ACQUISITION OF SUBSIDIARIES (continued)

(a) (continued)

Details of the net assets acquired as at the date of acquisition are as follows:

	HK$'000
Cash consideration	286,961
Add: Contingent consideration payable	65,180
Total purchase consideration	352,141
Less: Fair value of net assets acquired	(231,887)
Goodwill	120,254

Pursuant to the acquisition agreement, total purchase consideration is GBP27,000,000 (equivalent to approximately HK$352,141,000) in which the first consideration payment of GBP16,000,000 (equivalent to approximately HK$208,745,000) has been paid at the completion day, the second consideration payment of GBP6,000,000 (equivalent to approximately HK$78,216,000) should be paid in August 2014 and the final consideration payment of GBP5,000,000 (equivalent to approximately HK$65,180,000) would be paid in June 2015.

The second and final consideration payments would be adjusted if certain condition precedents cannot be satisfied by Dreyfuss Group.

The major condition precedents are disclosed as follow:

Condition precedents related to 2013 financial result of Dreyfuss Group

(i) The adjusted consolidated profit after taxation of Dreyfuss Group for the year ended 31 December 2013 is not less than GBP2,150,000 (equivalent to approximately to HK$28,036,000); or

(ii) The adjusted consolidated net assets of Dreyfuss Group as at 31 December 2013 is not less than GBP10,200,000 (equivalent to approximately to HK$133,008,000); or

(iii) The debt less cash of Dreyfuss Group as at 28 February 2014 is not greater than GBP900,000 (equivalent to approximately HK$11,736,000).

The second consideration payment of GBP6,000,000 (equivalent to approximately HK$78,216,000) shall be reduced by a sum equal to the aggregate of the deficit of (i) and (ii) and the excess of (iii).

Condition precedents related to 2014 financial result of Dreyfuss Group

(iv) The adjusted consolidated profit after taxation of Dreyfuss Group for the year ended 31 December 2014 is not less than GBP3,000,000 (equivalent to approximately HK$39,120,000); or

(v) The adjusted consolidated net assets of Dreyfuss Group as at 31 December 2014 is not less than GBP13,200,000 (equivalent to approximately HK$172,128,000).

47. ACQUISITION OF SUBSIDIARIES (continued)

(a) (continued)

The final consideration payment of GBP5,000,000 (equivalent to HK$65,180,000) shall be reduced by a sum equal to the higher of the deficit of (iv) or (v).

At the acquisition date, since the directors of the Company are of the opinion that Dreyfuss Group would satisfy condition precedents of (iv) and (v) by reference to the forecast and the historical performance of Dreyfuss Group, no adjustment was made to the fair value of contingent consideration payable.

The goodwill of HK$120,254,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

The fair values of the identifiable assets and liabilities arising from the acquisition of Dreyfuss Group as at the date of acquisition and the corresponding carrying amounts immediately prior to the acquisition were as follows:

	Fair value HK$'000	**Acquirees' carrying amount** HK$'000
Property, plant and equipment (note 18)	30,522	30,522
Intangible assets (note 25)	124,720	1,181
Deferred tax assets (note 39)	7,766	7,766
Inventories	109,896	95,835
Trade receivables	77,454	77,454
Prepayments, deposits and other receivables	37,014	37,014
Cash and cash equivalents	3,103	3,103
Trade payables	(34,554)	(34,554)
Other payables and accruals	(41,611)	(41,611)
Finance leases	(3,483)	(3,483)
Bank borrowings	(46,948)	(46,948)
Deferred tax liabilities (note 39)	(31,992)	–
Net assets		126,279
Fair value of net assets acquired	231,887	

	HK$'000
Net cash outflow from acquisition of subsidiaries:	
Cash and cash equivalents in subsidiaries acquired	3,103
Less: Purchase consideration settled in cash	(285,643)
	(282,540)

47. ACQUISITION OF SUBSIDIARIES (continued)

(a) (continued)

The abovementioned purchase consideration settled in cash consist of the first consideration payment of GBP16,000,000 (equivalent to approximately HK$208,745,000) and the second consideration payment of GBP5,901,000 (equivalent to approximately HK$76,898,0000).

Dreyfuss Group contributed revenue of approximately HK$252,347,000 and net loss of approximately HK$4,855,000 to the Group for the year ended 31 December 2014.

