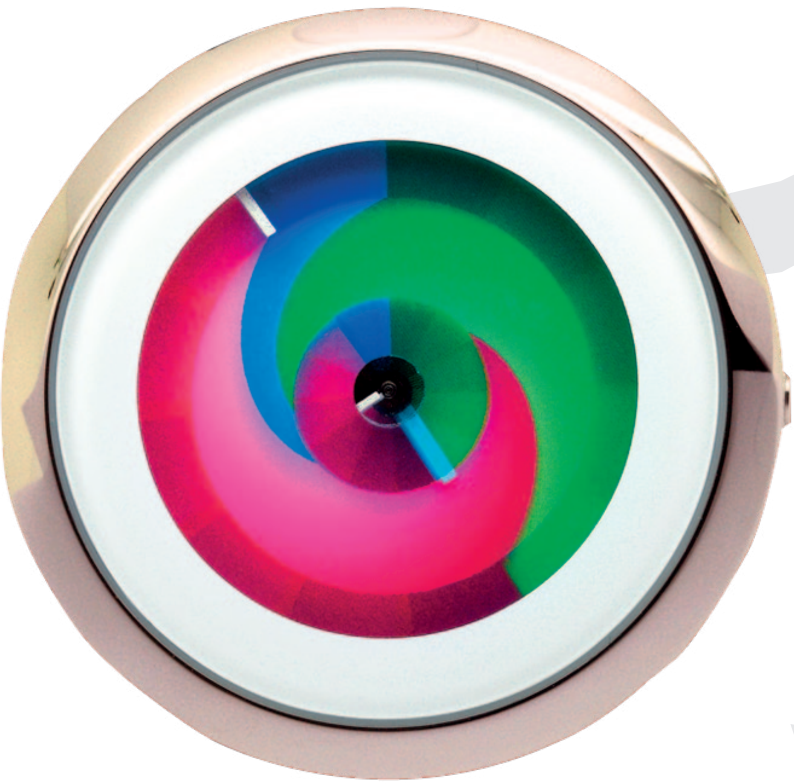
Time2U International Holding Limited
時間由你國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1327



2014 Annual Report

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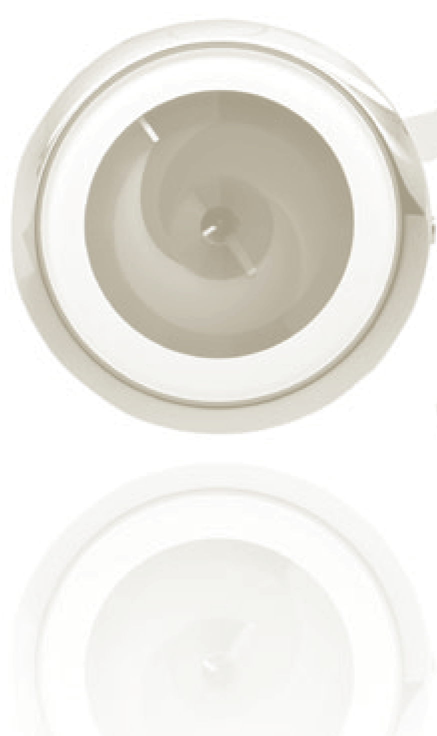

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lin Zhiqiang *(Chairman)*
Ms. Yan Xiaotong
Mr. Dang Shuguo
Mr. See Ching Chuen

Independent Non-Executive Directors

Mr. Chang Wei
Mr. Nie Xing
Mr. Yu Chon Man

COMPANY SECRETARY

Mr. Tsui Wing Tak FCPA, CPA (Aust)

COMMITTEES OF THE BOARD

Audit Committee

Mr. Yu Chon Man *(Chairman)*
Mr. Chang Wei
Mr. Nie Xing

Remuneration Committee

Mr. Nie Xing *(Chairman)*
Mr. Lin Zhiqiang
Mr. Chang Wei

Nomination Committee

Mr. Nie Xing *(Chairman)*
Mr. Chang Wei
Mr. See Ching Chuen

AUTHORISED REPRESENTATIVES

Mr. Lin Zhiqiang
Mr. Tsui Wing Tak

STOCK CODE

1327

COMPANY WEBSITE

www.time2u.com

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN PRC

Jinfeng Development Zone
Jinma Road
Zhangzhou City
Fujian Province
PRC

PRINCIPLE PLACE OF BUSINESS IN HONG KONG

9th Floor, ICBC Asia Building
122 Queen's Road Central
Central
Hong Kong

COMPLIANCE ADVISER

Cinda International Capital Limited
45th Floor, COSCO Tower
183 Queen's Road Central, Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31st Floor, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China Limited
China CITIC Bank Corporation Limited
Industrial and Commercial Bank Limited
Industrial Bank Co., Ltd
Xiamen International Bank Co., Ltd

A summary of the results and of the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements in this annual report and the Prospectus, is set out below:

RESULTS

	For the year ended 31 December			
	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**722,722**	580,446	460,807	330,243
Cost of sales	**(482,077)**	(391,697)	(312,656)	(228,038)
Gross profit	**240,645**	188,749	148,151	102,205
Other income and gain	**2,064**	1,621	1,243	1,771
Selling and distribution expenses	**(37,211)**	(30,424)	(25,369)	(19,583)
Administrative expenses	**(36,970)**	(30,584)	(36,845)	(16,964)
Share of loss on an associate	**(1,003)**	(1,020)	–	–
Finance costs	**(6,536)**	(12,727)	(12,762)	(11,564)
Profit before taxation	**160,989**	115,615	74,418	55,865
Taxation	**(43,207)**	(30,870)	(22,747)	(14,204)
Profit for the year	**117,782**	84,745	51,671	41,661
Profit/(loss) for the year attributable to:				
Owners of the Company	**115,165**	85,227	51,675	41,661
Non-controlling interests	**2,617**	(482)	(4)	–
	117,782	84,745	51,671	41,661

ASSETS AND LIABILITIES

	As at 31 December			
	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**532,620**	545,293	465,676	410,524
Total liabilities	**(107,571)**	(253,989)	(255,126)	(252,968)
Total equity	**425,049**	291,304	210,550	157,556

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Time2U International Holding Limited (the "Company"), I am delighted to present the first annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014 ("FY 2014") since the listing of the Company's shares ("Shares") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 January 2015 (the "Listing Date").

RESULTS

The Group's net profit for FY 2014 amounted to approximately RMB117.8 million, representing an increase of approximately RMB33.1 million as compared with approximately RMB84.7 million for the corresponding year ended 31 December 2013 ("FY 2013"). The increase was mainly attributable to increase in sales volume of our branded watches, and the increase in demand for our original equipment manufacturing ("OEM") watches.

DIVIDEND PAYMENT

The Board do not recommend the payment of any dividend for the year ended 31 December 2014.

OUTLOOK AND FUTURE PROSPECTS

The Group is a domestic watch brand-owner of economical quartz analogue watches and an OEM manufacturer of quartz analogue watches in the PRC. The Group have two principal lines of business operations, namely the design, production and assembly of watches for our OEM customers and the design, manufacture and sale of watches under the brand namely Time2U, Jonquet and sub-brand namely Color.

The Group has been listed successfully on the Stock Exchange since 30 January 2015 which enhanced the Group's reputation, strengthened the corporate governance and compliance management, as well as established a good foundation for its further expansion.

The global quartz watch retail market is predicted to grow at a slow pace from 2014 to 2016. With the intensifying competition in quartz watch market, the Group will continue its focus on expansion our branded watches business operation domestically and internationally by intensifying our marketing activities to promote our brand awareness as well as establishment of comprehensive on-line sales platform.

Going forward, strengthening our core competitiveness by improving our watch design and development capabilities through enhancing the design knowledge of existing design team and recruitment of additional talents as well as establishing mould design and fabrication centre for production of moulds in-house. Aligned with upgrading our manufacturing facilities and equipment to improve our production efficiency and capacities. In this way, the Company's financial performance can be strengthened and optimal benefits will be brought to its shareholders.

APPRECIATION

I would like to take this opportunity to express my gratitude to the Board for its brilliant leadership, to the Shareholders for their strong support, and to the community for their enthusiastic help, and last but not least, to our staff for their dedicated efforts.

Lin Zhiqiang
Chairman

Hong Kong, 30 March 2015

FINANCIAL REVIEW

Revenue

Our revenue increased by RMB142.3 million or 24.5% from RMB580.4 million for the year ended 31 December 2013 to RMB722.7 million for the year ended 31 December 2014. The increase in revenue was mainly attributable to increase in sales volume of our branded watches, and the increase in demand for our OEM watches.

Cost of sales

Our cost of sales increased by RMB90.4 million or 23.1% from RMB391.7 million for the year ended 31 December 2013 to RMB482.1 million for the year ended 31 December 2014. The increase primarily reflected the increase in revenue by 24.5% for the year.

Gross profit and gross profit margin

Our gross profit increased by RMB51.9 million or 27.5% from RMB188.7 million for the year ended 31 December 2013 to RMB240.6 million for the year ended 31 December 2014 which was in line with the increase in its revenue mainly due to the increase in overall sales volume of its products. Our overall gross profit margin also slightly increased from 32.5% for the year ended 31 December 2013 to 33.3% for the year ended 31 December 2014. The increase was mainly attributable to the improvement in gross profit margin of our OEM watches, as we tended to accept more profitable OEM orders and focused our resources in developing our branded watches.

Other income and gain

Our other income and gain increased by RMB0.5 million or 31.3% from RMB1.6 million for the year ended 31 December 2013 to RMB2.1 million for the year ended 31 December 2014. The increase was primarily attributable to a number of one-off government grants we received for the year.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB6.8 million or 22.4% from RMB30.4 million for the year ended 31 December 2013 to RMB37.2 million for the year ended 31 December 2014. The increase was primarily attributable to the increase in salaries and staff benefits by RMB1.0 million as a result of (i) the increase in number of our sales and marketing staff; and (ii) the increase in delivery expenses driven by the increase in sales volume for the year.

Administrative expenses

Our administrative expenses increased by RMB6.4 million or 20.9% from RMB30.6 million for the year ended 31 December 2013 to RMB37.0 million for the year ended 31 December 2014. The increase was a combined result of (i) the increase in listing expenses by RMB3.9 million which mainly reflected the progress of our Listing; (ii) the increase in salaries and staff benefits by RMB1.9 million primarily as a result of the increase in headcount of management, human resources, administrative and finance staff; and partially offset by the decrease in bank handling charges incurred since we had less bank borrowings during the year.

Share of loss on an associate

Our share of loss on an associate remained stable at approximately RMB1.0 million for the year ended 31 December 2013 and 31 December 2014, which primarily reflected the loss recognised by Temps de Mode Limited for the years.

Finance costs

Our finance costs decreased by RMB6.2 million or 48.8% from RMB12.7 million for the year ended 31 December 2013 to RMB6.5 million for the year ended 31 December 2014. The decrease was primarily attributable to decrease in borrowings during the year ended 31 December 2014.

Profit before taxation

As a result of the foregoing, our profit before taxation increased by RMB45.4 million or 39.3% from RMB115.6 million for the year ended 31 December 2013 to RMB161.0 million for the year ended 31 December 2014.

Taxation

Our income tax expenses increased by RMB12.3 million or 39.8% from RMB30.9 million for the year ended 31 December 2013 to RMB43.2 million for the year ended 31 December 2014. The increase was primarily attributable to the increase in our profit before taxation by approximately RMB45.4 million as a result of the foregoing. Our effective tax rate was relatively stable at 26.7% and 26.8% for the years ended 31 December 2013 and 31 December 2014, respectively.

Profit for the year

As a result of the foregoing, profit for the year increased by RMB33.1 million or 39.1% from RMB84.7 million for the year ended 31 December 2013 to RMB117.8 million for the year ended 31 December 2014. Our net profit margin also increased from 14.6% for the year ended 31 December 2013 to 16.3% for the year ended 31 December 2014. The increase was primarily due to the improvement in gross profit margin of our OEM watches, as we tended to accept more profitable OEM orders and focused our resources in developing our branded watches.

