2014 Annual Report

Ernest Borel Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1856

Contents

Corporate Information

DIRECTORS

Executive directors

Mr. Su Da *(Chairman)*
Mr. Wong Pong Chun James
Ms. Liu Libing

Non-executive directors

Mr. Chan Kwan Pak Gilbert
Mr. Pan Di

Independent Non-executive directors

Mr. Lo Chi Chiu
Mr. Cheung Kam Min Mickey
Dr. Yau Bun

COMPANY SECRETARY

Mr. Lau Fan Yu

AUDIT COMMITTEE

Mr. Lo Chi Chiu *(Chairman)*
Dr. Yau Bun
Mr. Cheung Kam Min Mickey

REMUNERATION COMMITTEE

Mr. Lo Chi Chiu *(Chairman)*
Mr. Wong Pong Chun James
Dr. Yau Bun
Mr. Cheung Kam Min Mickey

NOMINATION COMMITTEE

Mr. Su Da *(Chairman)*
Dr. Yau Bun
Mr. Lo Chi Chiu
Mr. Cheung Kam Min Mickey

AUTHORISED REPRESENTATIVES

Mr. Wong Pong Chun James
Mr. Lau Fan Yu

COMPANY'S WEBSITE

www.ernestborel.ch

REGISTERED OFFICE

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Cayman Islands

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Switzerland

OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

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People's Republic of China

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The Gateway, Harbour City
9 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor
Royal Bank House
24 Shedden Road
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Grand Cayman KY1-1110
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

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

COMPLIANCE ADVISER

Messis Capital Limited

PRINCIPAL BANKER

Hang Seng Bank Limited

LEGAL ADVISERS

As to Hong Kong law
Orrick, Herrington & Sutcliffe

Financial Highlights

The issued shares (the "**Shares**") of Ernest Borel Holdings Limited (the "**Company**") were listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 July 2014 (the "**Listing Date**").

The board of directors (the "**Directors**") of the Company (the "**Board**") is pleased to announce the audited consolidated results of our Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2014, together with the relevant comparative figures for the year ended 31 December 2013.

FINANCIAL AND OPERATION HIGHLIGHTS

- Turnover for the financial year ended 31 December 2014 ("**FY2014**") decreased from HK$604.0 million to HK$602.6 million when compared with last year ("**FY2013**").
- Gross margin for FY2014 decreased from 62.9% to 60.9%. Gross profit for FY2014 decreased from HK$380.1 million to HK$366.7 million.
- Profit after tax for FY2014 decreased by approximately 36.8% from HK$93.0 million to HK$58.8 million, mainly due to listing expenses of HK$22.0 million for FY2014 against HK$7.0 million in FY2013. Excluding the impact of listing expenses, profit after tax for FY2014 decreased by approximately 19.3% from HK$100.1 million to HK$80.8 million.
- Basic earnings per share was HK18.82 cents for FY2014 and HK33.10 cents for FY2013.
- The Board has recommended the payment of a final dividend for FY2014 of HK8 cents (FY2013: Nil) per share.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**") of Ernest Borel Holdings Limited ("**Ernest Borel**" or the "**Company**"), I am pleased to present the first annual report of the Company and its subsidiaries (collectively the "**Group**") after the Group's successful listing during 2014.

Ernest Borel was successfully listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 July 2014. Not only does it mark an important milestone in the Group's business development, the proceeds from the public offering of shares will also drive the Group's future development. The Swiss watch brand Ernest Borel, owned by the Group, was established since 1856 with 159 years heritage in premium watch production. As one of the oldest Swiss premium watchmakers, Ernest Borel boasts a unique "romance and elegance" brand values. This distinctive position, in addition to the excellent quality of its Swiss-made premium watches, has made Ernest Borel an attractive brand in the global market. After years of development, the Group is directly involved in a full breadth of operations, spanning from design, production, marketing and sale of mechanical and quartz premium watches under its own brand Ernest Borel, with special emphasis on watches for couples. Ernest Borel is currently one of the best-selling Swiss-made premium watch brands in the PRC market.

In 2014, the weak recovery of the global economy, the slow-down in the economic growth in the PRC and various market uncertainties have caused consumers to be more conservative about purchasing high-end consumer goods. Nevertheless, Ernest Borel has continued to gain support from customers and maintained stable revenue last year based on its solid operating experience and extensive distribution network. During the year under review, the Group has formulated prudent and precise strategies to establish points of sales ("**POS**") and expanded into second-, third- and fourth tier-cities with potential in order to capture the rising demand from the PRC market for high-end consumer goods. The Group has also developed a solid relationship with major distributors and has been invited to set up POS in renowned shopping malls, which has strengthened the market position of Ernest Borel. The Group has also continued to leverage its excellent watch-making skills to optimise the design of watches and launch new watch models to meet the preference of target consumers and gain greater popularity in the market.

Despite having to face the uncertainties within the macroeconomic environment, the management still believes the Group will be able to explore opportunities amid future challenges. The PRC premium watch market is expected to gradually expand as its luxury goods sector continues to outgrow the global market. This trend should facilitate the Group's long term development in the PRC market and thus we are prudently optimistic about its development prospects. Looking ahead, Ernest Borel intends to seize the opportunities in the PRC's luxury goods market through a series of strategies aiming to drive healthy growth. The Group will continue to cautiously identify favourable locations for establishing POS so as to form a more comprehensive sales network focusing on first-tier cities for brand building and second-to-fourth tier cities for sales promotion. Apart from consolidating our position in the domestic PRC market and other markets where it currently operates, the Group will also develop the Japanese and Korean markets to capture a higher market share across Asia.

Apart from methodically expanding its sales network, the Group will also adjust its product mix and improve the design capability, production capacity and sales of mid-range-to-high-end watches to enhance profitability, as well as create special designs to meet the taste of the public and attract high-end consumers. To complement its growth plan and expand production capacity, the Group will construct an additional production facility on a parcel of land located in Le Noirmont, Switzerland adjacent to the Group's existing plant. As the internet has become an important channel for the sales and marketing of watches, the Group is also committed to investing in e-commerce business and professionals so as to sell products to consumers online. Internet sales in conjunction with the appropriate brand positioning and outstanding and proven marketing strategies combine to present greater opportunities for the Group in the future. The Group is poised to address future challenges and implement strategies in a highly flexible manner which can pave the way for its future growth.

Last but not least, on behalf of the Board and the management, I would like to express my heartfelt gratitude to the entire staff for their dedication, commitment and contribution to the Group during the year. I would also like to thank our shareholders, investors, customers and cooperative partners for their strong support. With our distinctive competitive advantages and rich operational experience in the premium watch industry, we are ready to advance Ernest Borel's leading position in the Swiss-made premium watch market, thereby generating stable and promising returns for our shareholders in the long run.

Mr. Su Da
Chairman and Executive Director
30 March 2015

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Su Da (蘇大), aged 50, was appointed as a Director on 6 April 2012 and re-designated as an executive Director and chairman of the Board and the nomination committee of the Board (the "**Nomination Committee**") on 24 June 2014. In addition, Mr. Su is a director of Ernest Borel Investment Limited ("**EB Investment**"), Ernest Borel (Hong Kong) Limited ("**EB (HK)**") and Ernest Borel (Far East) Company Limited ("**EB (Far East)**"), all of them are wholly-owned subsidiaries of the Company. Mr. Su has over 31 years of experience in the watch industry and is primarily responsible for the strategic sales, marketing planning and overall business development of our brand. From 1993 to 2002, Mr. Su was the managing director of EB (Far East) and was primarily engaged in the distribution of our watches in the PRC and had assisted the Group in developing sales channels and devising marketing strategies for our brand in the PRC market. From December 2002 to December 2005, he was the managing director of 廣州市時亨寶百貨公司 (Guangzhou Shihengbao Department Store Co., Ltd*) ("**Guangzhou Shihengbao**") responsible for development and implementing business development strategies and overseeing the overall administrative and business activities. Since 1 January 2003, he has been the chief executive officer of EB (Far East) and is primarily responsible for overlooking the business operation, strategic planning, estimating productivity and profitability of business arrangements and establishing company goals in the south Asia Pacific area. Since 2012, Mr. Su has been the vice-president of the management committee for watch enterprises of the China Business Enterprise Management Association (中國商業企業管理協會) and a member of Hong Kong General Chamber of Commerce (香港總商會). Mr. Su received his college diploma in e-commerce from South China Normal University (華南師範大學) in August 2006.