Had the business combination taken place on 1 January 2014, revenue and profit of the Group for the year ended 31 December 2014 would have been approximately HK$3,551,565,000 and HK$148,885,000 respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition of Dreyfuss Group been completed on 1 January 2014 nor are they intended to be a projection of future results.

(b) On 9 July 2013, the Group acquired the entire equity interest of Corum Group. Corum Group principally engaged in the development, manufacture and sale of Swiss luxury timepieces through it global distribution network. Following the acquisition, the Group owned the entire equity interest in Corum Group and obtained the controls over Corum Group through the Group's right to nominate all the members of Corum Group's board of directors, and Corum Group became wholly owned subsidiaries of the Group. The acquisition of Corum Group was made with the aim to expand the Group's manufacture and distribution of watches and timepieces business.

Details of the net assets acquired as at the date of acquisition are as follows:

	HK$'000
Fair value of share consideration	275,145
Compensation receivable	(33,188)
Total purchase consideration	241,957
Less: Fair value of net assets acquired shown below	(192,562)
Goodwill	49,395

Total purchase consideration comprised share consideration and compensation receivable. The fair value of 404,625,000 ordinary shares issued by the Company was determined by reference to the quoted market price of the Company's share of HK$0.68 per share at the date of acquisition. The compensation receivable represents the fair value of the compensation to be offered by the vendor regarding the shortfall in net assets of Corum Group at the date of acquisition below the guaranteed net assets, which is determined on Swiss GAAP in accordance to the acquisition agreement.

The compensation receivable of HK$33,188,000 as at 31 December 2013 has been received by the Group during the year.

The goodwill of HK$49,395,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

47. ACQUISITION OF SUBSIDIARIES (continued)

(b) (continued)

The fair values of the identifiable assets and liabilities arising from the acquisition of Corum Group as at the date of acquisition and the corresponding carrying amounts immediately prior to the acquisition were as follows:

	Fair value HK$'000	**Acquirees' carrying amount** HK$'000
Property, plant and equipment (note 18)	107,596	84,608
Intangible assets (note 25)	110,119	29,362
Inventories	457,936	368,018
Trade receivables	138,680	138,680
Prepayments, deposits and other receivables	26,222	26,222
Cash and cash equivalents	28,819	28,819
Trade payables	(131,249)	(131,249)
Other payables and accruals	(94,858)	(94,858)
Provision	(17,106)	(17,106)
Employee benefits	(48,120)	(48,120)
Deferred tax liabilities (note 39)	(23,304)	(23,304)
Borrowings	(449,305)	(449,305)
Net assets/(liabilities)	105,430	(88,233)
Add: Shareholder's loan, included in borrowings, assigned to the Group	87,132	
Fair value of net assets acquired	192,562	

	HK$'000
Net cash inflow from acquisition of subsidiaries:	
Cash and cash equivalents in subsidiaries acquired	28,819

Corum Group contributed revenue of approximately HK$351,289,000 and net loss of approximately HK$61,141,000 to the Group for the year ended 31 December 2013.

Had the business combination taken place on 1 January 2013, revenue and profit of the Group for the year ended 31 December 2013 would have been approximately HK$3,384,802,000 and HK$502,813,000 respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition of Corum Group been completed on 1 January nor are they intended to be a projection of future results.

48. GUARANTEE

Group

At 31 December 2014, the Group had contingent liability in relation to guarantees of approximately HK$120,000,000 (2013: HK$120,000,000) given to banks in respect of a loan granted to an associate. The directors of the Company consider that the fair value of guarantee is considered as immaterial. Details of the guarantee were set out in the Company's announcement dated 17 December 2013.

Company

At 31 December 2014, the Company had contingent liability in relation to guarantees of approximately HK$212,200,000 (2013: HK$169,375,000) given to banks in respect of loans granted to the subsidiaries and an associate.

Pursuant to the terms of the guarantees, upon default in loan repayment, the Group/the Company is responsible to repay the outstanding loan principals together with any accrued interest and penalty to the banks. In the opinion of the directors of the Company, the repayment of aforesaid loans would not be in default.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial assets and liabilities such as available-for-sale financial assets, trade receivables, other receivables, financial assets at fair value through profit or loss, derivative financial assets, cash and bank balances, trade payables, other payables and accruals, contingent consideration payable, derivative financial liabilities and amounts due to associates and related companies, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board has reviewed and agreed policies for managing each of these risks and they are summarised below.