FINANCIAL POSITION

The Group funded its liquidity and capital requirements primarily through cash inflows from operating activities and bank borrowings.

As at 31 December 2014, the Group's total cash and bank balances were approximately RMB82.8 million (31 December 2013: approximately RMB85.6 million), most of which are held in RMB. The current ratio (defined as current assets divided by current liabilities) of the Group increased from 1.2 times as at 31 December 2013 to 2.7 times as at 31 December 2014. The gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) of the Group declined from approximately 62.2% as at 31 December 2013 to approximately 6.1% as at 31 December 2014.

USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING ("IPO")

The net proceeds from the Company's IPO (after deducting the underwriting fees and related expenses) amounted to approximately HK$134.4 million, which are intended to be applied in the manner as disclosed in the prospectus of the Company dated 20 January 2015 (the "Prospectus").

	Amount utilised as at the date of this report (HK$'000)	Amount unutilised as at the date of this report (HK$'000)
– Marketing activities for branded watches in the domestic market	255.9	41,544.1
– Further developing on-line retail stores for branded watches	2,073.1	20,126.9
– International expansion of sales network	3,164.2	14,335.8
– Upgrading existing watch components	2,133.7	24,466.3
– Addition of more technologically advanced machines and equipment	14.6	10,485.4
– Strengthening core competitiveness by improving watch design and development capabilities	1,476.6	14,323.4
	9,118.1	125,281.9

The unutilised net proceeds are placed in the bank accounts of the Group.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During FY 2014, there was no acquisition or disposal of subsidiaries and associated companies by the Company save as disclosed in the Prospectus.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group had a total of 1,611 (2013: 1,551) employees. The total remuneration costs incurred by the Group for the FY 2014 were approximately RMB60.6 million (2013: approximately RMB50.7 million). We review the performance of our employees annually and use the results of such review in our annual salary review and promotion appraisal, in order to attract and retain valuable employees. The Company adopted a share option scheme to enable it to grant share options to, among others, selected eligible employees as incentive or reward for their contributions.

DEBTS AND CHARGE ON ASSETS

The Group had total bank borrowings of approximately RMB26.1 million as at 31 December 2014, while that as at 31 December 2013 was approximately RMB181.2 million. These bank borrowings are secured by the Group's assets with an aggregate carrying amount of approximately RMB21.2 million and RMB60.3 million as at 31 December 2014 and 31 December 2013 respectively.

FOREIGN CURRENCY RISK

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and United States dollars ("USD"). During the year ended 31 December 2014, the Group has not entered into any hedging arrangements. However the management will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

SIGNIFICANT INVESTMENT

Save as described in this annual report, there was no other significant investment during the year.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 December 2014 and 31 December 2013.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2014 and 31 December 2013.

FINAL DIVIDENDS

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

EVENT AFTER THE END OF THE REPORTING PERIOD

On 30 January 2015, the Company issued a total of 260,000,000 ordinary shares, HK$286,000,000 each at a price of HK$1.1 per share as a result of the completion of the IPO.

The Directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the manufacture and sales of own-branded watches, OEM watches and third-party watches. Details of the principal activities of the principal subsidiaries are set out in note 36 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2014.

The Group's revenue for the year is principally attributable to manufacturing, trading and retailing of watches. An analysis of the revenue from the principal activities during the year is set out in the section headed "Management Discussion and Analysis" in the annual report and note 8 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Company and the Group as at that date are set out in the consolidated statement of profit or loss and other comprehensive income on page 30 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 34 of this annual report and in note 29 to the consolidated financial statements, respectively. The Company's reserves available for distribution to Shareholders are set out in note 29 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the Directors' best knowledge as at the latest practicable date prior to the issue of this annual report, the Company has maintained the prescribed public float as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the Listing Date and up to the date of this report.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Company's articles of association although there are no restrictions against such rights under the law in the Cayman Islands.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holdings in the Shares.

BORROWINGS

Details of borrowings of the Group as at 31 December 2014 are set out in note 27 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of turnover of the Group attributable to the largest customer and the five largest customers in aggregate are 10.4% and 31.0% respectively. The percentage of purchases of the Group attributable to the largest supplier and the five largest suppliers in aggregate are 7.8% and 34.3% respectively. None of the Directors, their associates or any shareholders (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had an interest in the five major customers or suppliers of the Group.

DIRECTORS

The Directors of the Company during the year and up to the date of this annual report were:

Executive Directors

Lin Zhiqiang *(Chairman)*
Yan Xiaotong *(Chief Executive Officer)*
Dang Shuguo
See Ching Chuen (appointed on 4 March 2015)

Independent Non-Executive Directors

Chang Wei (appointed on 19 December 2014)
Nie Xing (appointed on 19 December 2014)
Yu Chon Man (appointed on 19 December 2014)

In accordance with articles 84 of the articles of association of the Company, the following Directors, namely, Messrs. Mr. Lin Zhiqiang, Ms. Yan Xiaotong, and Mr. Chang Wei, will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, would offer themselves for re-election.

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 16 to 19 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Except of Mr. See Ching Chuen, each of the executive Directors has entered into a service agreement with the Company for an initial term of three years with effect from the Listing Date unless terminated by not less than three months' notice in writing served by either the Director or the Company. All executive Directors are also entitled to a salary plus a discretionary bonus which shall be recommended by the remuneration committee of the Board and as approved by the majority of the Board. The aggregate amount of discretionary management bonuses payable to the Directors in respect of any financial year shall be subject to the approval by the Company's shareholders in general meeting and shall not exceed five percent of the audited consolidated net profits of the Group (after taxation and minority interests but before extraordinary and exceptional items) of the same financial year.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of two years with effect from the Listing Date unless terminated by not less than one months' notice in writing served by either the independent non-executive Director or the Company. Save for their remuneration, none of the independent non-executive Directors is expected to receive any other emoluments for holding their office as an independent non-executive Director.

Apart from the foregoing, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' EMOLUMENTS

Details of Directors' emoluments on a named basis are set out in note 13 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 30 January 2015. Summary of the principal terms of the Share Option Scheme was disclosed in the Prospectus.

The total number of securities available for issue under the Share Option Scheme as at the date of this report was 80,000,000 shares which represented approximately 10% of the issued share capital of the Company as at the date of this report. No option had been granted or agreed to be granted as at the date of this report.

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ADOPTED CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code since the Listing Date and up to the date of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at the date of this report, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to Section 352 of the SFO or the Model Code as contained in Appendix 10 to the Listing Rules, were as follows:

Long position in issued ordinary shares of the Company

Name	Capacity	Number of Shares	Approximate percentage of shareholding
Mr. Lin Zhiqiang ("Mr. Lin")	Interest in controlled corporation (Note)	448,367,020	56.05%
Ms. Yan Xiaotong ("Ms. Yan")	Interest in controlled corporation (Note)	448,367,020	56.05%

Note: These Shares are held by Visual Wise Limited (the "Visual Wise"), which is owned by Mr. Lin as to 62% and by Ms. Yan as to 38%. Mr. Lin and Ms. Yan are spouses to each other and they are deemed to be interested in the shares in which his/her spouse is interested.

Save as disclosed above, as at the date of this report, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the date of this report, the following persons had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in issued ordinary shares of the Company

Name	Capacity	Number of Shares	Approximate percentage of shareholding
Visual Wise	Beneficial owner	448,367,020	56.05%
Mr. Lin	Interest in controlled corporation (Note)	448,367,020	56.05%
Ms. Yan	Interest in controlled corporation (Note)	448,367,020	56.05%

Note: These Shares are held by Visual Wise, which is owned by Mr. Lin as to 62% and by Ms. Yan as to 38%. By virtue of the SFO, Mr. Lin and Ms. Yan are deemed to be interested in the Shares held by Visual Wise.

Save as disclosed above, as at the date of this report, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than disclosed in "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executive or their respective associates, of the Company to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any associated corporation and none of the Directors and chief executive, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group for the year ended 31 December 2014 are disclosed in note 35 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTIONS

Pursuant to a tenancy agreement (the "Tenancy Agreement") dated 22 July 2014 and entered into between Fujian Hongbang Electronics Co., Ltd. ("Hongbang Electronics") as lessor and our indirect wholly-owned subsidiary, Zhangzhou Hongyuan Watch Industry Co., Ltd. ("Zhangzhou Hongyuan") as lessee, Hongbang Electronics agreed to lease to Zhangzhou Hongyuan warehouses situated at Jinfeng Industrial Zone, Xiangcheng District, Zhangzhou City, Fujian Province, the PRC (the "Premises") with a gross floor area of 5,992.08 sq.m., for a term commencing on 1 July 2014 and terminating on 30 June 2017 at a quarterly rent of RMB107,857.4 (equivalent to a monthly rent of RMB35,952) (exclusive of management fee and other outgoings). During the year ended 31 December 2014, our Group leased from Hongbang Electronics certain premises as part of our production sites and warehouses at Jinfeng Industrial Zone, of which the Premises form part. In July 2014, we completed the relocation of all our production facilities from the leased premises to the self-owned portion of our factory complex, and the Premises has since been used as warehouses only. We will continue to use the Premises as warehouses.

Hongbang Electronics is a limited liability company established in the PRC and was owned by Mr. Lin as to 69.64% and by Ms. Yan as to 30.36% until 8 August 2014. After certain share transfers Hongbang Electronics is currently owned by Mr. Hu Yijie as to 80% and by an Independent Third Party as to 20%. As Mr. Hu Yijie is an uncle of Mr. Lin, an executive Director and a substantial shareholder of our Company, Hongbang Electronics is a connected person of our Company for the purpose of Chapter 14A of the Listing Rules. Thus, the leasing of premises from Hongbang Electronics will constitute continuing connected transaction for our Company. However, it will be fully exempt from the annual reporting, annual review, announcement, circular and shareholders' approval requirements stipulated under the Listing Rules because the continuing connected transaction is conducted on normal commercial terms and all the percentage ratios (other than the profits ratio) (as defined in the Listing Rules) are less than 0.1%.

Details of the exempted continuing connected transactions are as stated in the Prospectus. For the year ended 31 December 2014, the aggregate annual value of rent payable to Hongbang Electronics is RMB599,000.

DIRECTORS' INTERESTS IN CONTRACTS

Save for the service contracts and letters of appointment entered with respective Directors and disclosed under the section "Continuing Connected Transactions" above, no Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party at any time during the year ended 31 December 2014.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

The Company has received annual confirmation from the controlling shareholders, in respect of its compliance with the non-competition undertaking provided in favour of the Company. The independent non-executive Directors have reviewed the said undertaking and are of the view that the controlling shareholders have complied with the non-competition undertaking since the Listing Date up to the date of this report.

COMPETING INTEREST

None of the Directors or the Controlling Shareholders had an interest in a business which competes or may compete with the business of the Group.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors, namely Mr. Chang Wei, Mr. Nie Xing and Mr. Yu Chon Man has confirmed to the Company their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities from the Listing Date up to the date of this report.

AUDITOR

HLB Hodgson Impey Cheng Limited retires and, being eligible, offers itself for re-appointment. A resolution for the reappointment of HLB Hodgson Impey Cheng Limited as the auditor of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Lin Zhiqiang
Chairman

Hong Kong, 30 March 2015

EXECUTIVE DIRECTORS

Mr. Lin Zhiqiang (林志強先生), aged 47, is an executive Director and the chairman of our Company. He is responsible for the overall strategic planning and business development of our Group. He was appointed as the chairman of our Board and an executive Director with effect from July 2014. Mr. Lin is the spouse of Ms. Yan Xiaotong, the chief executive officer of our Company and an executive Director.