Mr. Wong Pong Chun James (黃邦俊), aged 56, was appointed as a Director on 16 September 1993 and re-designated as an executive Director and a member of the remuneration committee of the Board (the "**Remuneration Committee**") on 24 June 2014. In addition, Mr. Wong is a director of EB Investment, EB (HK) and EB (Far East). Mr. Wong has over 21 years of experience in the general management of the Group's operations. Mr. Wong is an executive director of Truly International Holdings Limited, which is a company listed on the main board of the Stock Exchange (stock code: 732) where he has been primarily responsible for the operations, internal controls and risk management, investors' relationship and external affairs. Mr. Wong received a doctor's degree of dental medicine from the Centro Escolar University, Philippines in May 1983.

Ms. Liu Libing (劉麗冰), aged 46, was appointed as a Director on 18 June 2012 and re-designated as an executive Director on 24 June 2014. In addition, she is the general manager and a director of 依波路(廣州)貿易有限公司 (Ernest Borel (Guangzhou) Trading Co., Ltd.*) ("**EB (GZ)**"), a principal wholly-owned subsidiary of the Company. Ms. Liu has over 13 years of experience in the watch industry and is primarily responsible for the financial affairs, administrative and human resource management of the PRC market. From December 2002 to December 2011, she worked as the human resource manager of Guangzhou Shihengbao and was responsible for human resource management and overall financial affairs. Since January 2012, she has been the general manager of the Group's PRC operations under EB (GZ) and is responsible for the implementing and executing administrative plans and human resource allocation, incentive and remuneration plans for the Group's operation in the PRC. Ms. Liu graduated from Guangdong Shanwei High School (廣東省汕尾中學) in June 1988.

NON-EXECUTIVE DIRECTORS

Mr. Chan Kwan Pak Gilbert (陳君珀), aged 38, was appointed as a Director on 19 June 2012 and re-designated as a non-executive Director on 24 June 2014. Mr. Chan has been the director of GB Autos Ltd. since May 2006, the director of Golden Gate Group Int'l Ltd. since March 2010 and the director of Harvest Finance Ltd. and Harvest Securities Ltd. since November 2011. Mr. Chan received his bachelor's degree of Engineering in Mechanical Engineering Technology from Kingston University, United Kingdom in July 2001.

* *For identification purpose only*

Mr. Pan Di (潘迪), aged 33, was appointed as a Director on 31 December 2013 and re-designated as a non-executive Director on 24 June 2014. From 2007 to 2010, he worked as an attorney assistant and trainee solicitor with the securities department of King & Wood in Shanghai, PRC. Since 2010, Mr. Pan has worked at Greenwoods Private Equity Funds (景林股權投資基金) and currently holds the position of a director with primary focus in investments in consumer and telecommunications, media and technology industries. Mr. Pan received his bachelor's degree in law from Fudan University (復旦大學) in the PRC in July 2004. Mr. Pan is an attorney admitted to practise law in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Chi Chiu (盧志超), aged 41, was appointed as an independent non-executive Director on 24 June 2014. Mr. Lo is also the chairman of our audit committee of the Board (the "**Audit Committee**") and Remuneration Committee, and a member of our Nomination Committee. Mr. Lo has over 15 years of accounting experience in international accounting firms and various corporations.

From August 1995 to October 1997, Mr. Lo worked as a staff accountant in the audit department of Ernst & Young. From December 1997 to June 2001, Mr. Lo worked as a senior associate and later, as a manager, in the business advisory services department at PricewaterhouseCoopers Ltd. From July 2001 to July 2002, Mr. Lo worked as financial controller for Technicon Engineering Limited. From July 2002 to November 2002, Mr. Lo worked as financial controller for Zhejiang Xinfu Biochemical Co., Ltd* (浙江鑫富生化股份有限公司). From December 2002 to June 2003, Mr. Lo worked as financial controller for Shenzhen Glory Medical Co., Ltd* (深圳市尚榮醫療股份有限公司). From June 2004 to August 2006, Mr. Lo worked at Integrated Distribution Services Group Management Limited, a subsidiary of Integrated Distribution Services Group Limited, a company that was listed on the main board of the Stock Exchange (stock code: 2387) but was subsequently acquired by Li & Fung Limited by way of privatisation. The last position held by Mr. Lo at Integrated Distribution Services Group Management Limited was as a finance manager. From August 2006 to November 2010, Mr. Lo was the chief financial officer at Haitian International Holdings Limited ("**Haitian**") (stock code: 1882), a company listed on the main board of the Stock Exchange. Between November 2010 and January 2011, Mr. Lo was the company secretary and chief financial officer of Truly International Holdings Limited (stock code: 732), a company listed on the Stock Exchange. From February 2011 to August 2011, Mr. Lo was the chief financial officer for VPower Holdings Limited. Mr. Lo rejoined Haitian in September 2011 and has been their chief financial officer to present, mainly responsible for handling investor relations, finance and treasury functions, and internal and external financial reporting.

Mr. Lo obtained a bachelor 's degree in business administration from the University of Hong Kong in 1995. Mr. Lo is also a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Cheung Kam Min Mickey (張錦緜), aged 44, was appointed as an independent non-executive Director on 24 June 2014. Mr. Cheung is also a member of our Audit Committee, Remuneration Committee and Nomination Committee. From January 1998 to October 2000, Mr. Cheung worked as an assistant solicitor at various law firms, including Yeung & Co., Norman M.K. (楊敏健律師行), Wong & Fok (黃霍律師行) and Ong & Chung (王東昇、鍾金榮律師事務所). From October 2000 to October 2003, he worked as a partner at Wong & Co., T.H. (黃德慶廖瑞彪律師事務所) (formerly known as T.H. Wong & Co. (黃德慶律師事務所)). He worked as a partner at Fung & Liu (廖壁欣律師事務所) and Victor Chiu Tsang & Partners (趙曾律師事務所) from December 2003 to November 2004 and December 2003 to July 2005, respectively. He has been the founding partner of K.M. Cheng & Co., Solicitors, (張錦緜律師事務所) since January 2005. Mr. Cheung obtained a bachelor 's degree in business administration from the University of Hong Kong in 1993. He further completed a Common Professional Examination in 1994 and Postgraduate Certificate in Laws in 1995. Mr. Cheung was admitted as a solicitor to the High Court of Hong Kong in December 1997. Mr. Cheung is currently a practising solicitor of the High Court of Hong Kong.

* *For identification purpose only*

Biographical Details of Directors and Senior Management

Dr. Yau Bun (邱斌), aged 50, was appointed as an independent non-executive Director of the Company and a member of each of the Remuneration Committee , Nomination Committee and Audit Committee of the Company with effect from 10 November 2014. Dr. Yau is the chief executive officer of Objective Solutions Limited (達成系統有限公司) (formerly known as Objective Management Consulting (達成專業顧問)) since September 1989. He is actively involved in enterprise resource planning system, particularly in the application of such system in the jewelry industry.

Dr. Yau graduated from the University of South Australia with a Doctoral Degree in Business Administration in September 2003, received his masters degree in business administration from University of Leicester in July 1993, and obtained a post-graduate diploma in marketing from the Chartered Institute of Marketing in December 1999.

SENIOR MANAGEMENT

Mr. Renaud de Retz, aged 41, is the chief executive officer of Ernest Borel S.A. ("**EB (Switzerland)**"). Mr. Retz has over 10 years of experience in the watch industry and is primarily responsible for the overall management of EB (Switzerland). From 1998 to 1999, he worked as a sales manager at Longines, The Swatch Group (France). From 2000 to 2001, he worked for La Société, Jaeger-LeCoultre, France S.A. and was mainly responsible for strategic marketing. From 2001 to 2003, he worked as an international project manager for La Société, LVMH Watches & Jewellry. From 2004 to 2009, Mr. Retz co-founded and served as managing director at Hautlence S.A., a company principally engaged in the design and production of watches in Switzerland. In 2010, he co-founded Reglisse Jewellry, a company principally engaged in the design and production of jewellry in Switzerland, and was primarily responsible for the development of international sales network and brand image. Mr. Retz obtained a master's degree in marketing and international strategy from European Business School in March 1997.

Mr. Jean-François Bodard, aged 42, is the production director of EB (Switzerland). Mr. Bodard has over 8 years of experience in the watch industry and is primarily responsible for the management of our watch makers as well as the technical and quality control of our products. From March 2006 to August 2011, he worked as a watch making operator and head of movement assemblage workshop at Société des Montres Paul Picot S.A. From August 2011 to December 2011, he worked as the head watchmaker for Vincent Bérard S.A. in Switzerland. Mr. Bodard received his watchmaker certificate in Switzerland awarded by The Centre for Continuing Education in Watchmaking in March 2006.