49.1 Summary of financial assets and liabilities by category

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. Its treasury department works under the policies approved by the board of directors and identifies ways to access financial markets and monitors the Group's financial risk exposures. Regular reports are provided to the board of directors.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

49.1 Summary of financial assets and liabilities by category (continued)

Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and financial liabilities.

Group

	2014 **HK$'000**	2013 HK$'000
Financial assets		
Available-for-sale financial assets	**308,204**	699,408
Financial assets at fair value through profit or loss	**271,552**	214,302
Derivative financial assets	**1,653**	–
Loans and receivables:		
– Trade receivables	**792,839**	633,269
– Other receivables and deposits	**307,369**	196,485
– Short-term investments	**149,241**	55,696
– Cash and cash equivalents	**878,253**	471,621
	2,127,702	1,357,071
	2,709,111	2,270,781

Company

	2014 **HK$'000**	2013 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**75,165**	47,935
Loans and receivables:		
– Other receivables and deposits	**9,831**	22,687
– Cash and cash equivalents	**462,980**	95,372
	472,811	118,059
	547,976	165,994

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

49.1 Summary of financial assets and liabilities by category (continued)

Categories of financial assets and liabilities (continued)

Group

	2014	2013
	HK$'000	HK$'000
Financial liabilities		
Contingent consideration payable	**10,669**	–
Derivative financial liabilities	**26,479**	49,450
Financial liabilities measured at amortised cost		
– Trade payables	**358,839**	400,456
– Other payables and accruals	**562,429**	417,483
– Dividend payables	**1,492**	453
– Corporate bonds	**764,914**	–
– Borrowings	**824,677**	597,790
– Due to associates	**–**	92,545
– Due to related companies	**13,961**	12,821
	2,526,312	1,521,548
	2,563,460	1,570,998

Company

	2014	2013
	HK$'000	HK$'000
Financial liabilities		
Financial liabilities measured at amortised cost		
– Other payables and accruals	**124,402**	14,613
– Dividend payables	**1,492**	453
– Borrowings	**566,460**	289,408
– Due to associates	**–**	85,000
– Due to a related company	**1,140**	–
	693,494	389,474

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

49.2 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's and the Company's interest rate risk arises primarily from borrowings and bank deposits. Borrowings bearing variable rates and fixed rates expose the Group and the Company to cash flow interest rate risk and fair value interest rate risk respectively.

The Group's and the Company's exposure to the risk of changes in market interest rates relates primarily to the Group's and the Company's debt obligations and bank deposits with a floating interest rate. The Group and the Company currently had not implemented any procedures to hedge its interest rate risk.

At 31 December 2014, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after income tax and retained profits by approximately HK$212,000 (2013: decrease/increase of HK$500,000).

At 31 December 2014, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Company's profit after income tax and retained profits by approximately HK$517,000 (2013: HK$970,000).

The sensitivity analysis above was determined assuming that the change in interest rates had occurred at the reporting date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date.

The 50 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis was performed on the same basis for 2013.

49.3 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong, Switzerland, United Kingdom and the PRC with most of the transactions denominated and settled in HK$, US$, Euro, CHF, GBP and RMB. No foreign currency risk has been identified for those Swiss, UK and PRC subsidiaries' financial assets and liabilities denominated in CHF, GBP and RMB respectively, which is the functional currency of Swiss, UK and PRC subsidiaries to which these transactions relate. The Group's exposure to foreign currency risk primarily arise from certain financial instruments which are denominated in Euro, CHF, GBP and RMB, which are currencies other than the functional currencies of the entities to which they relate. The Group currently does not have a foreign currency hedging policy.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

49.3 Foreign currency risk (continued)

The following table summarises the Group's major financial assets/(liabilities) denominated in currencies other than the functional currencies of the respective group companies as at 31 December 2014 and 2013.