Mr. Lin is one of the founders of our Group. He has accumulated approximately 20 years of experience in the watch industry. Mr. Lin holds several social titles including the vice chairman of the tenth council of Fujian Youth Entrepreneurs' Association (福建省青年企業家協會), the honourary chairman of the ninth council of Zhangzhou Youth Entrepreneurs' Association (漳州市青年企業家協會), the executive director of the sixth chamber of the Youth Council of Fujian Province (福建省青年商會), the vice chairman of the first council of the Enterprises and Entrepreneurs Association of Xiangcheng District, Zhangzhou City (漳州市薌城區企業與企業家聯合會), a member of the 12th Chinese People's Political Consultative Conference in Zhangzhou City of Fujian Province and a member of the National Technical Committee on Watch Standardisation Administration (SAC/TC160) (全國鐘錶標準化技術委員會 (SAC/TC160)) and the Subcommittee on Wristwatch of National Technical Committee on Watch Standardisation Administration (SAC/TC160/SC2) (全國鐘錶標準化技術委員會手錶分技術委員會 (SAC/TC160/SC2)). Mr. Lin graduated from Zhangzhou No. 1 Secondary Vocational School of Fujian Province (福建省漳州第一職業中專學校) in art in July 1985 and he completed a postgraduate course in the Economic and Law Department of Fujian Normal University (福建師範大學) with a diploma in economic and political science in December 1998. In December 2007, Mr. Lin completed the Senior Research Study on Watch Design (鐘錶外觀設計高級研修班) held by the China Horologe Association (中國鐘錶協會).

Ms. Yan Xiaotong (嚴曉彤女士), aged 47, is an executive Director and the chief executive officer of our Company. She is primarily responsible for the overall strategic planning, business development and administrative management of our Group. She was appointed as the chief executive officer of our Company and an executive Director with effect from July 2014. Ms. Yan is the spouse of Mr. Lin Zhiqiang, the chairman of our Company and an executive Director.

Ms. Yan is one of the founders of our Group. She has accumulated approximately 20 years of experience in the watch industry. Ms. Yan graduated from Zhangzhou Secondary Vocational School of Fujian Province (福建省漳州市職業中學) in art in July 1985.

Mr. Dang Shuguo (黨書國先生), aged 42, is an executive Director of our Company. He is primarily responsible for the brand promotion and e-commerce of our Group. He was appointed as an executive Director with effect from July 2014. Mr. Dang has over 16 years of experience in the brand promotion industry. He joined our Group in August 2011 as a deputy manager responsible for our brand promotion in the PRC. Mr. Dang received a bachelor's degree in sociology and management from Peking University in July 1996.

Mr. See Ching Chuen (施清泉先生), aged 53, is an executive Director of our Company. He was appointed as an executive Director with effect from March 2015. He has more than 17 years' experience in management and business strategic planning. He was an executive director of a company listed on the Growth Enterprise Market of The Stock Exchange, namely Longlife Group Holdings Limited (currently known as Rui Kang Pharmaceutical Group Investments Limited) (stock code: 8037) from June 2012 to May 2013. Mr. See has been the shareholder and director of Han Telecom Company Limited since 1997.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chang Wei (常偉先生), aged 37, is an independent non-executive Director, who was appointed in December 2014, and responsible for overseeing the management of our Group independently. Mr. Chang has over eight years of experience in the publication industry. Since 2006, Mr. Chang has been the legal representative of Zhongxingshi (Beijing) International Advertising Co., Ltd. (中興時(北京)國際廣告有限公司). He has been a member of the Committee of Collection and Research of China Horologe Association (中國鐘錶協會收藏研究委員會) and the Beijing Association of Collectors (北京收藏家協會) since 2013 and 2005, respectively. He is also the author of "Thirty Lectures on Horologe Collections" (《鐘錶收藏知識30講》), "China and Horologe" (《中國與鐘錶》) and "Appreciation of Well-known Watches" (《名錶名鑑》), which were first published in 2005 and subsequently published in 2009 and 2013. Mr. Chang completed the course of marketing and obtained the diploma from Shanxi Industrial and Commercial Training Institute (山西工商專修學院) in July 2000.

Mr. Nie Xing (聶星先生), aged 50, is an independent non-executive Director, who was appointed in December 2014, and responsible for overseeing the management of our Group independently. Mr. Nie has over 10 years of management experience. Mr. Nie became the deputy chief operating officer of China Culiangwang Beverages Holdings Limited (中國粗糧王飲品控股有限公司) (Stock Code: 904) (formerly known as China Green (Holdings) Limited (中國綠色食品(控股)有限公司)), a company listed on the Stock Exchange specialised in green food business, in June 2001 and was subsequently appointed as an executive director in November 2008. Mr. Nie resigned from the office of executive director in November 2013 but remains the deputy chief operating officer of such company. He was an executive director of such company from 2008 to 2013. From 2003 to 2008, Mr. Nie was an independent director of Guomai Technologies Inc. (國脈科技股份有限公司), a telecom outsourcing service provider listed on the Shenzhen Stock Exchange. Since 2008, Mr. Nie has been an independent non-executive director of China Lilang Limited (中國利郎有限公司) (Stock Code: 01234), a men's clothing company listed on the Stock Exchange. Mr. Nie has been the chairman of Xiamen Juxin Investment Co., Ltd. (廈門颶鑫投資有限公司), an investment company in the PRC, since 2010. Mr. Nie received a bachelor's degree in economics from the Jiangxi College of Finance and Economics (江西財經學院) (subsequently renamed as Jiangxi University of Finance and Economics (江西財經大學)) in July 1986 and received a master's degree in business administration from the Open University of Hong Kong through distance learning in December 2000.

Mr. Yu Chon Man (余俊敏先生), aged 37, is an independent non-executive Director, who was appointed in December 2014, and responsible for overseeing the management of our Group independently. Mr. Yu has over 13 years of experience in the accounting and finance industry. He has been the financial controller, qualified accountant and company secretary of China Singyes Solar Technologies Holdings Limited (中國興業太陽能技術控股有限公司) (stock code: 750), a company listed on the Stock Exchange specialised in the manufacture and sale of solar power products, since June 2008 and responsible for its financial reporting and general investor affairs. He was an independent non-executive Director of the Sky Forever Supply Chain Management Group Limited (宇恒供應鏈集團有限公司) (stock code: 8047) (formerly known as Rising Power Group Holdings Limited (昇力集團控股有限公司)), a company listed on the Stock Exchange specialised in supply chain management, from June 2014 to July 2014. He has been an independent non-executive director of Winto Group (Holdings) Limited (stock code: 8238), a magazine publishing group since January 2015. Mr. Yu received a bachelor's degree in accountancy from the Hong Kong Polytechnic University in November 2001. He has been a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants since December 2004 and July 2005, respectively.

SENIOR MANAGEMENT

Mr. Tsui Wing Tak (徐永得先生), aged 46, is the chief financial officer of our Group and the company secretary of our Company. He is responsible for the financial reporting and investors' relationship matters of our Group. He was appointed as the chief financial officer of our Group and the company secretary of our Company with effect from July 2014. Mr. Tsui has over 20 years of experience in corporate finance and accounting. Mr. Tsui received a bachelor's degree in economics from Macquarie University, Australia in September 1992. He has been a fellow of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia since July 2010 and November 1995, respectively.

Mr. Hu Mingquan (胡明全先生), aged 36, is the deputy general manager of Zhangzhou Hongyuan. He is responsible for the sales and marketing of our Group. He was appointed as the deputy general manager of Zhangzhou Hongyuan with effect from January 2013. Mr. Hu joined our Group in August 2002 as a sales staff. Accordingly, he has over 12 years of experience in sales and marketing in the watch industry. Mr. Hu received a bachelor's degree in business management from Beijing Technology and Commerce University (北京工商大學) in June 2000.

Ms. Wu Xiaoxiang (吳曉湘女士), aged 34, is the deputy general manager of Zhangzhou Hongyuan. She is responsible for the watch design of our Group. She was appointed as the deputy general manager of Zhangzhou Hongyuan with effect from March 2013. Ms. Wu joined our Group in March 2003 as a watch designer. Accordingly, she has over 11 years of experience in the watch industry. Ms. Wu graduated from Zhangzhou No.1 Secondary Vocational School of Fujian Province (福建省漳州第一職業中專學校) in decorating and design in July 1999.

Mr. Li Yaxiang (李亞祥先生), aged 40, is the deputy general manager of Zhangzhou Hongyuan. He is responsible for the manufacturing operation of our Group. He was appointed as the deputy general manager of Zhangzhou Hongyuan with effect from December 2012. Mr. Li has over 16 years of experience in the watch manufacturing industry. Mr. Li graduated with a diploma in mould from Jimei School of Light Industry (集美輕工學院) in August 1991.

Mr. Zheng Yuetong (鄭月通先生), aged 33, is the financial manager of Zhangzhou Hongyuan. He is responsible for managing the financial affairs of our Group. He was appointed as the finance manager of Zhangzhou Hongyuan with effect from July 2012. Mr. Zheng joined our Group in May 2012. Mr. Zheng has over 10 years of experience in the finance and accounting industry. Mr. Zheng received a bachelor's degree in economics from Jimei University (集美大學) in July 2004.

The Company is committed to adopting and maintaining a high standard of corporate governance practices and procedures. The Company has adopted and complied with the code provisions (the "Code Provisions") contained in the Corporate Governance Code set out in Appendix 14 to the Listing Rules (the "Corporate Governance Code"). The Company was listed on the Stock Exchange on 30 January 2015.

THE BOARD

The Board is responsible for managing the Company on behalf of shareholders. The Board is of the view that it is the Directors' responsibilities to create value for shareholders and safeguard the best interests of the Company and the shareholders by discharging its duties in a dedicated, diligent and prudent manner on the principle of good faith. The management is delegated by the Board to execute these business strategies and directions and is responsible for the daily operations of the Group.

The Board comprises 7 Directors, including 4 executive Directors, and 3 independent non-executive Directors, in compliance with the requirement of Listing Rules which states that every board of Directors of an issuer must include at least 3 independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

Except that Mr. Lin Zhiqiang and Ms. Yan Xiaotong are married couple, there is no relationship, including financial, business, family or other material/relevant relationship(s) between members of the Board and the Chairman of the Company.

The primary functions of the Board include:

- deciding on the overall strategies, overseeing operational and financial performance and formulating appropriate policies to manage risk exposure associated with realising the strategies and goals of the Group;
- overseeing the corporate governance functions of the Company and being held accountable for the internal control system of the Company and responsible for reviewing its effectiveness;
- being ultimately responsible for preparing financial accounts and discussing the performance, financial conditions and prospects of the Company in a balanced, clear and comprehensible manner. These responsibilities are applicable to interim and annual reports of the Company, other inside information announcements published according to the Listing Rules and disclosure of other financial information, reports submitted to regulatory bodies and information discloseable under statutory requirements;
- whilst executive Directors/chief executives, who oversee the overall business of the Company, are responsible for the daily operations of the Company, the Board is responsible for affairs involving the overall policies, finance and shareholders of the Company, namely financial statements, dividend policy, significant changes to accounting policies, annual operating budgets, material contracts, major financing arrangements, principal investment and risk management strategy;
- the management is well informed of its power with clear guidelines and instructions, in particular regarding situations under which reporting to the Board is necessary and matters that require the approval of the Board before any decisions or commitments can be made on behalf of the Company; and
- regularly reviewing its own functions and the powers conferred upon executive Directors/chief executives to ensure appropriate arrangements are in place.

COMMITMENTS

The full Board should meet at least four times a year, at approximately quarterly intervals, to review the financial performance, results of each period, material investments and other matters of the Group that require the resolution of the Board. Simultaneous conference call may be used to improve attendance when individual Director cannot attend the meeting in person. Opinions of independent non-executive Directors are actively sought by the Company if they are unable to attend the meeting in person.

EXPERIENCE

Executive Directors possess administrative leadership, diversified expertise and extensive industrial management experience. Independent non-executive Directors possess extensive expertise, experience and judging capability in various fields, in particular the appropriate accounting qualifications possessed by Mr. Yu Chon Man. During its decision-making process, the Board holds in high regard the views of the independent non-executive Directors, who serve as the effective direction of the Group's operations.