Mr. Lau Fan Yu (劉範儒), aged 47, is the company secretary and the group financial controller of our Company. Mr. Lau was admitted as a fellow of the Association of Chartered Certified Accountants in October 2004. He has also been a certified accountant of the Hong Kong Institute of Certified Public Accountants since January 2000. Mr. Lau has over 22 years of experience in the field of finance and accounting and is primarily responsible for management of the overall financial and accounting affairs of our Group. From 1992 to 2005, Mr. Lau has worked in various positions at Growth-Link Trade Services Company, Limited, a company primarily engaged in the trading of footwear and related materials, with the last position as general manager, operation responsible for all finance and operation affairs. From 2006 to 2011, he worked as the finance director at Right Management, Greater China, a company primarily engaged in the provision of human resources consultancy services.

Mr. Lau received his bachelor's degree of commerce (major in finance) from Concordia University, Canada in May 1991. He further completed the master of business administration from City University of Hong Kong in November 2001.

Ms. Chu Yuen Ling Teresa (朱婉玲), aged 37, is the marketing communications director of EB (Far East). Ms. Chu has over 15 years of experience in the field of media, advertising and public relations and is primarily responsible for the overall corporate communications, advertising, public relations, design management of the group of Ernest Borel Holdings Limited. From March 2003 to November 2004 she worked as the assistant marketing manager and marketing manager at South China Media. From November 2004 to July 2006, she worked as the marketing manager at Sing Tao Management Services Limited. Ms. Chu received her bachelor's degree of arts in marketing from the Hong Kong Polytechnic University in November 2000. She further completed her master's degree of corporate communications from the Chinese University of Hong Kong in December 2005.

Ms. Song Yi (宋怡), aged 39 is the operations director of EB (Far East). Ms. Song has over 16 years of experience in the watch industry and is primarily responsible for the overall operational management of EB (Far East). From November 1999 to June 2004, she worked as a secretary to deputy general manager in Time City International Co., Ltd. From February 2005 to June 2010, she worked in various positions at Solomon Watch & Jewellery Co., Ltd (which is a wholly owned subsidiary of Peace Mark Group and acquired by Chow Tai Fook Group since October 2008) as logistics manager, as deputy general manager of Peace Mark (Shanghai) Commercial Co., Ltd, and watch department manager of Chow Tai Fook Watch for its China watch retail operations and management headquarter in Chow Tai Fook Jewellery Co., Ltd.

Ms. Song received her bachelor's degree in business administration from Fudan University (復旦大學) in the PRC in July 2002.

Mr. Wong Fung (王烽), aged 33, is the sales and marketing director of EB (Far East). Mr. Wong is primarily responsible for the sales and marketing management of Hong Kong, Macau and south east Asia area for EB (Far East). From August 2006 to August 2013, he worked for The Swatch Group (Hong Kong) Limited, with the last position as sales and marketing manager of Balmain division. Mr. Wong received a bachelor's degree of engineering from The Chinese University of Hong Kong in July 2004.

Mr. Xu Xuexin (徐學新), aged 46, is the sales director of eastern China area of EB (GZ). Mr. Xu is primarily responsible for the overall marketing and sales management of eastern China area for EB (GZ). From April 1996 to August 2003, Mr. Xu worked as a manager at Seiko China. Mr. Xu received his bachelor's degree in economics and politics majoring in investment economics from the Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 1991.

COMPANY SECRETARY

Mr. Lau Fan Yu (劉範儒). Please refer to the sub-section headed "Senior Management" above for Mr. Lau's biography.

Management Discussion and Analysis

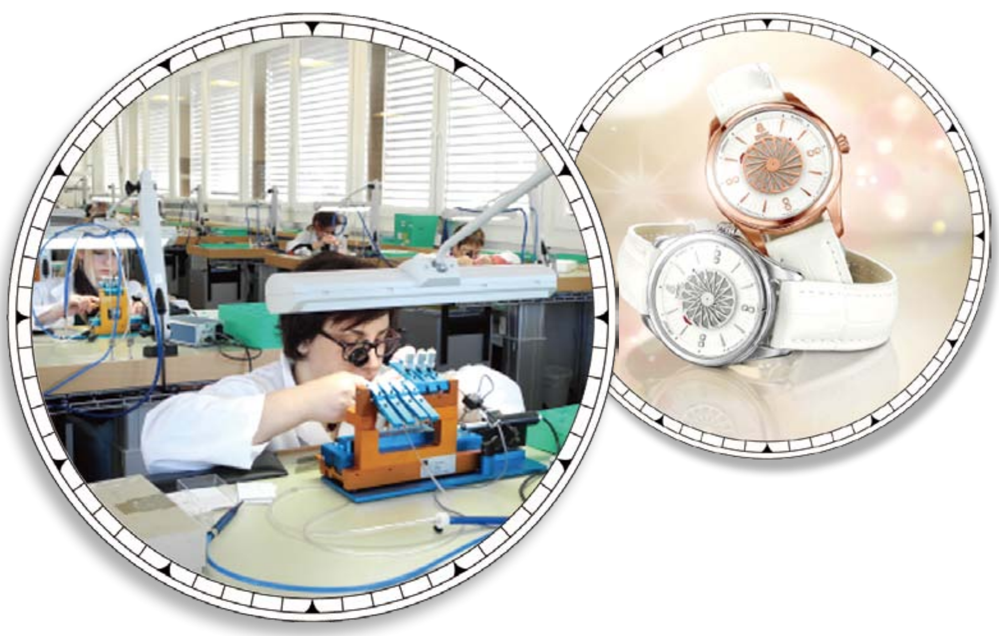
BUSINESS REVIEW

On 11 July 2014, the issued shares of the Company (the "**Shares**") were successfully listed on the main board of the Stock Exchange, marking an important milestone in our development.

We are one of the oldest Swiss premium watchmakers established in 1856 with a proud heritage spanning 159 years. Today, our Group is directly involved in a full breadth of operations, spanning design, production, marketing and sale of mechanical and quartz premium watches under our own brand Ernest Borel (依波路), with a particular focus on watches for couples. We have established an extensive distribution network that taps the lucrative retail markets in the People's Republic of China (the "**PRC**,") and for the purpose of this report, excludes the Hong Kong Special Administrative Region ("**Hong Kong**"), the Macau Special Administrative Region ("**Macau**") and Taiwan. As at 31 December 2014, our Group has a total of 1,054 points of sale ("**POS**"), a significant increase from 969 POS as at 31 December 2013.

During 2014, our Group demonstrated once again its chorological mastery with the launch of 55 new models, which added to our existing product offerings to provide more than 20 different collections of mechanical and quartz watches, comprising more than 232 models. While the latest collection has been warmly received by the market, revenue has decreased by approximately 0.2% to HK$602.6 million during FY2014 as compared to FY2013. The Group has demonstrated its ceaseless efforts in bolstering its foothold in the PRC, its largest market, by participated in or hosted 210 timepiece roadshows and events in 2014. We strive to leverage our brand recognition and effective marketing strategy to develop more new markets and increase its market share.

Profit attributable to equity holders decreased to HK$58.8 million for 2014 (2013: HK$93.0 million) due to a non-recurring listing expense of $22.0 million that was recognised during FY2014. Foreign exchange losses were HK$6.8 million, which mainly arose due to depreciation of the Renminbi against the Hong Kong dollar. There was also an increase in the cost of sales of HK$12.0 million mainly due to an increase in costs of materials which could not be passed on to customers as we have adopted a competitive pricing strategy with a lower profit margin in new models to compete in the intense market situation.



Management Discussion and Analysis

The PRC Market

As part of our efforts to continuously increase our presence in the PRC market, we had a total of 852 POS operated by more than 183 watch retailers across 23 provinces, autonomous regions and municipalities in the PRC as at 31 December 2014, an increase from 817 POS as at 31 December 2013.

During the year, China's showing economy added pressure to the Group. Revenue generated from the PRC declined to HK$450.0 million from HK$463.4 million during FY2013, representing a decrease of approximately 2.9%, accounting for approximately 74.7% of our total revenue. The decline was principally due to the PRC economy growing at a slower pace which has adversely affected the premium watch market.

Hong Kong, Macau and Southeast Asia Markets

The growth in the luxury good retail industry in Hong Kong and Macau can be credited to the influx of high net worth and middle-class visitors from the PRC. Our efforts in marketing and branding of our products have taken advantage of these macroeconomic factors, and our revenue from this business segment has steadily risen to HK$141.9 million as at the end of 31 December 2014 as compared to HK$131.1 million in 2013.

As at 31 December 2014, we have 176 POS in the Hong Kong, Macau and Southeast Asia markets, as compared to 135 POS as at 31 December 2013.

FINANCIAL REVIEW

Revenue and segment information

Our revenue remained relatively stable with a slight decrease by HK$1.4 million, or approximately 0.2% from HK$604.0 million for FY2013 to HK$602.6 million for FY2014.