As at 31 December 2014

	Expressed in HK$'000					
	US$	**Euro**	**CHF**	**GBP**	**RMB**	**Total**
Available-for-sale financial assets	**–**	**–**	**–**	**–**	**308,122**	**308,122**
Other receivables	**–**	**–**	**–**	**–**	**4,224**	**4,224**
Derivative financial assets	**708**	**–**	**143**	**–**	**802**	**1,653**
Cash and cash equivalent	**–**	**208**	**392,016**	**–**	**46,316**	**438,540**
Other payables	**(102,090)**	**–**	**–**	**–**	**(24,711)**	**(126,801)**
Contingent consideration payable	**–**	**–**	**–**	**(10,669)**	**–**	**(10,669)**
Borrowings	**(434,417)**	**(132,042)**	**–**	**–**	**–**	**(566,459)**
Overall net exposure	**(535,799)**	**(131,834)**	**392,159**	**(10,669)**	**334,753**	**48,610**

As at 31 December 2013

	Expressed in HK$'000		
	Euro	RMB	Total
Available-for-sale financial assets	–	699,326	699,326
Other receivables	–	495	495
Cash and cash equivalent	–	98,350	98,350
Other payables	–	(27,343)	(27,343)
Borrowings	(273,408)	–	(273,408)
Overall net exposure	(273,408)	770,828	497,420

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

49.3 Foreign currency risk (continued)

The following table indicates the approximate change in the Group's profit for the year and investment revaluation reserve (due to the change in fair value of the available-for-sale financial assets) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between Group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower. A positive number below indicates an increase in profit and investment revaluation reserve where the HK$ strengthens against the relevant currency. For a weakening of the HK$ against the relevant currency, there would be an equal and opposite impact on the profit and investment revaluation reserve, and the balances below would be negative.

	2014			2013		
	Change in foreign exchange rates	Effect on profit for the year HK$'000	Effect on investment revaluation reserve HK$'000	Change in foreign exchange rates	Effect on profit for the year HK$'000	Effect on investment revaluation reserve HK$'000
Euro	+5%	(6,592)	–	+5%	(13,670)	–
	-5%	6,592	–	-5%	13,670	–
CHF	+5%	19,615	–	+5%	–	–
	-5%	(19,615)	–	-5%	–	–
GBP	+5%	(533)	–	+5%	–	–
	-5%	533	–	-5%	–	–
RMB	+5%	1,289	15,406	+5%	3,575	34,966
	-5%	(1,289)	(15,406)	-5%	(3,575)	(34,966)

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. In this respect, it is assumed that the pegged rate between the HK$ and the US$ would be materially unaffected by any changes in movement in value of the US$ against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit for the year and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2013.

49.4 Credit risk

The Group trades only with recognised and creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

49.4 Credit risk (continued)

As at 31 December 2014 and 2013, the Group's trade receivables relate to a large number of diversified customers and there is no significant concentration of credit risk.

Since the Group trades only with recognised and creditworthy parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, financial assets at fair value through profit or loss and short-term investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Credit risk on cash and cash equivalents is mitigated as cash is deposited in banks of high credit rating.

As at 31 December 2014, the maximum exposure to credit risk in respect of financial guarantees issued by the Group and the Company was HK$120,000,000 (2013: HK$120,000,000) and HK$212,200,000 (2013: HK$169,375,000) respectively, which represented the maximum amount the Group and the Company could be required to pay if the guarantees were called on.

49.5 Liquidity risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As at 31 December 2014 and 2013 the Group's and the Company's financial liabilities have contractual maturities which are summarised below:

Group

As at 31 December 2014

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Over 1 year HK$'000
Non-derivative financial liabilities				
Trade payables	358,839	358,839	358,839	–
Other payables and accruals	562,429	562,429	507,023	55,406
Dividend payable	1,492	1,492	1,492	–
Borrowings	824,677	865,922	367,986	497,936
Corporate bonds	764,914	892,001	27,728	864,273
Due to related companies	13,961	13,961	13,961	–
	2,526,312	2,761,187	1,413,580	1,347,607
Financial guarantee issued				
Maximum amount guaranteed	–	120,000	120,000	–

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

49.5 Liquidity risk (continued)

Group (continued)

As at 31 December 2013

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Over 1 year HK$'000
Non-derivative financial liabilities				
Trade payables	400,456	400,456	400,456	–
Other payables and accruals	417,483	417,483	368,546	48,937
Dividend payable	453	453	453	–
Borrowings	597,790	625,335	245,898	379,437
Due to associates	92,545	92,545	92,545	–
Due to related companies	12,821	12,821	12,821	–
	1,521,548	1,549,093	1,120,719	428,374
Financial guarantee issued				
Maximum amount guaranteed	–	120,000	120,000	–