BOARD MEETING

From the Listing Date and up to the date of this annual report, one Board meeting was held and the attendance records of individual Directors are set out below:

	Attendance/ Number of meetings
Executive Directors	
Mr. Lin Zhiqiang	1/1
Ms. Yan Xiaotong	1/1
Mr. Dang Shuguo	1/1
Mr. See Ching Chuen	1/1
Independent Non-Executive Directors	
Mr. Chang Wei	1/1
Mr. Nie Xing	1/1
Mr. Yu Chon Man	1/1

CODE FOR DEALING IN SECURITIES OF THE COMPANY

The Company has adopted a model code of practice for securities dealings by Directors on terms no less exacting than the required standard of dealings as set out in the Model Code. The Company has confirmed, after making specific enquiries with the Directors in accordance with the code of practice, that all the Directors have complied with the Model Code since the Listing Date.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under A.2.1 of the Code Provisions, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Concurrently, Mr. Lin Zhiqiang is the chairman of the Board and Ms. Yan Xiaotong is the chief executive officer of the Company.

The roles of the chairman and the chief executive officer are clearly defined and segregated to ensure independence and proper checks and balances. Mr. Lin Zhiqiang, as chairman of the Board, is responsible for the strategic development and planning of the Group. Ms. Yan Xiaotong, as the chief executive officer, is responsible for the overall management of the business operations of the Group.

APPOINTMENT OF DIRECTORS

During their terms of office, the Directors all carried out their work in a dedicated, diligent and proactive manner with reasonable prudence. Meanwhile, they carried out the duties of directors imposed by the relevant company laws of the Cayman Islands and Hong Kong, the articles of association of the Company and the Listing Rules, complied with the relevant requirements, strictly implemented resolutions of general meetings, promoted the continuous and healthy development of the Company's operations, oversaw the corporate governance of the Company, pressed for the improvement of the governance standard of the Company and exerted the decisionmaking function of the Board in its full swing. None of the independent non-executive Directors holds any other offices in the Company or any of its subsidiaries. Within the meaning of the laws and regulations issued by relevant securities regulatory authorities, none of the independent non-executive Directors is interested in any shares of the Company. The Company has received from each of the independent non-executive Directors a written confirmation of his independence under Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Names and biography of the Directors are set out on pages 16 to 19 of this annual report.

AUDIT COMMITTEE

The Company established an audit committee on 19 December 2014 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Corporate Governance Code. The duties of the audit committee include, without limitation, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of the Group's financial statements, annual report and accounts and half-year report, and reviewing significant financial reporting judgments contained therein; (c) reviewing the Group's financial control, internal control and risk management systems; and (d) reviewing reports made by the corporate guarantee committee of the Group. The audit committee consists of Mr. Yu Chon Man, Mr. Chang Wei, Mr. Nie Xing. Mr. Yu Chon Man is the chairman of the audit committee.

Details of attendance of members at meetings of the audit committee held from the Listing Date to the date of this report are set out as follows:

	Attendance/ Number of meetings
Mr. Yu Chon Man	1/1
Mr. Chang Wei	1/1
Mr. Nie Xing	1/1

INTERNAL CONTROLS

The Directors have conducted an annual review of the effectiveness of the system of internal control of the Company and its subsidiaries, which has covered major and material controls in areas of financial, operations, compliance and risk management of the Company. The Directors consider that the internal control system is effective and adequate.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 19 December 2014 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The duties of the remuneration committee, under the principle that no Director should be involved in deciding his own remuneration, include, without limitation, (a) making recommendations to the Board on the Company's policy and structure for the remuneration of all of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (b) making recommendations to the Board on the remuneration packages of the executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments, and making recommendations to the Board of the remuneration of the non-executive Directors; and (c) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. The remuneration committee consists of Mr. Nie Xing, Mr. Lin Zhiqiang and Mr. Chang Wei. Mr. Nie Xing is the chairman of the remuneration committee.

Since the Listing Date, the remuneration committee met once to review the remuneration policy for all directors and senior management. Details of attendance of members at meeting of the remuneration committee held from the Listing Date to the date of this report are set out as follows:

	Attendance/ Number of meetings
Mr. Nie Xing	1/1
Mr. Lin Zhiqiang	1/1
Mr. Chang Wei	1/1

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The main aims of the Company's remuneration policy are:

- to ensure that none of the Directors or any of their associates should determine their own remuneration;
- the remuneration should be broadly aligned with companies with which the Company competes for human resources;
- the Group should aim to attract and retain executives and to motivate them to pursue appropriate growth strategies whilst take into account individual performance and should avoid paying more than necessary for such purpose;
- the remuneration should reflect the performance, complexity of duties and responsibility of the individual; and
- to review the effectiveness of diversity on the Board.

NOMINATION COMMITTEE

The Company established a nomination committee on 19 December 2014 with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The duties of the nomination committee include, without limitation, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Group's corporate strategy; (b) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (c) assessing the independence of the independent non-executive Directors; and (d) making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors, in particular the chairman and the chief executive. The nomination committee consists of Mr. Nie Xing, Mr. Chang Wei and Mr. See Ching Chuen. Mr. Nie Xing is the chairman of the nomination committee.

Since the Listing Date, the nomination committee met once to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and other related matters of the Company. Details of attendance of members at meeting of the nomination committee held from the Listing Date to the date of this report are set out as follows:

	Attendance/ Number of meetings
Mr. Nie Xing	1/1
Mr. Chang Wei	1/1
Ms. Yan Xiaotong	1/1 (Note)

Note: Mr. See Ching Chuen replaced Ms. Yan Xiaotong as member of the nomination committee on 4 March 2015.

CORPORATE GUARANTEE COMMITTEE

The Company established a corporate guarantee committee (the "Corporate Guarantee Committee") in July 2014, the members of which comprise the chief executive officer of our Company, Ms. Yan Xiaotong, an independent non-executive Director, Mr. Nie Xing, our chief financial officer and company secretary, Mr. Tsui Wing Tak, and two finance managers of our Group, currently Mr. Zheng Yuetong and Ms. Chen Junyan to closely monitor the Group's activities for the provision of corporate guarantees and to enforce the prohibition on provision of corporate guarantees to any non-group member. The Corporate Guarantee Committee is to report to the Audit Committee on a half-yearly basis on its work and information relating to the provision of corporate guarantees in such period (if any). The Corporate Guarantee Committee is to review monthly reports from our finance department on the corporate guarantees provided for the preceding month and from the chief executive officer's office on the use of company stamps to the Corporate Guarantee Committee. If it is discovered that a corporate guarantee was provided to a non-group member, the Corporate Guarantee Committee should immediately report the fact to the Board and the Audit Committee and take appropriate remedial actions. Up to the date of this report, no provision of corporate guarantees to any non-group member was noted by the Corporate Guarantee Committee.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is the responsibility of the Directors for the preparation of accounts for each financial period by the management. Subsequent to each reporting period, interim or annual financial highlights and business review are published as soon as possible (or in accordance with the Listing Rules, as the case may be) to disclose all information that are necessary for shareholders to assess the performance, financial conditions and prospects of the Company. The Directors are not aware of any material uncertainties relating to events or conditions that may cast doubt upon the Group's ability to continue as a going concern.

The Board has the responsibility to regularly review the internal control and risk management systems of the Company to ensure their effectiveness and efficiency. With the support of the internal audit team, the practices, processes, expenses and internal control of the Company and its subsidiaries are reviewed on a regularly basis. Matters of importance reported by the internal audit team are monitored regularly by the management to ensure remedial measures are implemented as appropriate. The Board and senior management may also require the internal audit team to conduct auditing procedures on special scopes of importance and report significant findings to the Board and the audit committee.

For the year under review, the remuneration payable for audit and non-audit services provided by the auditors is approximately RMB1.2 million and RMB95,000 respectively.

CORPORATE GOVERNANCE FUNCTIONS

The Board has adopted the terms of reference on corporate governance functions. The terms of reference of the Board in respect of corporate governance function are summarised as follows:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices to ensure compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the Code Provisions and its disclosure requirements in the Corporate Governance Report.

The work performed by the Board on corporate governance functions since the Listing Date up to the date of this report included developing and reviewing the Company's policies on corporate governance and review the Company's compliance with the Code Provisions.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy which aims to set out the approach to achieve diversity on the Board. The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender appropriate for the requirements of the business development of the Group.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in the following manner:

- delivery of the interim and annual results and reports to all shareholders;
- publication of announcements on the interim and annual results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- the general meeting of the Company is also an effective communication channel between the Board and shareholders.

The Board has maintained an on-going dialogue with Shareholders and investors, and will regularly review this policy to ensure its effectiveness. Information will be communicated to Shareholders and investors mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the information submitted by the Company to the website of the Stock Exchange and its corporate communications on the Company's website. Shareholders can direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong. Shareholders and investors may at any time make a request for the Company's information to the extent such information is publicly available.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Prior to the Listing, all Directors have been given relevant guideline materials and attended a training regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest in the Group. Such induction materials and briefings will also be provided to newly appointed Directors shortly upon their appointment as Directors. Continuing briefings and professional development to Directors will be arranged whenever necessary. The Company will continue to arrange and fund the training in accordance with paragraph A.6.5 of the Code Provisions.

SHAREHOLDERS' RIGHTS

Any one or more Shareholders (the "Requisitionist(s)") holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition (the "Requisition") to the Board or the company secretary of the Company, to require an extraordinary general meeting (the "EGM") to be called by the Board for the transaction of any business specified in such requisition. The Requisition shall be made in writing to the Board or the company secretary of the Company at the following:

Principal place of business of the Company in Hong Kong
Address: 9th Floor, ICBC Asia Building, 122 Queen's Road Central, Central, Hong Kong
Email: ir@time2u.com
Attention: Board of Directors/Company Secretary

The Requisition must state clearly the name of the Requisitionist(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda of the EGM including the details of the business(es) proposed to be transacted at the EGM, signed by the Requisitionist(s) concerned.

The Company will check the Requisition and the identity and the shareholding of the Requisitionist(s) will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Board will convene the EGM within two months and/or include the proposal or the resolution proposed by the Requisitionist(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Requisitionist(s) concerned will be advised of this outcome and accordingly, the Board will not convene an EGM and/or include the proposal or the resolution proposed by the Requisitionist(s) at the EGM.

If within 21 days of such deposit, the Board has not advised the Requisitionist(s) of any outcome to the contrary and fails to proceed to convene the EGM, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

Principal place of business of the Company in Hong Kong
Address: 9th Floor, ICBC Asia Building, 122 Queen's Road Central, Central, Hong Kong
Email: ir@time2u.com
Attention: Board of Directors/Company Secretary

Shareholders may also make enquiries with the Board at the general meetings of the Company.

CONSTITUTIONAL DOCUMENTS

On 19 December 2014, the Company adopted the second amended and restated memorandum of association and articles of association, which were conditional upon Listing. These are available on the websites of the Company and the Stock Exchange.