Performance by major products

Mechanical watches

Revenue from sales of mechanical watches enjoyed a slight increase of approximately 1.7% from HK$419.7 million for FY2013 to HK$427.0 million for FY2014. The increase was mainly due to a change in our product mix as 37 out of the 55 new models of watches introduced in 2014 were mechanical watches, leading to an increased in sales quantity of mechanical watches compared to FY2013.

Quartz watches

Revenue from sales of quartz watches decreased by approximately 4.9% from HK$183.3 million for FY2013 to HK$174.4 million for FY2014. The decrease was mainly attributable to a change in our product mix as only 18 out of the 55 models of watches introduced in 2014 were quartz watches leading to a decreased in sales quantity of quartz watches in 2014.

Performance by geographical locations

The PRC market

The PRC continues to be our major market, representing approximately 74.7% of our revenue in 2014. Sales in this region showed a decrease of approximately 2.9% from HK$463.4 million for FY2013 to HK$450.0 million for FY2014. The decline was mainly attributable to the slowdown in growth of the PRC economy which has affected the premium watches market.

Hong Kong, Macau and Southeast Asia markets

Hong Kong, Macau and Southeast Asia markets accounted for approximately 23.5% of our total revenue for 2014. Sales in this market increased by approximately 8.2% from HK$131.1 million for FY2013 to HK$141.9 million for FY2014. The increase was mainly attributable to the rise in the number of our POS from 135 for FY2013 to 176 in FY2014, thereby increasing our exposure in the market.

Other markets

Revenue from other markets, namely, markets in the United States and Europe, remained relatively stable and recorded a marginal increase from HK$9.5 million FY2013 to HK$10.8 million for FY2014.

Cost of Sales

Cost of sales increased by approximately 5.4% from approximately HK$223.9 million for FY2013 to approximately HK$235.9 million for FY2014. Reasons which led to the increase were mainly attributable to increase in cost of watch components in 2014.

Gross profit

Our gross profit decreased by HK$13.4 million or approximately 3.5% from HK$380.1 million for FY2013 to HK$366.7 million for FY2014, while the gross profit margin decreased to approximately 60.9% for FY2014 from approximately 62.9% for FY2013. The decrease in gross profit and gross profit margin was primarily due to our pricing strategy. Although the costs of watch components increased, we were unable to transfer the increase in pricing to our customers due to weak market condition within the industry. It was our pricing strategy to price new models with lower profit margins which accounted for 25.0% of the sales for FY2014 in order to compete in the intensely competitive market.

Other gains and losses

We recorded other losses of HK$9.1 million for FY2014 as compared to other gains of HK$3.1 million for FY2013. This was primarily due to the exchange net loss of HK$6.8 million mainly arising from depreciation of the RMB against the Hong Kong dollar and fair value loss on derivative financial instruments of HK$1.8 million.

Distribution costs

Our selling and distribution costs decreased by HK$17.8 million or approximately 8.7% from HK$204.7 million for FY2013 to HK$186.9 million for FY2014, representing approximately 31.0% of our total revenue for 2014 (2013: approximately 33.9%). The decrease was primarily attributable to a decrease in advertising and marketing expenses from HK$111.7 million for FY2013 to HK$88.6 million for FY2014 as we reduced the scale of our marketing and advertising activities, which was partially offset by an increase in depreciation expenses from HK$30.6 million for FY2013 to HK$33.1 million for FY2014 due to the depreciation of additional display counters for new POS set up in FY2014 and maintenance of display counters in existing POS.

Administrative expenses

Our administrative expenses increased to HK$65.9 million for FY2014 from HK$58.0 million for FY2013, representing an increase of HK$7.9 million or approximately 13.6%. The increase in administrative expenses was primarily due to an increase in staff salaries, HK$6.4 million which includes the pre-option expense of HK$3.6 million and other general office expenses.

Listing expenses

Our listing expenses increased by HK$15.0 million to HK$22.0 million for FY2014 from HK$7.0 million for FY2013. This increase was primarily due to an increase in professional fees paid during 2014 in relation to the listing and the global offering of the Shares when our Shares were listed on the main board of the Stock Exchange on 11 July 2014.

Finance costs

Our finance costs increased by HK$1.2 million or approximately 31.6% from HK$3.8 million for FY2013 to HK$5.0 million for FY2014 as a result of an increase in bank borrowings during the reporting period.

Taxation

Our income tax increased from HK$17.7 million for FY2013 to HK$20.2 million for FY2014, representing an increase of HK$2.5 million or approximately 14.1%. This increase was primarily attributable to the occurrence of deferred tax expense amounting to HK$3.7 million for FY2014 as compared to deferred tax income amounting to HK$3.7 million for FY2013.

Profit for the year attributable to owners of our Company

The gross profit decreased by HK$13.4 million mainly due to lower profit margin recorded from sales of new models and exchange loss of HK$6.8 million mainly due to Renminbi depreciation during FY2014. The decline was caused in part by the factors mentioned above, and primarily due to an increase of non-recurring listing expense of HK$15.0 million that was recognised during FY2014. Our net profit for the year decreased by approximately HK$34.2 million or around 36.8% from HK$93.0 million for FY2013 to HK$58.8 million for FY2014 and the net profit margin declined from approximately 15.4% for FY2013 to approximately 9.8% for FY2014. Excluding the impact of the non-recurring listing expense, profit for the year decreased by approximately 19.3% from HK$100.1 million to HK$80.8 million.

Inventory

Inventory was approximately HK$498.0 million as at 31 December 2014, representing an increase of HK$73.6 million, or around 17.3%, from HK$424.4 million as at 31 December 2013.

The increase in inventory was mainly attributable to three main reasons. Firstly, an increase in watch movement reserves for contingency purposes in the event that one of our watch suppliers decided to withhold the supply of mechanical movements to third parties. Secondly, we had an increased number of work-in-progress and finished goods as we added new models during 2014 to better cater to the tastes and preference of our end customers along with the expansion of our distribution network in different markets which warranted a correspondingly increase of stocks. Lastly, average inventories turnover days are longer for premium branded watches as compared to branded watches to end customers because premium brands rarely offer discounts for the purpose of maintaining their brand images.

Trade and other receivables and payables

The Group's trade and other receivables amounted to approximately HK$161.4 million and approximately HK$156.9 million as at 31 December 2013 and 2014 respectively. Such decrease in trade and other receivables is attributable to a decrease in other tax recoverable and prepayment in FY2014.

The Group's trade and other payables decreased slightly from approximately HK$75.9 million as at 31 December 2013 to approximately HK$67.2 million as at 31 December 2014 resulting primarily from a decrease in accrual in 2014 as a result of a decrease in advertising and marketing expenses.

Liquidity, financial resources and capital structure

As at 31 December 2014, we had non-pledged cash and bank balances of HK$141.3 million (31 December 2013: HK$60.9 million). Based on the borrowings of HK$128.7 million (31 December 2013: HK$171.3 million) and shareholders' equity of HK$682.5 million (31 December 2013: HK$455.1 million), our gearing ratio (being loans divided by shareholders' equity) was approximately 18.9% (31 December 2013: approximately 37.6%).

As at 31 December 2014, part of our borrowing amounting to HK$27.3 million was repayable over one year and the remaining balance amounting to HK$101.4 million was repayable within one year.

Foreign exchange exposure

Certain of the members of our Group have foreign currency sales, which expose us to foreign currency exchange fluctuation risk. In addition, certain of our trade receivables, other receivables and deposits, bank balances, other payables and accrued expenses, and our intra-group balances were denominated in foreign currencies.

We monitor foreign exchange trends and will consider hedging significant foreign currency exposure should the need arise.

Charge on assets

Our outstanding bank borrowings were secured by:

(a) charges over our time deposits with a carrying amount of HK$6.0 million (2013: HK$1.0 million);

(b) charges over deposits placed for a life insurance policy with a carrying amount of HK$9.5 million (2013: HK$6.9 million); and

(c) charges over trade receivables with a carrying amount of HK$8.6 million (2013: Nil).

Material acquisition and disposal of subsidiaries or associated companies

No material acquisition or disposal of any subsidiaries or associated companies was made during FY2014.

Future plans for material investments and capital assets

There was no definite future plan for material investments and acquisition of material capital assets as at 31 December 2014.

Contingent liabilities

We did not have any contingent liabilities as at 31 December 2014 (2013: Nil).

Employees and Remuneration Policies

As at 31 December 2014, the Group had a total of 326 full-time employees, representing an increase of 2.5% compared to 318 employees as at 31 December 2013. Total staff costs for 2014 increased to approximately HK$82.0 million from approximately HK$72.3 million for 2013, mainly due to the occurrence of equity-settled share-based payment of HK$3.6 million and an increase in salaries and other benefits of HK$5.2 million in 2014.