Company

As at 31 December 2014

	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**Over 1 year HK$'000**
Non-derivative financial liabilities				
Other payables and accruals	**124,402**	**124,402**	**123,425**	**977**
Dividend payable	**1,492**	**1,492**	**1,492**	**–**
Borrowings	**566,460**	**613,977**	**140,396**	**473,581**
Due to a related company	**1,140**	**1,140**	**1,140**	**–**
	693,494	**741,011**	**266,453**	**474,558**
Financial guarantee issued				
Maximum amount guaranteed	**–**	**212,200**	**212,200**	**–**

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

49.5 Liquidity risk (continued)

Company (continued)

As at 31 December 2013

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Over 1 year HK$'000
Non-derivative financial liabilities				
Other payables and accruals	14,613	14,613	14,613	–
Dividend payable	453	453	453	–
Borrowings	289,408	302,954	21,799	281,155
Due to associates	85,000	85,000	85,000	–
	389,474	403,020	121,865	281,155
Financial guarantee issued				
Maximum amount guaranteed	–	169,375	169,375	–

The table that follows summarises the maturity analysis of borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts included interest payments computed using contractual rates. As a result, these amounts were greater than the amount disclosed in the "Within one year and on demand" time band in the maturity analysis above. Taking into account the Group's and the Company's financial positions, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Group

	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**Over 1 year but within 2 years HK$'000**	**Over 2 years HK$'000**
As at 31 December 2014	**115,368**	**131,638**	**126,887**	**2,306**	**2,445**
As at 31 December 2013	26,430	27,650	19,592	3,003	5,055

Company

	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**Over 1 year but within 2 years HK$'000**	**Over 2 years HK$'000**
As at 31 December 2014	**108,618**	**111,491**	**111,491**	**–**	**–**
As at 31 December 2013	16,000	16,496	16,496	–	–

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

49.6 Fair value risk

The fair value of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity. The fair values of non-current financial assets and liabilities were not disclosed because the carrying values were not materially different from their fair values.

49.7 Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as financial assets at fair value through profit or loss and available-for-sale financial assets. Other than unlisted equity investments held for strategic purposes, all of these investments are listed.

Decisions to buy or sell financial assets at fair value through profit or loss are based on daily monitoring of the performance of individual securities and other industry indicators, as well as the Group's liquidity needs. Listed investments held in the available-for-sale financial assets are based on their longer term growth potential and are monitored regularly for performance against expectations.

The following table indicates the approximate change in the Group's profit after income tax and consolidated equity in response to reasonably possible changes in the share prices of the listed investments classified as financial assets at fair value through profit or loss and available-for-sale financial assets to which the Group has significant exposure at the reporting date.

	2014		2013	
	Effect on profit after tax and retained profits HK$'000	**Effect on other comprehensive income and to the investment revaluation reserve HK$'000**	Effect on profit after tax and retained profits HK$'000	Effect on other comprehensive income and to the investment revaluation reserve HK$'000
Financial assets at fair value through profit or loss:				
Increase in share prices of the listed investments by 30% (2013: 30%)	**81,466**	**–**	64,291	–
Decrease in share prices of the listed investments by 30% (2013: 30%)	**(81,466)**	**–**	(64,291)	–
Available-for-sale financial assets at fair value:				
Increase in share price of the listed investment by 30% (2013: 30%)	**–**	**92,437**	–	209,798
Decrease in share price of the listed investment by 30% (2013: 30%)	**–**	**(92,437)**	–	(209,798)

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

49.8 Fair value measurements recognised in the consolidated statement of financial position

The fair values of the Group's financial assets and financial liabilities are determined as follows:

- the fair value of listed securities and available-for-sale financial assets are determined by reference to their quoted bid prices at the reporting dates and have been translated using the spot foreign currency rates at the end of the reporting periods where appropriate. The listed equity securities are denominated in HK$ and RMB.

- the fair value of derivative financial assets are marked to market using the foreign exchange forward rates ruling at the end of each reporting periods.

- the fair value of derivative financial liabilities is determined by the directors of the Company with reference to the valuation performed by Asset Appraisal Limited, an independent professionally qualified valuer, by using valuation techniques such as Black-Scholes Option Pricing Model and Binomial Option Pricing Model. These valuation techniques maximise the use of observable market data where it is available for all significant inputs and rely as little as possible on entity specific estimates.