國衛會計師事務所有限公司
HLB Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
TIME2U INTERNATIONAL HOLDING LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Time2U International Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 92, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of 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 auditors' judgment, 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 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.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practicing Certificate Number: P05029

Hong Kong, 30 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	8	**722,722**	580,446
Cost of sales		**(482,077)**	(391,697)
Gross profit		**240,645**	188,749
Other income and gain	9	**2,064**	1,621
Selling and distribution expenses		**(37,211)**	(30,424)
Administrative expenses		**(36,970)**	(30,584)
Share of loss on an associate		**(1,003)**	(1,020)
Finance costs	10	**(6,536)**	(12,727)
Profit before taxation		**160,989**	115,615
Taxation	11	**(43,207)**	(30,870)
Profit for the year	12	**117,782**	84,745
Other comprehensive income, net of tax			
Exchange differences on translation of foreign operations		**51**	1,308
Other comprehensive income for the year, net of tax		**51**	1,308
Total comprehensive income for the year		**117,833**	86,053
Profit/(loss) for the year attributable to:			
Owners of the Company		**115,165**	85,227
Non-controlling interests		**2,617**	(482)
		117,782	84,745
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**115,216**	86,535
Non-controlling interests		**2,617**	(482)
		117,833	86,053
Earnings per share attributable to owners of the Company			
Basic and diluted (RMB) (cents)	16	**17.88**	13.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Assets			
Non-current assets			
Interests in associates	17	**151**	1,036
Property, plant and equipment	18	**224,965**	219,109
Prepaid lease payments	19	**13,240**	13,567
Prepayments for acquisition of property, plant and equipment		**—**	11,424
		238,356	245,136
Current assets			
Prepaid lease payments	19	**327**	327
Inventories	20	**115,469**	98,229
Trade receivables	21	**87,913**	100,795
Deposits, prepayments and other receivables	22	**7,792**	15,255
Cash and bank balances	23	**82,763**	85,551
		294,264	300,157
Liabilities			
Current liabilities			
Trade payables	24	**44,675**	24,545
Accruals and other payables	25	**29,731**	22,353
Amount due to a shareholder	26	**—**	10,477
Amount due to a related company	26	**—**	5,691
Income tax payables		**7,115**	9,763
Borrowings	27	**26,050**	181,160
		107,571	253,989
Net current assets		**186,693**	46,168
Total assets less current liabilities		**425,049**	291,304
Net assets		**425,049**	291,304

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2014

	Notes	**2014**	2013
		RMB'000	RMB'000
Equity			
Share capital	28	**1**	—
Reserves	29	**405,604**	291,304
Equity attributable to owners of the Company		**405,605**	291,304
Non-controlling interests		**19,444**	—
Total equity		**425,049**	291,304

The consolidated financial statements on pages 30 to 92 were approved and authorised for issue by the Board of Directors on 30 March 2015 and are signed on its behalf by:

Lin Zhiqiang
Director

Yan Xiaotong
Director

Year ended 31 December 2014

	Notes	**2014** **RMB'000**	2013 RMB'000
Assets			
Non current assets			
Investment in subsidiaries	36	**—**	—
Current assets			
Prepayment	22	**2,002**	931
Amount due from a subsidiary	26	**5,097**	—
		7,099	931
Liabilities			
Current liabilities			
Accruals	25	**2,319**	111
Amounts due to subsidiaries	26	**1,280**	3,882
Amount due to a shareholder	26	**—**	21
		3,599	4,014
Net current assets/(liabilities)		**3,500**	(3,083)
Total assets less current liabilities		**3,500**	(3,083)
Net assets/(liabilities)		**3,500**	(3,083)
Equity			
Share capital	28	**1**	—
Reserves	29	**3,499**	(3,083)
Total equity		**3,500**	(3,083)

The consolidated financial statements on pages 30 to 92 were approved and authorised for issue by the Board of Directors on 30 March 2015 and are signed on its behalf by:

Lin Zhiqiang
Director

Yan Xiaotong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Share Capital RMB'000	Share Premium RMB'000	Statutory surplus reserve RMB'000 (Note (i))	Foreign Currency translation reserve RMB'000	Merger reserve RMB'000 (Note (ii))	Capital reserve RMB'000 (Note (iii))	Other reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2013	—	—	17,175	4,432	25,795	—	—	163,152	210,554	(4)	210,550
Profit/(loss) for the year	—	—	—	—	—	—	—	85,227	85,227	(482)	84,745
Oter comprehensive income for the year	—	—	—	1,308	—	—	—	—	1,308	—	1,308
Total comprehensive income/(loss) for the year	—	—	—	1,308	—	—	—	85,227	86,535	(482)	86,053
Effect of Reorganisation	—	—	—	—	(5,784)	—	—	—	(5,784)	—	(5,784)
Deemed disposal of a subsidiary	—	—	—	(1)	—	—	—	—	(1)	486	485
Transfer to statutory reserve	—	—	1,568	—	—	—	—	(1,568)	—	—	—
At 31 December 2013 and 1 January 2014	**—**	**—**	**18,743**	**5,739**	**20,011**	**—**	**—**	**246,811**	**291,304**	**—**	**291,304**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**115,165**	**115,165**	**2,617**	**117,782**
Other comprehensive income for the year	**—**	**—**	**—**	**51**	**—**	**—**	**—**	**—**	**51**	**—**	**51**
Total comprehensive income for the year	**—**	**—**	**—**	**51**	**—**	**—**	**—**	**115,165**	**115,216**	**2,617**	**117,833**
Effect of Reorganisation	**—**	**—**	**—**	**—**	**(20,011)**	**11**	**—**	**—**	**(20,000)**	**—**	**(20,000)**
Changes in ownership interest in a subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**3,173**	**—**	**3,173**	**16,827**	**20,000**
Issues of new shares of the company	**1**	**15,911**	**—**	**—**	**—**	**—**	**—**	**—**	**15,912**	**—**	**15,912**
Transfer to statutory reserve	**—**	**—**	**1,797**	**—**	**—**	**—**	**—**	**(1,797)**	**—**	**—**	**—**
At 31 December 2014	**1**	**15,911**	**20,540**	**5,790**	**—**	**11**	**3,173**	**360,179**	**405,605**	**19,444**	**425,049**

Notes:

(i) As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the Company's PRC subsidiary is required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiary in accordance with the relevant laws and regulations applicable to the PRC enterprise. The appropriation may cease to apply if the balance of statutory surplus reserve has reached 50% of the PRC subsidiary registered capital. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

(ii) Merger reserve represents the difference between the Company's share of nominal value of the paid-up capital of the subsidiary acquired over the Company's cost of acquisition of the subsidiary under common control upon the Reorganisation as detailed in Note 2.

(iii) On 30 July 2014, Mr. Lin, Ms. Yan and Speedy Glory entered into a sale and purchase agreement, pursuant to which Speedy Glory acquired all the issued shares of Jiulongjiu from Mr. Lin and Ms. Yan at a nominal consideration of HK$2. The acquisition of Jiulongjiu was completed on the same date. The difference between the consideration and the paid up capital of Jiulongjiu was recorded as a capital reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Operating activities		
Profit before taxation	**160,989**	115,615
Adjustments for:		
Interest income	**(407)**	(384)
Finance costs	**6,536**	12,727
Gain on deemed disposal of a subsidiary	**—**	(783)
Depreciation of property, plant and equipment	**38,708**	33,331
Gain on disposal of property, plant and equipment	**(23)**	—
Share of loss on an associate	**1,003**	1,020
Amortisation of prepaid lease payments	**327**	327
Operating cash flow before movements in working capital	**207,133**	161,853
(Increase)/decrease in inventories	**(17,240)**	4,944
Decrease/(increase) in trade receivables	**12,882**	(49,340)
Decrease/(increase) in deposits, prepayments and other receivables	**7,463**	(2,449)
Increase/(decrease) in trade payables	**20,130**	(2,819)
Increase in accruals and other payables	**7,671**	13,902
Net cash from operations	**238,039**	126,091
PRC income tax paid	**(45,855)**	(28,644)
Net cash generated from operating activities	**192,184**	97,447
Investing activities		
Interest received	**407**	384
Investment in an associate	**—**	(3,390)
Advance from an associate	**—**	980
Repayment to an associate	**(118)**	—
Prepayment for acquisition of property, plant and equipment	**—**	(11,424)
Decrease in pledged bank deposits	**—**	2,741
Purchase of property, plant and equipment	**(33,185)**	(51,708)
Proceeds from disposal of property, plant and equipment	**68**	—
Net cash outflows of deemed disposal of subsidiaries	**—**	(754)
Net cash used in investing activities	**(32,828)**	(63,171)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	2014	2013
	RMB'000	RMB'000
Financing activities		
Interest paid	**(6,829)**	(12,430)
Proceeds from borrowings	**58,364**	263,057
Repayment of borrowings	**(213,513)**	(272,411)
Repayment to a related company	**(5,721)**	(2,753)
Issue of ordinary share	**15,912**	—
Proceeds of partial disposal of interest of a subsidiary	**20,000**	—
Repayment to a shareholder	**(30,890)**	(3,115)
Net cash used in financing activities	**(162,677)**	(27,652)
Net (decrease)/increase in cash and cash equivalents	**(3,321)**	6,624
Cash and cash equivalents at the beginning of the year	**85,551**	78,357
Effect of exchange rate change	**533**	570
Cash and cash equivalents at the end of the year	**82,763**	85,551

1. GENERAL INFORMATION

The Company was incorporated in Cayman Island on 3 December 2012 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at Cricket Square, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 9/F, ICBC Asia Building, 122 Queen's Road Central, Central, Hong Kong.

The Company is an investment company. The Group is principally engaged in the manufacture and sales of own-branded watches, OEM watches and third-party watches.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation currency and the functional currency of the principal operating subsidiary of the Group. The functional currency of the Company is Hong Kong dollars. The directors consider that choosing Renminbi as the presentation currency best suits the needs of the shareholders and investors.

2. REORGANISATION

The Group underwent the Reorganisation to rationalise the Group's structure in preparation for the listing (the "Listing") and the Company became the holding company of the Group. The Reorganisation included the following principal steps:

(1) Incorporation of Speedy Glory Limited ("Speedy Glory")

Speedy Glory was incorporated in the BVI to act as an intermediate holding company of our Group on 4 July 2012 and was authorised to issue a maximum of 50,000 shares with no par value.

On 15 November 2012, one share of Speedy Glory was subscribed by Visual Wise Limited ("Visual Wise") at a subscription price of US$1.00.

(2) Incorporation of the Company and the acquisition of Speedy Glory

The Company was incorporated as an exempted company in the Cayman Islands on 3 December 2012 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same date, one share was subscribed at par value by NovaSage Incorporations (Cayman) Limited, an independent third party, and was transferred at par to Visual Wise on the same date.

On 3 December 2012, our Company acquired from Visual Wise the one issued share of Speedy Glory in consideration of and exchange for which the Company allotted and issued, credited as fully paid, one share to Visual Wise.

Upon completion of the above step, the Company became the sole shareholder of Speedy Glory.

(3) Incorporation of Time2U Company Limited ("Time2U(HK)")

Time2U(HK) was incorporated in Hong Kong on 7 December 2012. On the same date, one share of Time2U(HK) was subscribed at a subscription price of HK$1.00 by Speedy Glory.

2. REORGANISATION *(Continued)*

(4) Acquisition of Zhangzhou Hongyuan Watch Industry Co., Ltd. ("Zhangzhou Hongyuan") by Time2U(HK)

On 7 March 2013, Jiulongjiu and Fujian Hongbang Electronics Co., Ltd. ("Hongbang Electronics") entered into an equity transfer agreement with Time2U(HK). Pursuant to the agreement, Jiulongjiu and Hongbang Electronics, each holding 80.72% and 19.28% equity interest in Zhangzhou Hongyuan, respectively, transferred their respective interest in Zhangzhou Hongyuan to Time2U(HK) for cash consideration of RMB24,215,000 and RMB5,785,000, respectively, representing the respective registered capital transferred. The consideration was settled on 13 March 2014. The transfer was approved by the competent PRC government authority on 3 April 2013 and registered by the competent PRC government authority on 17 April 2013. A supplemental agreement was subsequently entered into between Hongbang Electronics, Jiulongjiu and Time2U(HK) on 26 March 2014, under which Hongbang Electronics and Jiulongjiu agreed to accept an equivalent amount in Hong Kong dollars to settle Time2U(HK)'s consideration. As advised by the PRC legal advisers, the acquisition of Zhangzhou Hongyuan by Time2U(HK) was properly and legally completed.

(5) Acquisition of Fujian Ouwosi Watch & Clock Precise Technology Co., Ltd ("Fujian Ouwosi") by Zhangzhou Hongyuan

On 19 February 2014, Mr. Lin Zhiqiang ("Mr. Lin") and Zhangzhou Hongyuan entered into an equity transfer agreement, under which Mr. Lin transferred the entire equity interest in Fujian Ouwosi to Zhangzhou Hongyuan at a cash consideration of RMB20,000,000, representing the entire registered capital of Fujian Ouwosi. The consideration was settled on 17 June 2014. The transfer was registered by the competent PRC government authority in the PRC on 24 February 2014. As advised by the PRC legal advisers, the acquisition of Fujian Ouwosi by Zhangzhou Hongyuan was properly and legally completed.

(6) Acquisition of Hong Kong Jiulongjiu Limted ("Jiulongjiu") by Speedy Glory

On 30 July 2014, Mr. Lin, Ms. Yan Xiaotong ("Ms. Yan") and Speedy Glory entered into a sale and purchase agreement, pursuant to which Speedy Glory acquired all the issued shares of Jiulongjiu from Mr. Lin and Ms. Yan at a nominal consideration of HK$2. The acquisition of Jiulongjiu was completed on the same date.