All of our full-time employees are paid a fixed salary and may be granted other allowances, based on their positions. Members of the sales staff are also eligible for commissions based on their ability to meet sales targets. In addition, year-end bonuses may also be awarded to the employees at our discretion and based on employee performance. Yearly performance appraisals are conducted to ensure that the employees receive feedback on their performance. Our Company has adopted a pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") and a share option scheme (the "**Share Option Scheme**") on 24 June 2014, which became effective on the Listing Date. Certain Directors and employees have been granted options under the Pre-IPO Share Option Scheme during FY2014 and the details are set out in the sections headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" in the Report of the Directors section of this annual report. No option has been granted under the Share Option Scheme during FY2014.

The Group provides training to its employees on a regular basis to keep them abreast of their knowledge in the Group's products, technology developments and market conditions of its industry. In addition, the Group's senior management also participates in conferences and exhibitions to deepen their knowledge in the industry.

Capital commitment

As at 31 December 2014, there were capital commitments in the amount of HK$1.2 million which represented the balance payment in relation to the acquisition of a parcel of land in Switzerland for our new production facility (31 December 2013: HK$6.4 million).

Prospects

Recent figures showed that both China and Hong Kong retail market recorded slower growth due to continuous pressure from the slowdown in China's macroeconomic growth. Despite the uncertainties existed within the macroeconomic environment, the management still believes the Group will be able to explore opportunities amid future challenges.

As the PRC will remain to be the main focus of our development, the management will seek to bolster our presence through prudently expanding our distribution network in the PRC. To better tap into other potential cities in the PRC, we aim to increase an aggregate of 200 POS in the PRC within the next two years commencing from 1 January 2015. Without overlooking the importance of overseas markets outside of the PRC, we have also targeted to establish an aggregate of 60 POS in overseas market outside of the PRC within the next two years.

Given the tough operating environment ahead, our management is fully aware of the importance of improving the profit margin and profitability. In order to achieve these objectives, we will increase our design and production capabilities, as well as devoting greater efforts towards the sales of medium and medium-high-end watches. In respect of the former, we plan to use the land parcel adjacent to our existing production facility in Le Noirmont, Switzerland that we purchased to construct additional production facilities. We will also expand the production department by hiring additional watchmakers and quality control staff, and acquire additional testing machinery to address the increase in demand for our watches.

Further, we will introduce a new range of watches during 2015 that we believe will further enhance our product mix and address the market in order to better fit current customers' spending pattern. To further reach out to our current and potential customers, our management will adjust our marketing strategy to reinforce the brand image of Ernest Borel in the eyes of our target consumers. While advertising will be selectively placed, emphasis will shift to implementing marketing initiatives and conducting promotional activities where our POS are located. Such efforts will complement our commitment to working more closely with local retailers and authorised distributors by leveraging their local market knowledge for our marketing and promotional initiatives and building a closer tie with them.

Going forward, we will continue to leverage our vertically-integrated business model which has provided numerous competitive advantages. Supported by a long and distinguished history of producing premium Swiss-made watches, Ernest Borel is well-positioned to become one of the best-selling brands in the premium watch market in the PRC, leading to stable and long term returns to our shareholders.

USE OF PROCEEDS FROM THE IPO

The ordinary shares of the Company were listed on the Main Board of the Stock Exchange on 11 July 2014 with net proceeds from the global offering of the Company of approximately HK$173.4 million (after deducting underwriting fees and related expenses).

The use of the net proceeds from the global offering as at 31 December 2014 was approximately as follows:

Use for	Percentage of net proceeds	Amount of net proceeds (in HK$ million)	Amount utilised (in HK$ million)	Amount remaining (in HK$ million)
Marketing and promotional activities of our brand and watches	35%	60.7	(21.5)	39.2
Expanding and enhancing our distribution network	35%	60.7	(24.8)	35.9
Capital expenditures on ongoing expansion of our production capacity	20%	34.7	–	34.7
Providing funding for working capital and other general corporate purposes	10%	17.3	(17.3)	–
Total	**100%**	**173.4**	**(63.6)**	**109.8**

Corporate Governance Report

Good corporate governance is conducive to enhancing overall performance and accountability and is essential in modern corporate administration. The Board continuously observes the principles of good corporate governance in the interests of shareholders of the Company (the "**Shareholders**") and devotes considerable effort to identifying and formalizing best practice.

Code provision A.2.1 of the Corporate Governance Code and Corporate Governance Report (the "**Corporate Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Currently, the Company does not have the position of chief executive and the Board considers that Mr. Wong Pong Chun James, an executive Director who is responsible for operations, internal controls, risk management, investors' relations and external affairs, has been carrying out similar roles to a chief executive. As such, the Board is of the view that, since the date of listing of the Shares on the main board of the Stock Exchange on 11 July 2014 up to and including 31 December 2014, the Company has complied with all code provisions as set out in the Corporate Governance Code.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules effective since its adoption by the Company on 24 June 2014 and throughout the year ended 31 December 2014 (the "**Year**") as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions from the Listing Date to 31 December 2014 (the "**Period**").

BOARD OF DIRECTORS

Board Composition

As at 31 December 2014 and the date of this annual report, the Board comprised three executive Directors, two non-executive Directors and three independent non-executive Directors:

Executive Directors

Mr. Su Da *(Chairman)*
Mr. Wong Pong Chun James
Ms. Liu Libing

Non-executive Directors (the "NEDs")

Mr. Chan Kwan Pak Gilbert
Mr. Pan Di

Independent Non-executive Directors (the "INEDs")

Mr. Zhang Huaqiao *(resigned on 10 November 2014)*
Mr. Lo Chi Chiu
Mr. Cheung Kam Min Mickey
Dr. Yau Bun *(appointed on 10 November 2014)*

The Board takes overall responsibility to oversee all major matters of the Company and its subsidiaries (the "**Group**"), including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group' s operation and financial performance, internal control and risk management systems. The Directors have to make decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Group are delegated to Mr. Wong Pong Chun James and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approvals have to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board is well balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors, the NEDs and the INEDs bring a variety of experience and expertise to the Company. The biographical information of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. To the best knowledge of the Company, there is no financial, business or family relationship among the members of the Board.

The Company has arranged for appropriate and sufficient insurance coverage on Director's liabilities in respect of legal actions taken against the Directors arising out of corporate activities.

Board meetings have been held from time to time to discuss the business strategies of the Group; monitor financial and operational performance; approve the annual and interim results of the Group; and discuss the corporate governance functions of the Board.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

The Directors have been informed of the requirement under code provision A.6.5 of the Corporate Governance Code regarding continuous professional development. According to the records maintained by the Company, the current Directors received the following training by attending briefings, seminars, conferences or reading materials with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Corporate Governance Code on continuous professional development during the Year:

	Corporate Governance/ Updates on Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills	
	Read materials	Attend Seminars/ Briefings	Read materials	Attend Seminars/ Briefings
Executive Directors				
Mr. Su Da	✓	✓	✓	✓
Mr. Wong Pong Chun James	✓	✓	✓	✓
Ms. Liu Libing	✓	✓	✓	✓
NEDs				
Mr. Chan Kwan Pak Gilbert	✓	✓	✓	✓
Mr. Pan Di	✓	✓	✓	✓
INEDs				
Mr. Zhang Huaqiao *(resigned on 10 November 2014)*	✓	✓	✓	✓
Mr. Lo Chi Chiu	✓	✓	✓	✓
Mr. Cheung Kam Min Mickey	✓	✓	✓	✓
Dr. Yau Bun *(appointed on 10 November 2014)*	✓	✓	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and chief executive officer are separate and are not performed by the same individual as this ensures better checks and balances and hence better corporate governance. Mr. Su Da holds the position of the Chairman, who is primarily responsible for the overall strategies, planning and business development of the Group. Currently, the Company does not have the position of chief executive officer and the Board considers that Mr. Wong Pong Chun James, an executive Director who is responsible for operations, internal controls, risk management, investors' relations and external affairs, has been carrying out similar roles as a chief executive officer.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

INEDs have played a significant role in the Board by bringing their independent judgment at the Board meetings and scrutinizing the Group's performance. Their views carry significant weight in the Board's decisions. In particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All INEDs possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. INEDs provide independent advice on the Group's business strategy, results and management so that all interests of Shareholders can be taken into account, and the interests of the Company and its Shareholders can be protected.

The Board has three INEDs with one of them, namely Mr. Lo Chi Chiu, possessing appropriate professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rules 3.10(1) and (2) and 3.10A of the Listing Rules.

The Company has received an annual confirmation of independence from each of the existing INEDs in accordance with Rule 3.13 of the Listing Rules. Based on the content of such confirmations, the Company considers that all the existing INEDs are independent in accordance with the Listing Rules.