- the fair value of contingent consideration payable is determined by the directors with reference to 2014 actual financial result of Dreyfuss Group.

The following table provides an analysis of financial assets and financial liabilities carried at fair value by level of fair value hierarchy.

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

	2014			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Available-for-sale financial assets				
– Listed	308,122	–	–	308,122
Listed securities designated at fair value through profit or loss	271,552	–	–	271,552
Derivative financial assets	–	1,653	–	1,653
	579,674	1,653	–	581,327
Liabilities				
Contingent consideration payable	–	–	10,669	10,669
Derivative financial liabilities	–	26,479	–	26,479
	–	26,479	10,669	37,148

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

49.8 Fair value measurements recognised in the consolidated statement of financial position (continued)

	2013			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Available-for-sale financial assets				
– Listed	699,326	–	–	699,326
Listed securities designated at fair value through profit or loss	214,302	–	–	214,302
	913,628	–	–	913,628
Liabilities				
Derivative financial liabilities	–	49,450	–	49,450

There have been no significant transfers between Levels 1 and 2 in the reporting period.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

The fair value of contingent consideration payable is Level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balances are provided as below.

	2014 HK$'000
Opening balance (Level 3 recurring fair value)	**–**
Acquisition of subsidiaries (note 47(a))	**65,180**
Change in fair value recognised in profit or loss during the year	**(54,511)**
Closing balance (Level 3 recurring fair value)	**10,669**

One of the key inputs to determine the fair value of contingent consideration payable is the actual financial result of Dreyfuss Group for the year ended 31 December 2014.

A better in 2014 actual financial result of Dreyfuss Group would result in an increase in the fair value measurement of contingent consideration payable, and vice versa.

50. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern;

(ii) to provide an adequate return to shareholders;

(iii) to support the Group's sustainable growth; and

(iv) to provide capital for the purpose of potential mergers and acquisitions.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the amount dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debts.

The capital-to-overall financing ratio at reporting date was as follows:

	2014 HK$'000	2013 HK$'000
Capital		
Total equity	**4,074,930**	4,562,044
Overall financing		
Borrowings	**824,677**	597,790
Corporate bonds	**764,914**	–
Due to associates	**–**	92,545
Due to related companies	**13,961**	12,821
	1,603,552	703,156
Capital-to-overall financing ratio	**2.54**	6.49

51. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2014 were approved and authorised for issue by the board of directors on 30 March 2015.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2014 **HK$'000**	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Continuing operations					
Revenue	**3,488,553**	3,176,423	2,240,304	1,465,276	800,604
Cost of sales	**(1,797,911)**	(1,697,584)	(1,022,583)	(637,042)	(307,030)
Gross profit	**1,690,642**	1,478,839	1,217,721	828,234	493,574
Other income and financial income	**150,825**	74,945	29,182	21,027	10,492
Selling and distribution expenses	**(926,387)**	(724,581)	(513,278)	(343,908)	(205,511)
Administrative expenses	**(698,077)**	(542,743)	(351,448)	(234,144)	(150,211)
Gain/(loss) on fair value changes in financial assets at fair value through profit or loss, net	**45,734**	(11,450)	2,056	10,947	6,669
Gain on fair value changes in contingent consideration payable	**54,511**	–	–	–	–
Gain on fair value changes in derivative financial instruments	**18,615**	12,093	6,187	–	–
Excess of fair value of the net identified assets over the cost of acquisition of subsidiaries	**–**	–	–	46,904	–
Net surplus on revaluation of investment properties	**3,078**	8,185	7,525	5,675	13,004
Dividend income from available-for-sale financial assets	**–**	30,965	17,169	6,551	5,172
Gain on disposal of available-for-sale financial assets	**163,542**	456,023	–	–	–
Gain on disposal of a subsidiary	**15,859**	–	–	–	–
Impairment loss on goodwill	**(49,395)**	–	–	–	–
Impairment loss on intangible assets	**(133,166)**	–	–	–	–
Share of profit of associates	**13,333**	12,134	13,499	1,991	6,979
(Loss)/gain on disposal of an associate	**–**	–	–	(4,952)	177,711
Finance costs	**(65,055)**	(36,554)	(14,894)	(4,331)	(1,811)
Profit before income tax	**284,059**	757,856	413,719	333,994	356,068
Income tax expense	**(121,027)**	(157,246)	(103,432)	(68,240)	(82,349)
Profit after income tax from continuing operations	**163,032**	600,610	310,287	265,754	273,719
Discontinued operations					
Profit from discontinued operations	**–**	–	–	16,036	7,063
Profit for the year	**163,032**	600,610	310,287	281,790	280,782