Upon the completion of the Reorganisation, the Company became the holding company of the subsidiaries comprising the Group.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Company's financial year beginning 1 January 2014. A summary of the new HKFRSs are set out as below:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The nature of the impending changes in accounting policy on adoption is described below.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

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

The Group has applied the amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC) - Int 21 Levies

The Group has applied HK(IFRIC) - Int 21 Levies for the first time in the current year. HK(IFRIC) - Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation providesguidance on how different levy arrangements should be accounted for, in particular, it clarifies thatneither economic compulsion nor the going concern basis of financial statements preparation impliesthat an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC) - Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[5]

1 Effective for annual periods beginning on or after1 January 2018, with earlier application permitted.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

The Directors do not anticipate that the application of other HKFRSs will have a material impact on the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing rule") and by the Hong Kong Companies Ordinance (Cap. 32).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for buildings and certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

– the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

– potential voting rights held by the Group, other vote holders or other parties;

– rights arising from other contractual arrangements; and

– any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activitiesat the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transaction between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

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

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses on an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated statement of profit or loss and other comprehensive income as follows:

(i) *Sales of goods*

Revenue is recognised when goods are delivered at the customers' premises which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) *Interest income*

Interest income from a financial asset (other than a financial asset at fair value through profit or loss) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Company's or the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research and development costs are therefore recognised as expenses in the period in which they are incurred.

Leasing

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lumpsum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entities, transactions in currencies other than that entity's foreign currency (foreign currencies) are recognised at the rate of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is nether planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange difference arising are recognised in the foreign currency translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Other government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognised as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan on initial recognition.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from the subsidiary in an independent fund managed by the PRC government.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements, and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost, less accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets, other than construction in progress, less their residual values over their useful lives, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

Building	20 years
Furniture and office equipment	3 - 6 years
Plant and machinery	8 - 10 years
Motor vehicles	4 years

Depreciation methods, useful lives and residual values are reassessed at the end of each reporting period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, deposits, prepayments and other receivables, pledged bank deposits and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Other financial liabilities

Other financial liabilities (including trade and bills payables, accruals and other payables, amount due to a shareholder, amount due to a related company and borrowings) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties transactions

A party is considered to be related to the Group if:

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

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or of a parent of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);

(b) one entity is an associate or joint venture of the other entity for an associate or joint venture of a member of a group which the other entity is a member);

(c) both entities are joint ventures of the same third party;

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employees are also related to the Group;

(f) the entity is controlled or jointly controlled by a person identified in (i); or

(g) a person identified in (i) (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

Segment reporting

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company 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 may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for an asset at the end of each reporting period. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, an estimation of the value in use of the cash-generating units to which the asset is allocated will be required. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(b) Impairment of trade and other receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the periods in which such estimate has been changed.

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

(c) Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

(d) Income tax and deferred taxation

Determining income tax provisions involve judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(e) Impairment of inventories

The Group makes provision for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	2014 **RMB'000**	2013 RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)		
– Trade receivables	**87,913**	100,795
– Other receivables	**2,149**	410
– Cash and bank balances	**82,763**	85,551
Financial liabilities		
Amortised cost		
– Trade payables	**44,675**	24,545
– Other payables	**1,145**	3,644
– Amount due to a shareholder	**—**	10,477
– Amount due to a related company	**—**	5,691
– Borrowings	**26,050**	181,160

The Company

	2014 **RMB'000**	2013 RMB'000
Financial assets		
Loans receivables		
– Amount due from a subsidiary	**5,097**	—
Financial liabilities		
Amortised cost		
– Amounts due to subsidiaries	**1,280**	3,882
– Amount due to a shareholder	**—**	21

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The directors of the Company monitors and manages the financial risks relating to the operations of the Group through internal risks reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest risk), credit risk and liquidity risk.

The Group's major financial instruments include trade receivables, other receivables, pledged bank deposits, cash and bank balances, derivative financial instruments, trade and bills payables, other payables, amount due to a shareholder, amount due to a related company and borrowings. Details of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

It is the risk that a counterparty is unable to pay amount in full when due. It arises primarily from the Group's trade receivables. The Group limits its exposure to credit risk by rigorously selecting counterparties. The Group mitigates its exposure to risk relating to trade receivables by dealing with diversified customers with sound financial standing. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by senior management. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables, if any, estimated by the management based on prior experience and the current economic environment. The Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors believe that the credit risk is significantly reduced.

The Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest receivable balances accounted for 41.7% as at 31 December 2014 (2013: 36.7%) of the trade receivables and the largest trade receivable was 14.5% (2013: 9.2%) of the Group's total trade receivables.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The Group seeks to minimise its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

The Group's concentration of credit risk by geographical location is mainly in the PRC.

In relation to the Group's deposits with bank, the Group limits its exposure to credit risk by placing deposits with financial institutions with high credit rating and no recent history of default. The directors consider that the Group's credit risk on the bank deposits is low. Management continues to monitor the position and will take appropriate action if their ratings should change. As at 31 December 2013 and 31 December 2014, the Group has no significant concentration of credit risk in relation to deposits with bank.

Interest rate risk

The Group's exposure to fair value interest rate risk to fixed rate borrowings is minimal because the Group has been keeping borrowings at variable rates.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and borrowings (Note 27). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates arising from the Group's RMB denominated borrowings.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the borrowings at. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2013: 50 basis points) increase or decrease is used internally for assessment of possible change in interest rate.

If interest rates had been 50 basis points (2013: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2014 would decrease/increase by approximately RMB130,000 (2013: decrease/increase by RMB906,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Currency risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and United States dollars ("USD"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The management do not expect the net foreign currency risk from these activities to be significant and hence, the Group do not presently hedge the foreign exchange risks. The Group periodically review liquid assets and liabilities held in currencies other than the functional currencies of the respective subsidiaries to evaluate its foreign exchange risk exposure and will consider hedging significant foreign currency exposure should the need arise. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		**Assets**	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**6,971**	28,100	**4,101**	6,698

The foreign currency sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in USD.

The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in RMB against USD. 5% (2013: 5%) is the sensitivity rate used in the current year when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items. It also includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. The Group's sensitivity to foreign currency has changed during the year ended mainly due to the change of the position of foreign currency denominated monetary net liabilities. If RMB strengthen 5% against USD whiles a positive number below indicates an increase in profit, there would be an equal and opposite impact on the profit as those referred to in the table below:

	2014	2013
	RMB'000	RMB'000
Sensitivity rate	**5%**	5%
Profit or loss	**144**	1,070

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and mitigate the effect of fluctuations in cash flows. Management monitors the utilisation of borrowings on a regular basis.

The following tables detail the Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The tables include both interest and principal cash flows.

The Group

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2014						
Non-derivative financial liabilities						
Trade payables	—	44,675	—	—	44,675	44,675
Other payables	—	1,145	—	—	1,145	1,145
Bank borrowings	9.08	26,050	—	—	26,050	26,050
		71,870	—	—	71,870	71,870

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2013						
Non-derivative financial liabilities						
Trade payables	—	24,545	—	—	24,545	24,545
Other payables	—	3,644	—	—	3,644	3,644
Amount due to a shareholder	—	10,477	—	—	10,477	10,477
Amount due to a related company	—	5,691	—	—	5,691	5,691
Borrowings	6.08	181,160	—	—	181,160	181,160
		225,517	—	—	225,517	225,517

The Company

	Weighted average interest rate %	**On demand or within one year RMB'000**	**More than one year but less than two years RMB'000**	**More than two years but less than five years RMB'000**	**Total undiscounted cash flow RMB'000**	**Carrying amount RMB'000**
As at 31 December 2014						
Non-derivative financial liabilities						
Amounts due to subsidiaries	**—**	**1,280**	**—**	**—**	**1,280**	**1,280**
As at 31 December 2013						
Non-derivative financial liabilities						
Amounts due to subsidiaries	—	3,882	—	—	3,882	3,882
Amount due to a shareholder	—	21	—	—	21	21
		3,903	—	—	3,903	3,903

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

(i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

(ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

For financial reporting purpose, fair value measurement are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the input to the fair value measurements in its entirety.

The table below gives the information about how the fair value of these financial assets and financial liabilities that are measured at fair value on a recurring basis are determined (in particular, the valuation technique(s) and inputs used). The different level are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from 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).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

There were no transfer between Level 1 and Level 2 in both years.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's consolidated statements of financial position approximate of their fair values.

6. FINANCIAL INSTRUMENTS *(Continued)*

(d) Capital risk management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages the capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital in both years.

The Group monitors capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group overall strategy remains unchanged in both years.

The capital structure of the Group consists of debt (borrowings, amount due to a related company and amount due to a shareholder), cash and bank balances and equity attributable to owners of the Company, comprising issued share capital and reserves.

	2014 **RMB'000**	2013 RMB'000
Total borrowings (Note (a))	**26,050**	197,328
Total equity	**425,049**	291,304
Gearing ratio	**6%**	68%

Note:

(a) Total borrowings represented by amount due to a shareholder, amount due to a related company and borrowings as set out in Notes 26 and 27.

7. OPERATING SEGMENT

Information reported internally to the chief operating decision makers for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group currently operates in one business segment in manufacturing, trading and retailing business of watches. A single management team reports to the chief operating decision makers who comprehensively manages the entire business. Accordingly, the Group does not have separately reportable segments.

Turnover from major products

	2014	2013
	RMB'000	RMB'000
Branded watches:		
Time2U Watch	**136,140**	105,934
Color Watch	**170,591**	112,305
Jonquet Watch	**55,049**	48,942
OEM watches	**354,885**	302,386
Third-party watches	**6,057**	10,879
	722,722	580,446

7. OPERATING SEGMENT *(Continued)*

Geographical information

The Group's operations and non-current assets are located in the PRC. The Group's revenue from external customers based on the location of the customers is detailed as below:

	2014	2013
	RMB'000	RMB'000
The PRC	**617,574**	507,223
Asia (excluding the PRC)	**30,749**	31,859
America	**25,570**	16,011
Europe	**48,601**	25,217
Africa	**201**	109
Oceania	**27**	27
	722,722	580,446

Information about major customer

Revenue from customer contributing over 10% of total sales of the Group during the year ended is as follows:

	2014	2013
	RMB'000	RMB'000
Customer A	**75,486**	61,135

8. REVENUE

	2014	2013
	RMB'000	RMB'000
Branded watches	**361,780**	267,181
OEM watches	**354,885**	302,386
Third-party watches	**6,057**	10,879
	722,722	580,446

9. OTHER INCOME AND GAIN

	2014 **RMB'000**	2013 RMB'000
Bank Interest income	**407**	384
Sale of scrap material	**99**	99
Sundry income	**21**	11
Government grant	**1,514**	344
Gain on deemed disposal of a subsidiary (Note 31)	**—**	783
Gain on disposal of property, plant and equipment	**23**	—
	2,064	1,621

10. FINANCE COSTS

	2014 **RMB'000**	2013 RMB'000
Interest on borrowings wholly repayable within five years	**6,536**	12,727

11. TAXATION

	2014 **RMB'000**	2013 RMB'000
Income tax expense – current year	**43,207**	30,870

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profit for the year ended 31 December 2014.

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising from Hong Kong for the years ended 31 December 2014 and 2013.

The PRC

The PRC Enterprise Income Tax ("PRC EIT") is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

Under the PRC Enterprise Income Tax Law (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% from 1 January 2008 onwards.