BOARD DIVERSITY POLICY

Pursuant to the Corporate Governance Code, the Board adopted a board diversity policy (the "**Board Diversity Policy**") in June 2014. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

Meetings

The Board meets regularly either in person or through electronic means of communication to discuss the overall strategy as well as the operation and financial performance of the Group. The number of the Board meetings and general meetings held and the attendance of each Director at these meetings for the Period have been set out as follows:

	No. of attendance/No. of meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meetings
Executive Directors					
Mr. Su Da	2/2	1/2	N/A	1/1	N/A
Mr. Wong Pong Chun James	2/2	1/2	1/1	N/A	N/A
Ms. Liu Libing	2/2	N/A	N/A	N/A	N/A
Non-executive Directors					
Mr. Chan Kwan Pak Gilbert	2/2	N/A	N/A	N/A	N/A
Mr. Pan Di	2/2	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Zhang Huaqiao *(resigned on 10 November 2014)*	0/2	0/2	0/1	0/1	N/A
Mr. Lo Chi Chiu	2/2	2/2	1/1	1/1	N/A
Mr. Cheung Kam Min Mickey	2/2	2/2	1/1	1/1	N/A
Dr. Yau Bun *(appointed on 10 November 2014)*	0/2	0/2	0/1	0/1	N/A

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the senior management and the company secretary of the Company at all times and may seek independent professional advice at the Company's expense. Where queries are raised by the Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings. Notices of at least 14 days of regular Board meetings are given to the Directors and Board procedures complied with the articles of association of the Company, as well as relevant rules and regulations.

COMPANY SECRETARY

Mr. Lau Fan Yu is the company secretary of the Company (the "**Company Secretary**"). Details of his biography are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. Mr. Lau Fan Yu has been informed of the requirements under Rule 3.29 of the Listing Rules and he has confirmed that he had attained no less than 15 hours of relevant professional training during the Year. Out of the above 15 hours, certain hours were attained by him before the Listing Date.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a specific term of three years with effect from the Listing Date, which may be terminated by either party upon a three-month prior written notice. The service contracts are automatically renewed upon expiration.

Each of our NEDs and INEDs has entered into a letter of appointment with the Company for an initial term of three years.

All the Directors, including the INEDs are subject to retirement by rotation and re-election at an annual general meeting of the Company (the "**AGM**") at least once every three years in accordance with the Company's articles of Association (the "**Articles of Association**"). The Articles of Association provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election. For more details of the service contract of each of the Directors, please refer to the section headed "Report of the Directors" of this annual report.

BOARD COMMITTEES

The Board has established (i) Audit Committee, (ii) Remuneration Committee; and (iii) Nomination Committee, with defined terms of reference. The terms of reference of the Board committees, which explain their respective roles and the authority delegated to them by the Board are available on the respective websites of the Company and the Stock Exchange. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

(i) Audit Committee

The Company established the Audit Committee pursuant to a resolution of the Directors passed on 24 June 2014 in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules. The primary duties of the audit committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee the internal control procedures of the Company. The audit committee currently consists of three members, namely Mr. Lo Chi Chiu, Mr. Cheung Kam Min Mickey and Dr. Yau Bun, all of whom are INEDs. Mr. Lo Chi Chiu, who has appropriate professional qualifications and experience in accounting matters, is the chairman of the audit committee. None of the members of the Audit Committee is a former partner of the existing external auditors of the Company.

During the Year, the Audit Committee held two meetings and mainly performed following duties:

- reviewed the Group's unaudited interim results for the six months ended 30 June 2014, met with the external auditors to discuss such interim results (without the Company's management being present), and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure had been made;

- reviewed the accounting principles and practices adopted by the Group, recommended the appointment of the external auditors; and

- assisted the Board in meeting its responsibilities for maintaining an effective system of internal control and risk management.

There had been no disagreement between the Board and the Audit Committee during the Year.

(ii) Remuneration Committee

The Company established the Remuneration Committee on 24 June 2014 with written terms of reference. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Company, review remuneration, and ensure none of the Directors determine their own remuneration. The Remuneration Committee currently consists of four members, namely Mr. Lo Chi Chiu, Mr. Cheung Kam Min Mickey and Dr. Yau Bun (all being INEDs) and Mr. Wong Pong Chun James (an executive Director). Mr. Lo Chi Chiu is the chairman of the Remuneration Committee.

During the Year, the Remuneration Committee held one meeting and mainly performed following duties:

- reviewed the Group's remuneration policy and reviewed the remuneration package of the executive Directors and senior management for the Year.

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 11 to the consolidated financial statements.

(iii) Nomination Committee

The Company established the Nomination Committee on 24 June 2014 with written terms of reference. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis and to recommend to the Board the suitable candidates for Directors after consideration of the nominees' independence and quality in order to ensure the fairness and transparency of all nominations. The Nomination Committee will also give consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy so as to develop and review measurable objectives for implementing the Board Diversity Policy and to monitor the progress on achieving these objectives. The Nomination Committee currently consists of four members, namely Mr. Su Da, an Executive Director and Mr. Cheung Kam Min Mickey, Dr. Yau Bun and Mr. Lo Chi Chiu, all being INEDs. Mr. Su Da is the chairman of the Nomination Committee.

During the Year, the Nomination Committee held one meeting and mainly performed the following duties:

- reviewed the annual confirmation of independence submitted by the INEDs and assessed their independence;

- reviewed the structure, size and composition of the Board during the Year; and

- identified individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.

CORPORATE GOVERNANCE FUNCTIONS

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with code provision D.3.1 of the Corporate Governance Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report. The Board will hold meetings from time to time to: (a) review the Company's policies and practices on corporate governance (have a copy thereof); (b) to review and monitor the training and continuous professional development of the Directors; and (c) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

CONSTITUTIONAL DOCUMENTS

Except for the adoption of the new memorandum and articles of association of the Company by the Company to comply with the applicable legal and regulatory requirements (including the Listing Rules) on 24 June 2014 in anticipation of the Listing, there were no changes in the constitutional documents of the Company during the Year.

Pursuant to Rule 13.90 of the Listing Rules, the Company has posted its memorandum and articles of association on the respective websites of the Stock Exchange and the Company.

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial reporting

The Board, supported by the group financial controller and the finance department, is responsible for the preparation of the financial statements of the Company and the Group for each financial year which shall give a true and fair view of the financial position, performance and cash flow of the Group for that period. The Directors acknowledge their responsibilities for preparing the financial statements of the Company. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibilities of Deloitte Touche Tohmatsu, the Company's external auditors in Hong Kong, on the financial statements are set out in the section headed "Independent Auditors' Report" in this annual report.

Internal Controls

The Board is responsible for ensuring the reliability and effectiveness of the Group's internal control systems on, among other things, financial, operational and compliance controls. The Board and the Audit Committee have reviewed the effectiveness of the Group's internal control systems on all major operations of the Group during the Year.

Audit Committee with the assistance of independent internal control consultancy firm has reported internal control fact findings to the Board and no major issues but areas for improvement have been identified. All of the recommendations from the Audit Committee will be properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board and the Audit Committee considered that the key areas of the Group's internal control systems, including the adequacy of resources, qualifications and experience of the accounting and financial reporting staff, are reasonably implemented and the Group has fully complied with provisions of the Corporate Governance Code regarding internal control systems in general for the Year.

INDEPENDENT AUDITOR

The Company has re-appointed Deloitte Touche Tohmatsu as the independent auditor in Hong Kong during the Year. The independent auditor refrained from engaging in non-audit services except for specific approved items, such as review of interim results of the Group. The Audit Committee reviews the independent auditor's statutory audit scope and non-audit services and approves its fees. For the Year, the total fee paid/payable in respect of audit and non-audit services provided by the Company's independent auditors are set out below:

	HK$'000
Audit services	1,100
Non-audit services	
Interim review	400
Tax services	140

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Board recognizes the importance of maintaining clear, timely and effective communication with Shareholders and investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that the investors and the shareholders receive accurate, clear, comprehensive and timely information of the Group by the publication of interim/annual reports, announcements and circular. The Company also publishes all corporate correspondence on the Company's website www.ernestborel.ch. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. The Directors and the members of the various Board committees will attend and answer questions raised at the AGM. Separate resolutions will be proposed at the general meeting on each substantially separate issue.

The chairman of the general meetings of the Company will explain the procedures for conducting a poll before putting a resolution to vote. The results of the voting by poll will be published on the respective websites of the Stock Exchange and the Company.

SHAREHOLDERS' RIGHTS

How Shareholders can convene an extraordinary general meeting and put forward proposals at Shareholders' meetings

Pursuant to the article 58 of the Articles of Association, any one or more Shareholder 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 to the Board or the Company Secretary by mail at the Company's correspondence address in Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, 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.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary by mail at the principal place of business and head office in Hong Kong (presently at suites 1101-3 and 1112-14, 11th Floor, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong) or by email to the Company Secretary (presently at Thomson@ernestborel.ch) Upon receipt of the enquiries, the Company Secretary forwards communications relating to matters within the Board's purview to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to executive Directors.