	Year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other comprehensive income					
Item that will not be subsequently reclassified to profit or loss					
– Remeasurement of defined benefit obligations	**(5,955)**	1,785	–	–	–
Items that may be subsequently reclassified to profit or loss					
– Exchange (loss)/gain on translation of financial statements of foreign operations	**(2,021)**	32,719	16,468	14,570	28,948
– Release of exchange fluctuation reserve to profit or loss upon disposal of a subsidiary	**(2,015)**	–	–	–	–
– Release of exchange fluctuation reserve to profit or loss upon disposal of a jointly controlled entity	**–**	–	–	(17,496)	–
– Share of other comprehensive income of associates	**(16)**	–	–	–	–
– Release of investment revaluation reserve upon disposal	**(163,542)**	(456,023)	–	–	–
– Changes in fair value of available-for-sale financial assets	**(11,533)**	94,418	601,480	(305,401)	(327,623)
Other comprehensive income for the year	**(185,082)**	(327,101)	617,948	(308,327)	(298,675)
Total comprehensive income for the year	**(22,050)**	273,509	928,235	(26,537)	(17,893)
Profit for the year attributable to:					
Owners of the Company	**132,005**	565,434	270,425	255,874	271,566
Non-controlling interests	**31,027**	35,176	39,862	25,916	9,216
	163,032	600,610	310,287	281,790	280,782
Total comprehensive income for the year attributable to:					
Owners of the Company	**(55,528)**	233,899	887,501	(54,105)	(27,672)
Non-controlling interests	**33,478**	39,610	40,734	27,568	9,779
	(22,050)	273,509	928,235	(26,537)	(17,893)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**6,732,878**	6,273,631	5,261,137	3,678,225	3,887,086
Total liabilities	**(2,657,948)**	(1,711,587)	(1,305,018)	(543,286)	(573,199)
Non-controlling interests	**(228,406)**	(246,965)	(167,098)	(76,550)	(29,105)
	3,846,524	4,315,079	3,789,021	3,058,389	3,284,782

SCHEDULE OF PRINCIPAL INVESTMENT PROPERTIES

As at 31 December 2014

Description	Group interest	Use	Tenure
Flat B, 21st Floor, Jolly Villa, No. 8 Tai Hang Road, Hong Kong and Car parking space No. 32 on 3rd Floor of the same building	100%	Residential	Medium term lease
Industrial Complex, including Dormitories in the Sixth Industrial Zone Houjie Town, Dongguan County Guangdong Province The People's Republic of China (the "PRC")	100%	Industrial/ Residential	Medium term lease
2nd Lower Ground Level Jin Hua Building Yan He South Road Luohu District, Shenzhen Guangdong Province The PRC	100%	Commercial	Medium term lease
Shops at Street Nos. 13, 14 and 15 New City Centre Plaza Garden Nos. 459, 461 and 463 Xiang Hua Road Zhuhai City Guangdong Province The PRC	100%	Commercial	Medium term lease

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

HON Kwok Lung (Chairman)
SHANG Jianguang
(Chief Executive Officer)
SHI Tao
LAM Toi Man
BI Bo
SIT Lai Hei
HON Hau Wong
TAO Li

Independent Non-executive Directors

FUNG Tze Wa
KWONG Chun Wai, Michael
LI Qiang
ZHANG Bin

AUDIT COMMITTEE MEMBERS

FUNG Tze Wa
KWONG Chun Wai, Michael
LI Qiang
ZHANG Bin

REMUNERATION COMMITTEE MEMBERS

FUNG Tze Wa
KWONG Chun Wai, Michael
LI Qiang
ZHANG Bin
HON Kwok Lung
SHANG Jianguang

NOMINATION COMMITTEE MEMBERS

HON Kwok Lung
SHANG Jianguang
FUNG Tze Wa
KWONG Chun Wai, Michael
LI Qiang
ZHANG Bin

QUALIFIED ACCOUNTANT & COMPANY SECRETARY

FONG Chi Wah

AUDITOR

BDO Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
China Merchants Bank Co., Ltd.
Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
UBS AG

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