11. TAXATION *(Continued)*

The taxation charge for the year can be reconciled to the profit before taxation per consolidated statements of profit or loss and other comprehensive income as follows:

	2014		2013	
	RMB'000	**%**	RMB'000	%
Profit before taxation	**160,989**		115,615	
Tax at the application income tax rate	**40,247**	**25.0**	28,904	25.0
Effect of different tax rate in other countries	**1,005**	**0.6**	518	0.4
Tax effect of income not taxable for tax purpose	**—**	**—**	(189)	(0.2)
Tax effect of expenses not deductible for tax purpose	**1,788**	**1.1**	1,098	0.9
Share of tax effect of associate	**167**	**0.1**	227	0.2
Under provision in previous year	**—**	**—**	312	0.3
Taxation for the year	**43,207**	**26.8**	30,870	26.6

Based on the assessment made by directors of the Company as at the end of reporting period, the Company was uncertain on the arrangement for the distribution of retained earnings of the Company's PRC subsidiaries. Due to such uncertainty, it is impracticable to recognise the deferred tax liabilities in respect of the PRC dividend withholding tax relating to the undistributed profits of the Company's PRC subsidiaries of RMB399,030,000 (2013: RMB270,945,000) as at the year ended date.

12. PROFIT FOR THE YEAR

	2014 RMB'000	2013 RMB'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note 13)	**586**	507
Other staff costs:		
Salaries and other benefits	**52,953**	44,462
Retirement benefit schemes contributions	**7,643**	6,270
Total employee expenses	**60,596**	50,732
Advertising expenses	**13,778**	9,197
Auditors' remuneration	**1,200**	56
Amortisation of prepaid lease payments	**327**	327
Cost of inventories recognised as an expense	**482,077**	391,697
Depreciation of property, plant and equipment	**38,708**	33,331
Operating lease rental expenses in respect of rented premises	**—**	149
Research and development	**4,463**	2,590
Listing expenses	**6,661**	2,751

13. DIRECTORS' EMOLUMENTS

Pursuant to the Listing Rules and Section 161 of the Predecessor Companies Ordinance, the aggregate amounts of emoluments paid by the companies now comprising the Group to the directors of the Company are as follows:

	2014 RMB'000	2013 RMB'000
Directors' fees	**—**	—
Salaries, allowances and benefit in kind	**568**	492
Discretionary bonus	**—**	—
Retirement benefit schemes contributions	**18**	15
	586	507

13. DIRECTORS' EMOLUMENTS *(Continued)*

Details for the emoluments of each directors of the Company during the year ended are as follows:

	Year ended 31 December 2014				
	Directors' fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive director:					
Mr. Lin (Note a)	—	227	—	6	233
Ms. Yan (Note a)	—	198	—	6	204
Dang Shuguo (Note b)	—	143	—	6	149
Independent non-executive director:					
Mr. Nie Xing (Note c)	—	—	—	—	—
Mr. Chang Wei (Note c)	—	—	—	—	—
Mr. Yu Chon Man (Note c)	—	—	—	—	—
	—	568	—	18	586

13. DIRECTORS' EMOLUMENTS *(Continued)*

	Year ended 31 December 2013				
	Directors' fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive director:					
Mr. Lin (Note a)	—	207	—	5	212
Ms. Yan (Note a)	—	159	—	5	164
Dang Shuguo (Note b)	—	126	—	5	131
Independent non-executive director:					
Mr. Nie Xing (Note c)	—	—	—	—	—
Mr. Chang Wei (Note c)	—	—	—	—	—
Mr. Yu Chon Man (Note c)	—	—	—	—	—
	—	492	—	15	507

Notes:

a) Mr. Lin and Ms. Yan were the directors of Zhangzhou Hongyuan during the year ended and appointed as Executive Directors of the Company in July 2014.

b) Mr. Dang Shuguo was appointed as Executive Directors of the Company in July 2014.

c) Mr. Nie Xing, Mr. Chang Wei and Mr. Yu Chon Man were appointed as Independent Non-Executive Directors of the Company in December 2014.

For the years ended 31 December 2014 and 2013, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group on as compensation for loss of office. There were no arrangement under which a director waived on agreed to waived any emoluments during the year ended.

14. EMPLOYEES' EMOLUMENTS

Five highest paid employees

Of the five individuals with the highest emoluments in the Group for the year, two (2013: three) were directors of the Company whose emoluments are included in the disclosure in note 13 above. The emoluments of the remaining three (2013: two) individuals were as follows:

	2014 RMB'000	2013 RMB'000
Director	**437**	507
Non-director	**1,042**	860
	1,479	1,367

Details of the remuneration of the above non-director, highest paid employees during the year are as follows:

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefit in kind	**1,038**	845
Discretionary bonus	**—**	—
Retirement benefit schemes contributions	**4**	15
	1,042	860

The number of these non-director, highest paid employees whose remuneration fell within the following band is as follows:

	2014 RMB'000	2013 RMB'000
Nil to HK$1,000,000	**3**	2

Senior management of the Group

The number of the senior management of the Group are within the following band:

	2014 RMB'000	2013 RMB'000
Nil to HK$1,000,000	**5**	5

For the years ended 31 December 2014 and 2013, no emoluments were paid by the Group to the non-director, highest paid employees or senior management as an inducement to join or upon joining the Group or as compensation for loss of office. None of the non-director, highest paid employees and senior management waived or agreed to waive any emoluments during the year.

15. DIVIDENDS

The Board of Directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

16. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company and on the assumption that the proposed 644,000,000 ordinary shares in issue, comprising 96,370 shares in issue as at the date of this reports and 643,903,630 shares to be issued pursuant to the capitalisation.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existences during the years ended 31 December 2014 and 2013.

17. INTEREST IN ASSOCIATES

The Group

	2014 **RMB'000**	2013 RMB'000
Cost of investment in an associate, unlisted in Hong Kong	**3,036**	3,036
Share of post-acquisition loss and other comprehensive loss, net of dividend receivable	**(2,023)**	(1,020)
	1,013	2,016
Amount due to an associate	**(862)**	(980)
	151	1,036

As at 31 December 2014 and 2013, the Group had interest in the following associate:

Name of the entity	Place of Incorporation/ registration and operation	Issued and paid up capital	Proportion of registered capital held by the Group	Proportion of voting power held	Principal activities
Temps de Mode Limited	Hong Kong	HK$1,000	30%	30%	Investment holding

17. INTEREST IN ASSOCIATES *(Continued)*

The summarised financial information in respect of the associate is set out below:

	2014 RMB'000	2013 RMB'000
Current assets	**5,099**	7,925
Non-current assets	**228**	291
Current liabilities	**(1,951)**	(1,497)
Non-current liabilities	**—**	—

	2014 RMB'000	2013 RMB'000
Revenue	**695**	—
Loss for the year	**(3,394)**	(3,386)
Other comprehensive income for the year	**51**	(14)
Total comprehensive loss for the year	**(3,343)**	(3,400)

	2014 RMB'000	2013 RMB'000
Net assets of associate	**3,376**	6,719
Proportion of the Group's ownership interests in associates	**30%**	30%
	1,013	2,016

18. PROPERTY, PLANT AND EQUIPMENT

The Group

	Building RMB'000	Furniture, and office equipment RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
As at 1 January 2013	61,662	3,170	249,893	2,516	317,241
Additions	—	1,804	55,604	—	57,408
Deemed disposal of a subsidiary	—	(317)	—	—	(317)
As at 31 December 2013 and 1 January 2014	61,662	4,657	305,497	2,516	374,332
Additions	—	197	44,412	—	44,609
Disposal	—	—	—	(896)	(896)
As at 31 December 2014	**61,662**	**4,854**	**349,909**	**1,620**	**418,045**
Accumulated depreciation					
As at 1 January 2013	16,739	2,502	100,701	1,998	121,940
Charge for the year	2,929	495	29,686	221	33,331
Deemed disposal of a subsidiary	—	(48)	—	—	(48)
As at 31 December 2013 and 1 January 2014	19,668	2,949	130,387	2,219	155,223
Charge for the year	2,929	491	35,148	140	38,708
Disposal	—	—	—	(851)	(851)
As at 31 December 2014	**22,597**	**3,440**	**165,535**	**1,508**	**193,080**
Net book values					
As at 31 December 2014	**39,065**	**1,414**	**184,374**	**112**	**224,965**
As at 31 December 2013	41,994	1,708	175,110	297	219,109

Details of property, plant and equipment pledged are set out in Note 33.

As at 31 December 2013, the Group had been applying for the relevant certificates in respect of the buildings of approximately RMB211,000 erected on the land included under the building owned by the Group.

Subsequent to the end of the aforesaid reporting period, the Group has obtained the relevant certificates.

19. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2014 RMB'000	2013 RMB'000
Analysis for reporting purposes as:		
Current assets	**327**	327
Non-current assets	**13,240**	13,567
	13,567	13,894

The prepaid lease payments are land use rights located in the PRC which are under medium lease.

The Group's prepaid lease payments amounts the payments for land use right situated in the PRC. The leasehold lands have lease term of 50 years and the Group has processed the land use rights of the leasehold during the lease term.

20. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	**60,014**	60,612
Work in progress	**8,625**	19,088
Finished goods	**46,830**	18,529
	115,469	98,229

21. TRADE RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables	**87,913**	100,795

The Group generally allows credit period of 0 to 60 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	2014 RMB'000	2013 RMB'000
0 to 30 days	**43,342**	63,369
31 to 60 days	**31,689**	36,293
61 to 90 days	**11,828**	682
91 to 180 days	**466**	16
Over 180 days	**588**	435
	87,913	100,795

Past due but not impaired

Included in the Group's trade receivables balances are debts with carrying amounts of approximately RMB15,094,000 as at 31 December 2014 (2013: RMB2,111,000 which were past due at the end of the reporting date for which the Group had not provided as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group does not hold any collateral over these balances.

Age of receivables that are past due but not impaired

	2014 RMB'000	2013 RMB'000
Overdue by:		
0 to 30 days	**13,844**	856
Over 30 days	**1,250**	1,255
	15,094	2,111

21. TRADE RECEIVABLES *(Continued)*

Past due but not impaired *(Continued)*

Impaired trade receivables

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Accordingly, the directors believe that there is no further credit provision required in excess of the impairment of trade receivables.

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgement and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivable balance and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over those balances.

For the year end 31 December 2013, the Group's bank borrowings consists of loan amounted to approximately RMB29,348,000 are secured by the trade receivable of the Group with carrying amount of approximately RMB1,366,000. The secured trade receivable were released for the year end 31 December 2014.

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group

	2014 RMB'000	2013 RMB'000
Deposits and prepayments (Note)	**4,703**	26,269
Value-added tax receivable	**940**	—
Other receivables	**2,149**	410
	7,792	26,679
Less: prepayments for acquisition of property, plant and equipment which classified as non-current assets	**—**	(11,424)
	7,792	15,255

Note: Included in deposits and prepayments, approximately RMB1,109,000 (2013: RMB9,223,000) represented the prepayments for purchase of inventories as at 31 December 2014.

The Company

	2014 RMB'000	2013 RMB'000
Prepayment	**2,002**	931

23. CASH AND BANK BALANCES

As at 31 December 2014, cash and bank balances carry interest at prevailing market saving rates from 0.01% to 0.39% (2013: 0.01% to 0.39%) per annum. Included in the cash and bank balances were amounts in RMB of approximately RMB80,684,000 (2013: RMB80,926,000) which were not freely convertible into other currencies.

24. TRADE PAYABLES

The Group

	2014 HK$'000	2013 HK$'000
Trade payables (Note a)	**44,675**	24,545

Notes:

(a) The average credit period on purchase of goods is 0 to 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2014 RMB'000	2013 RMB'000
0 – 30 days	**43,472**	24,537
31 – 60 days	**1,203**	—
61 – 90 days	**—**	—
91 – 180 days	**—**	—
Over 180 days	**—**	8
	44,675	24,545

25. ACCRUALS AND OTHER PAYABLES

The Group

	2014 RMB'000	2013 RMB'000
Accruals	**9,783**	7,471
Value-added tax payables	**721**	4,459
Receipt in advance	**18,082**	6,779
Payables for purchase of property, plant and equipment	**698**	2,931
Other payables	**447**	713
	29,731	22,353

25. ACCRUALS AND OTHER PAYABLES *(Continued)*

The Company

	2014 RMB'000	2013 RMB'000
Accruals	**2,319**	111

26. AMOUNTS DUE FROM/TO A SHAREHOLDER/A RELATED COMPANY/ SUBSIDIARIES

The Group and the Company

The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment term. The amounts are not expected to be settled within the next twelve months.