Report of the Directors

The Directors of the Company are pleased to present the annual report together with the audited consolidated financial statements of the Group for the Year.

INCORPORATION AND PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands by registration as a non-resident company on 18 January 1991 and re-registered as an exempted company with limited liability on 14 April 2014. It has its principal place of business in Hong Kong at Suites 1101-3 & 1112-14, 11th Floor, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

GLOBAL OFFER

Pursuant to a reorganization to rationalize the group structure in preparation for the listing of the issued ordinary shares of HK$0.01 each in the capital of the Company on the main board of the Stock Exchange, the Company became the holding company of the Group. Details of the reorganization are set out in the section headed "History and Corporate Structure" of the Company's prospectus dated 30 June 2014 (the "**Prospectus**") and note 25 to the consolidated financial statements. Following the offering of 66,000,000 Shares of the Company (the "**Global Offering**"), the Company was listed on the main board of the Stock Exchange on 11 July 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment company. The principal activities of the Company's subsidiaries are design, manufacture, market and sell Swissmade mechanical and quartz premium watches for men and women.

SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 December 2014 are set out in note 34 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate sales to the Group's largest and five largest customers accounted for 19.5% (2013: 11.2%) and 46.4% (2013: 32.2%), respectively, of the Group's total revenue for the Year.

The aggregate purchases from the Group's largest and five largest suppliers accounted for 37.6% (2013: 31.8%) and 74.1% (2013: 71.1%), respectively, of the Group's total purchases for the Year .

At no time during the Year, did a Director, his/her close associate(s) or a shareholder of the Company (who or which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers and suppliers.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2014 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 38 to 40 of this annual report.

A discussion and analysis of the Group's performance during the Year and the material factors underlying its results and financial position are set out in the Management Discussion and Analysis section of this annual report.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group as at 31 December 2014 and for the past three financial years are set out on page 96 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group for the Year are set out in note 14 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company and the Group are set out on page 41 of the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2014, the Company's reserves available for distribution to the Shareholders amounted to HK$239,368,000.

Under the Companies Law of the Cayman Islands, the share premium account of the Company in the amount of HK$182,099,000 may be applied for paying distributions or dividends to the Shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

DIVIDEND

The Board recommended the payment of a final dividend of HK8.0 cents per Share for the Year (2013: nil), subject to the approval by the Shareholders at the AGM.

CHARITABLE DONATIONS

Charitable donations made by the Group during the Year amounted to approximately HK$1,000,000 (2013: HK$NIL).

USE OF THE PROCEEDS FROM INITIAL PUBLIC OFFERING

The Company's shares were listed on the main board of the Stock Exchange on 11 July 2014 with a total of 66,000,000 offer Shares with net proceeds from the global offering of the Company of approximately HK$173.4 million (after deducting underwriting fees and related expenses). We intend to utilize the net proceeds from the offering in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Details of the use of net proceeds are set out in page 16 of this annual report. The Group held the unutilized net proceeds in short-term deposits with licensed institutions in Hong Kong.

BANK BORROWINGS AND OTHER BORROWINGS

Details of bank borrowings and other borrowings of the Company and its subsidiaries as at 31 December 2014 are set out in note 22 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 25 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares being held by the public as required under the Listing Rules from the Listing Date to 31 December 2014 and at any time up to the date of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law of the Cayman Islands where our Company is incorporated applicable to the Company.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

DIRECTORS

The following table sets forth the information concerning the Directors for the Year and up to the date of this report.

Name	Position	Appointment Date
Mr. Su Da (蘇大)	Executive Director and chairman of the Board	6 April 2012
Mr. Wong Pong Chun James (黃邦俊)	Executive Director	16 September 1993
Ms. Liu Libing (劉麗冰)	Executive Director	18 June 2012
Mr. Chan Kwan Pak Gilbert (陳君珀)	NED	19 June 2012
Mr. Pan Di (潘迪)	NED	31 December 2013
Mr. Zhang Huaqiao (張化橋) *(resigned on 10 November 2014)*	INED	24 June 2014
Mr. Lo Chi Chiu (盧志超)	INED	24 June 2014
Mr. Cheung Kam Min Mickey (張錦緜)	INED	24 June 2014
Dr. Yau Bun (邱斌) *(appointed on 10 November 2014)*	INED	10 November 2014

The Company has received, from each of the INEDs an annual confirmation of their independence in writing pursuant to 3.13 of the Listing Rules and considers that all of the INEDs are independent of the Company.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management of the Company are set out on pages 6 to 9 of this annual report.

SERVICE CONTRACTS OF DIRECTORS

Each of the Directors during the Year has entered into a service contract/ appointment letter with the Company for an initial term of three years commencing from the Listing Date, which and thereafter may be terminated by either party upon a three-month prior written notice. The service contracts/ appointment letters are automatically renewed upon expiration.

In accordance with article 83(3), Dr. Yau Bun shall hold office only until the forthcoming AGM and shall be eligible for re-election, and pursuant to article 84 of the Company's articles of association, Mr. Wong Pong Chun James, Mr. Su Da and Ms. Liu Libing will retire from the Board by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

No Director proposed for re-election at the forthcoming AGM has an unexpired 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.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the remuneration of the Directors and five individuals with the highest emoluments of the Company are set out in note 11 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2014, the interests or short positions of the Directors and the chief executive in the Company's shares, underlying shares and debentures of the associated corporations of the Company, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**") which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which whey were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions of Directors of Listed Issuers (the "**Model Code**"), are as follows:

Long Positions in the Company's Shares

Name of Directors/ Chief Executive	Capacity/ Nature of interest	Number of Shares held	Approximate Percentage of interest in the total issued Shares
Mr. Su Da	Beneficial owner	1,201,103[(1)]	0.35%[(2)]
	Interest in controlled corporation[(3)]	88,515,000	25.48%[(2)]
Mr. Wong Pong Chun James	Beneficial owner	339,507[(1)]	0.10%[(2)]
Ms. Liu Libing	Beneficial owner	610,662	0.18%[(2)]

(1) Shares subject to options under the Pre-IPO Share Option Scheme.

(2) Calculated based on the number of issued Shares as at 31 December 2014.

(3) Force Field Limited ("**Force Field**") is owned as to 70% by Mr. Su Da and controlled by Mr. Su Da. Mr. Su Da is therefore deemed to be interested in the Shares held by Force Field.

Saved as disclosed above, as at 31 December 2014, none of the Directors and the chief executive of the Company and their respective associates had or was deemed to have any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company 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' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to any Director or chief executive of the Company, as at 31 December 2014, the persons or corporations (not being a Director or chief executive of the Company) who or which had an interest or short position in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Long Position in the Company's Shares

Name of Shareholders	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of interest in the total issued Shares
Mr. Lam Wai Wah	Beneficial owner	99,755,000	28.71%
Force Field	Beneficial owner	88,515,000	25.48%
Mr. Su Ran(1)	Beneficial owner	550,552(2)	0.16%(3)
	Interest in controlled corporation	88,515,000	25.48%
Surplus Union Investments Limited	Beneficial owner	37,935,000	10.92%
Mr. Chan Kin Sun(4)	Interest in controlled corporation	37,935,000	10.93%
Dragon Cloud Holdings Limited(5)	Beneficial owner	33,720,000	9.71%
Greenwoods Bloom Fund, L.P.(5)	Interest in controlled corporation	33,720,000	9.71%
Greenwoods Bloom Ltd.(6)	Interest in controlled corporation	33,720,000	9.71%
Skyeast Global Limited(6)	Interest in controlled corporation	33,720,000	9.71%
Hua Tang(6)	Interest in controlled corporation	33,720,000	9.71%

(1) Force Field is owned as to 70% by Mr. Su Da and 30% by Mr. Su Ran. Mr. Su Ran is therefore deemed to be interested in the Shares held by Force Field.

(2) Shares subject to options under the Pre-IPO Share Option Scheme.

(3) Calculated based on the number of issued Shares as at 31 December 2014.

(4) Surplus Union Investments Limited is wholly owned and controlled by Mr. Chan Kin Sun. Mr. Chan Kin Sun is therefore deemed to be interested in the shares held by Surplus Union Investments Limited.

(5) Dragon Cloud Holdings Limited is owned as to 87.26% by Greenwoods Bloom Fund, L.P. and 12.74% by Hua Tang.