The amounts due to a shareholder/a related company/subsidiaries were unsecured, interest free and repayable on demand. The amounts due to a shareholder and a related company had been settled during the year ended 31 December 2014.

27. BORROWINGS

The Group

	2014 RMB'000	2013 RMB'000
Secured bank borrowings (Note a, b)	**26,050**	168,348
Loan from third party (Note d)	**—**	12,812
	26,050	181,160
Carrying amounts repayable (Note e)		
– within one year	**26,050**	168,348
– more than 1 year but within 2 years	**—**	—
– more than 2 year but within 5 years	**—**	12,812
– over than 5 years	**—**	—
	26,050	181,160
Less: Amounts classified as current liabilities secured term loan due within 1 year or contain a repayment on demand clause	**(26,050)**	(181,160)
Amounts classified as non-current liabilities	**—**	—

27. BORROWINGS *(Continued)*

The Group *(Continued)*

Notes:

a) The bank borrowings of the Group as at 31 December 2014 were secured by:

(i) personal guarantee provided by the directors of the Company, Mr. Lin and Ms. Yan;

(ii) corporate guarantee provided by Hongbang Electronics, a related company;

(iii) pledge of the Group's leasehold land with carrying amount of approximately RMB4,775,000;

(iv) pledge of the Group's building with carrying amount of approximately RMB12,786,000;

(v) pledge of the Group's plant and machinery with carrying amount of approximately RMB3,651,000;

The bank borrowings of the Group as at 31 December 2013 were secured by:

(i) personal guarantee provided by the directors of the Company, Mr. Lin and Ms. Yan and close family member of the directors of the Company;

(ii) pledge of properties owned by the director of the Company, Ms. Yan;

(iii) pledge of saving deposits of the directors of the Company, Mr. Lin and Ms. Yan;

(iv) pledge of saving deposits of the independent third parties;

(v) corporate guarantee provided by certain subsidiaries of Group;

(vi) corporate guarantee provided by Hongbang Electronics, a related company, and pledge of the properties owned by the related company;

(vii) personal guarantee provided by independent third parties;

(viii) corporate guarantee provided by independent third parties;

(ix) pledge of properties owned by independent third parties;

(x) pledge of the Group's leasehold land with carrying amount of approximately RMB13,894,000;

(xi) pledge of the Group's building with carrying amount of approximately RMB40,573,000;

(xii) pledge of the Group's plant and machinery with carrying amount of approximately RMB4,477,000;

(xiii) pledge of the Group's trade receivables with aggregate values of approximately RMB1,366,000.

b) The secured bank borrowings of the Group with financial institutions amounted to approximately RMB26,050,000 (2013: approximately RMB168,348,000), carried interest ranging from 2.9% to 7.8% (2013: 2.9% to 7.8%) per annum.

c) The directors of the Company represented such guarantee and pledge as mentioned above in notes (a)(i) and (ii) will be released upon Listing.

d) The loan of the Group borrowed from an independent third party amounted to approximately nil as at 31 December 2014 (2013: approximately RMB12,812,000), carried interest at 1% per annum.

e) The amounts due are based on the scheduled repayment dates.

28. SHARE CAPITAL

Authorised share capital

The Company was incorporated in the Cayman Island under the Companies Law as an exempted company with limited liability on 3 December 2012, with an initial authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each.

Issued share capital

On the date of incorporation, 10,000 shares of HK$0.10 each of the Company were allotted and issued. The entire issued share capital of the Company was owned by Visual Wise Limited ("Visual Wise") 8,827 shares as to 88.27%, by Fortune Swiss Limited ("Fortune Swiss") 640 shares as at 6.4% and by Full Wealthy Year Limited ("Full Wealthy Year") 533 shares as to 5.33%.

On 13 May 2014, an investment agreement (the "Investment Agreement") was entered into between the Company, Celestial Award Limited ("Celestial Award"), Visual Wise and Mr. Lin for the subscription of 5,810 shares, at a cash consideration of HK$20,000,000 (equivalent to RMB15,912,000).

The consideration was determined with reference to the valuation of our Group by Celestial Award, and was fully settled on 16 May 2014. On 19 May 2014, in anticipation of the pre-IPO investment by Celestial Award, our Company allotted and issued at par value 71,110 shares to Visual Wise, 5,156 shares to Fortune Swiss and 4,294 shares to Full Wealthy Year, respectively. On the same date, pursuant to the Investment Agreement, our Company allotted and issued 5,810 shares, credited as fully paid, to Celestial Award.

Upon completion of the aforesaid allotments, the entire issued share capital of the Company was owned by Visual Wise 79,937 shares as to 82.95%, by Celestial Award 5,810 shares as to 6.03%, by Fortune Swiss 5,796 shares as to 6.01% and by Full Wealthy Year 4,827 shares as to 5.01%.

29. RESERVES

The Group

The movement in reserves of the Group during the year was shown in the consolidated statements of changes in equity.

The Company

	Share premium RMB'000	Foreign currency translation reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
At 1 January 2013	—	—	(21)	(21)
Loss for the year	—	—	(3,102)	(3,102)
Other comprehensive income for the year	—	40	—	40
Total comprehensive income/(loss) for the year	—	40	(3,102)	(3,062)
At 31 December 2013 and 1 January 2014	—	40	(3,123)	(3,083)
Loss for the year	—	—	(9,241)	(9,241)
Other comprehensive loss for the year	—	(88)	—	(88)
Total comprehensive loss for the year	—	(88)	(9,241)	(9,329)
Issue of new shares of the Company	15,911	—	—	15,911
At 31 December 2014	**15,911**	**(48)**	**(12,364)**	**3,499**

30. RETIREMENT BENEFIT PLANS

The employees in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company's subsidiary operating in the PRC is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in fund, under the control of trustees.

31. DEEMED DISPOSAL OF A SUBSIDIARY

On 29 July 2013, the Group injected capital into Temps De Mode Limited ("Temps de Mode") amounting to approximately HK$4,267,000 (equivalent to RMB3,390,000 ("Consideration")) and to be satisfied by setting off an equivalent amount from loan own by Temps de Mode to the Group, which had therefore reduced the related equity interest holding of Temps de Mode by the Group from 70% to 30%. From 29 July 2013 onward, Temps de Mode become an associate of the Group and accounted for using equity method in the combined financial statements instead of a full scope of consolidation. The Group recognised as deemed disposal as follow.

Analysis of asset and liabilities over which control was lost

Current assets	
Cash and cash equivalent	754
Receivables	1,922
Non-current assets	
Property, plant and equipment	269
Current liabilities	
Payables	(4,567)
Net liabilities disposed of	(1,622)

31. DEEMED DISPOSAL OF A SUBSIDIARY *(Continued)*

Gain on deemed disposal of a subsidiary

Consideration	(3,390)
Net liabilities disposed of	1,622
Non-controlling interests	(486)
Release of foreign currency translation reserve	1
Transfer to interest in associates	3,036
Gain on deemed disposal of Temps de Mode	783

Net cash inflow on deemed disposal of a subsidiary

	For the year ended 31 December 2013 RMB'000
Consideration received in cash and cash equivalents	**—**
Less: cash and cash equivalent balance disposed of	**(754)**
	(754)

32. CHANGE IN OWNERSHIP INTEREST IN A SUBSIDIARY

During the year ended 31 December 2014, the Group disposed part of its interest in Fujian Ouwosi. The Group disposed an aggregate 20% interest in Fujian Ouwosi for the cash consideration of RMB20,000,000 which decreasing the ownership interests from 100% to 80%. The Group recognised an increase in non-controlling interests of approximately RMB16,827,000 and an increase in other reserve of approximately RMB3,173,000.

33. PLEDGED OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or borrowings of the Group:

	2014	2013
	RMB'000	RMB'000
Building	**12,786**	40,573
Prepaid lease payments	**4,775**	13,894
Plant and machinery	**3,651**	4,477
Trade receivables	**—**	1,366
	21,212	60,310

34. OPERATING LEASE ARRANGEMENT

The Group as lessee:

The Group entered into commercial leases on certain warehouses. Leases are generally negotiated for a term of three years. Rentals are fixed at the date of signing of lease agreement. At the end the year ended date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follow:

	2014	2013
	RMB'000	RMB'000
Within one year	**431**	766
In the second to fifth year inclusive	**647**	766
	1,078	1,532

35. RELATED PARTY TRANSACTIONS AND BALANCES

Save as disclosed in Notes 13, 26 and 27 in the consolidated financial statements, the Group had also entered into the following related party transactions during the year:

(a) Compensation of key management personnel

The directors of the Company are identified as key management members of the Group and their compensation for the year ended is set out in Note 13.

(b) Transaction with related parties

	2014	2013
	RMB'000	RMB'000
Rental expense paid to a related company		
Hongbang Electronic (note (i))	**599**	766
Administrative expense paid to a related company		
Temps de Mode (note (ii))	**71**	36
Sale of inventories to related companies,		
Temps de Mode (note (ii) and (iii))	**68**	—
Temps de Mode (Xiamen) (note (ii) and (iii))	**46**	—

Note:

(i) Mr. Lin and Ms. Yan are the common shareholders of the Company and Hongbang Electronics until 8 August 2014. Since then, Hongbang Electronics was owned by a close member of the family of Mr. Lin. Mr. Lin was also a director of Hongbang Electronics until 7 March 2013.

(ii) The related company is an associate of the Group.

(iii) Sale of inventories to related companies were made at the Group's usual prices.

36. INVESTMENT IN SUBSIDIARIES

	2014	2013
	RMB'000	RMB'000
Unlisted share, at cost	**—**	—

36. INVESTMENT IN SUBSIDIARIES *(Continued)*

(a) Particulars of the Company's principal subsidiaries are set out below:

Name of subsidiary	Place of Incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of Nominal value of issued share capitally paid up capital held by the Company				Principal activities
			Directly		Indirectly		
			2014	2013	**2014**	2013	
Speed Glory	The British Virgin Islands ("BVI")	US$1.00	**100%**	100%	**—**	—	Investment holding
Time2U (HK)	Hong Kong	HK$1.00	**—**	—	**100%**	100%	Investment holding
Zhangzhou Hongyuan (note i)	The PRC	RMB30,000,000	**—**	—	**100%**	100%	Manufacturing and trading of watches
Fujian Ouwosi (note i)	The PRC	RMB25,000,000	**—**	—	**80%**	100%	Manufacturing and trading of watches

Notes:

(i) The companies are wholly foreign-owned enterprises established in the PRC.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(b) Detail of non-wholly owned subsidiary that has material non-controlling interests

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests voting right held by non-controlling interest		Profit allocated to non-controlling interest		Accumulated non-controlling interest	
		2014	2013	**2014**	2013	**2014**	2013
				RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Fujian Ouwosi (note i)	The PRC	**20%**	—	**2,617**	—	**19,444**	—

Summarised financial information in respect of each of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

36. INVESTMENT IN SUBSIDIARIES *(Continued)*

(b) Detail of non-wholly owned subsidiary that has material non-controlling interests *(Continued)*

(i) Fujian Ouwosi

	2014 RMB'000
Current assets	**56,754**
Non-current assets	**123,902**
Current liabilities	**83,437**
Equity attributable to owners of the Company	**77,775**
Non-controlling interests	**19,444**
Revenue	**241,370**
Expenses	**(223,405)**
Profit for the year	**17,965**
Profit attributable to owners of the Company	**15,348**
Profit attributable to owners of the non-controlling interests	**2,617**
Profit for the year	**17,965**
Total comprehensive income attributable to owners of the Company	**15,348**
Total comprehensive income attributable to owners of the non-controlling interests	**2,617**
Total comprehensive income for the year	**17,965**
Net cash generated from operating activities	**46,250**
Net cash used in investing activities	**(12,285)**
Net cash used in financing activities	**(21,044)**
Net cash inflow	**12,921**

37. EVENT AFTER THE END OF THE REPORTING PERIOD

On 30 January 2015, the Company issued a total of 260,000,000 ordinary shares, HK$286,000,000 each at a price of HK$1.1 per share as a result of the completion of the IPO.