(6) Greenwoods Bloom Ltd. is the general partner of Greenwoods Bloom Fund, L.P. Greenwoods Bloom Ltd. is wholly owned by Hua Tang. Greenwoods Bloom Fund, L.P. is then owned as to 47% by Skyeast Global Limited and controlled by Skyeast Global Limited. Skyeast Global Limited is wholly-owned by Hua Tang. Each of Greenwoods Bloom Fund, L.P., Greenwoods Bloom Ltd., Skyeast Global Limited and Hua Tang is therefore deemed to be interested in the Shares held by Dragon Cloud Holdings Limited.

Save as disclosed above, as at 31 December 2014, the Directors were not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME

The Pre-IPO Share Option Scheme was conditionally adopted by our Company on 24 June 2014 and became effective upon the Listing Date for the purpose of aiding us in recruiting and retaining key employees, directors or consultants of outstanding ability and to reward such employees, directors or consultants to exert their best efforts on behalf of the Company through the granting of options. The principal terms of the Pre-IPO Share Option Scheme were summarised in the section headed "Statutory and General Information — F. Pre-IPO Share Option Scheme" of Appendix IV to the Prospectus.

Details of the options granted under the Pre-IPO Share Option Scheme are as follows:

(a) there were tranche 1 and tranche 2 options to subscribe for an aggregate of 6,821,339 Shares, where were granted to the grantees on 24 June 2014 under the Pre-IPO Share Option Scheme;

(b) (i) 2,319,659 underlying Shares were comprised in the tranche 1 options with an exercise price of HK$2.40 per Share; and

(ii) the tranche 1 options were vested on 11 July 2014. Such options are exercisable from 11 July 2014 to 11 July 2016, (collectively, the "**Tranche 1 Option**"); and

(c) (i) 4,501,680 underlying Shares were comprised in the tranche 2 options with an exercise price of HK$3.00 per Share; and

(ii) the tranche 2 options will be vested on 11 July 2015. Such options will be exercisable from 11 July 2015 to 11 July 2017, (collectively, the "**Tranche 2 Option**").

No further options will be granted under the Pre-IPO Share Option Scheme.

Details of the exercise of the Tranche 1 Options[1] and Tranche 2 Option[2] granted under the Pre-IPO Share Option Scheme as at 31 December 2014 are as follows:

Grantee	Tranche	Exercise price per Share	Balance as at 11 July 2014	Exercised from 11 July to 31 December 2014	Lapsed during the year	Balance as at 31 December 2014
Director						
Su Da	1	HK$2.40	440,441	–	–	440,441
	2	HK$3.00	660,662	–	–	660,662
Wong Pong Chun James	1	HK$2.40	137,638	–	–	137,638
	2	HK$3.00	201,869	–	–	201,869
Liu Libing	1	HK$2.40	264,265	50,000	–	214,265
	2	HK$3.00	396,397	–	–	396,397
Sub-total			2,101,272	50,000	–	2,051,272
Other employees	1	HK$2.40	1,477,315	387,000	980	1,089,335
	2	HK$3.00	3,242,752	–	633,135	2,609,617
Total			6,821,339	437,000	634,115	5,750,224

Notes:

(1) Tranche 1 Options vested on 11 July 2014

(2) Tranche 2 Options will vest on 11 July 2015

Saved as disclosed above, no options were granted or cancelled or lapsed for the Year under the Pre-IPO Share Options.

Further details of the Pre-IPO Share Option Scheme are set out in note 32 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "**Share Option Scheme**") on 24 June 2014, which was effective upon the Listing Date. The purpose of the Share Option Scheme is to help motivate eligible persons to optimize their future performance and efficiency to the Group and/or reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 34,700,000 shares, representing approximately 9.99% of the issued share capital as at the date of this annual report.

No option may be granted to any participant of the Share Option Scheme such that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the nominal value of a share;

(b) the closing price of a share as stated in the Stock Exchange's daily quotations sheets on the offer date; and

(c) the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the adoption date, after which no further options will be granted or offered.

From the date on which the Share Option Scheme became effective and unconditional, and up to the date of this report, no share options were granted, exercised or cancelled or lapsed under the Share Option Scheme.

Further details of the Share Option Scheme are summarised in the section headed "Statutory and General Information — G. Share Option Scheme" of Appendix IV to the Prospectus.

CONNECTED TRANSACTION

The Company has not entered into any connected transactions (within the meaning of the Listing Rules) during the Year .

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the ordinary course of business by the Group during the Year are set out in note 33 to the consolidated financial statements.

COMPLIANCE WITH NON-COMPETE UNDERTAKING

Each of Mr. Lam Wai Wah and Mr. Su Da (substantial shareholders (within the meaning of the Listing Rules) of the Company) has confirmed to the Company that he has complied with the non-compete undertaking given by them to the Company on 24 June 2014. The INEDs have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with throughout the period from the Listing Date to 31 December 2014.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2014 and up to and including the date of this annual report.

DIRECTORS' AND SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a Director or a shareholder had a material interest, whether directly or indirectly, and subsisted at 31 December 2014 or at any time during the Year.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Pre-IPO Share Option Scheme" above, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

EMOLUMENT POLICY

The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the remuneration committee periodically.

The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics.

The Group has adopted two share option schemes to motivate and reward its Directors and eligible employees. Details of these schemes are set out in the paragraphs headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" above and note 32 to the consolidated financial statements.

None of the Directors waived any emoluments during the Year.

RETIREMENT SCHEMES

The Group participates in defined contribution retirement benefit schemes organized by the municipal and provincial government authorities in the People's Republic of China (the "**PRC**") for the Group's eligible employees in the PRC, and operates a Mandatory Provident Fund scheme for the employees in Hong Kong and contributes to a mandatory post-employment defined benefit plan ("**Defined benefit scheme**") for the employees in Switzerland. Particulars of these retirement plans are set out in note 21 to the consolidated financial statements.

SIGNIFICANT LEGAL PROCEEDINGS

The Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company during the Year.

CORPORATE GOVERNANCE REPORT

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 17 to 24 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period of the Group.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises all the three INEDs, namely Mr. Lo Chi Chiu, Mr. Cheung Kam Min Mickey and Dr. Yau Bun with Mr. Lo Chi Chiu serving as the chairman. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters including the review of the Group's consolidated annual results and annual report for the Year.

INDEPENDENT AUDITOR

The consolidated financial statements for the Year have been audited by Deloitte Touche Tohmatsu, who shall retire and, being eligible, offer themselves for re-appointment. Having been approved by the Board upon the Audit Committee's recommendation, a resolution for the re-appointment of Deloitte Touche Tohmatsu as independent auditors of the Group and to authorise the Directors to fix their remuneration will be proposed at the AGM.

By order of the Board
Ernest Borel Holdings Limited
Su Da
Chairman

Hong Kong, 30 March 2015

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF ERNEST BOREL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Ernest Borel Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 95, which comprise the consolidated statement of financial position 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 International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit 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 auditor's 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.

Independent Auditor's Report

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 its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Revenue	5	**602,624**	604,013
Cost of sales		**(235,908)**	(223,887)
Gross profit		**366,716**	380,126
Other gains and losses	6	**(9,102)**	3,105
Other income	7	**1,285**	1,136
Distribution expenses		**(186,920)**	(204,731)
Administrative expenses		**(65,903)**	(58,045)
Listing expenses		**(22,012)**	(7,029)
Finance costs	8	**(5,017)**	(3,819)
Profit before tax	9	**79,047**	110,743
Income tax expense	10	**(20,236)**	(17,722)
Profit for the year attributable to owners of the Company		**58,811**	93,021
Other comprehensive (expense) income, net of tax			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit scheme		**(453)**	(266)
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(19,764)**	8,271
Other comprehensive (expense) income for the year		**(20,217)**	8,005
Total comprehensive income for the year		**38,594**	101,026
EARNINGS PER SHARE	13		
– Basic (Hong Kong cents)		**18.82**	33.10
– Diluted (Hong Kong cents)		**18.76**	33.10

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**81,440**	79,002
Deposits placed for life insurance policies	15	**9,461**	6,930
Deposit for acquisition of property, plant and equipment		**–**	1,521
Deferred tax assets	24	**9,119**	9,904
		100,020	97,357
CURRENT ASSETS			
Inventories	16	**498,027**	424,381
Trade and other receivables	17	**156,847**	161,358
Amounts due from related parties	18	**63**	41
Amounts due from shareholders	18	**–**	10
Pledged bank deposits	19	**6,019**	1,016
Bank balances and cash	19	**141,285**	60,907
		802,241	647,713
CURRENT LIABILITIES			
Trade and other payables	20	**67,229**	75,878
Derivative financial instruments	23	**705**	–
Tax payable		**9,669**	17,217
Dividend payable		**–**	15,000
Bank borrowings	22	**128,652**	171,318
		206,255	279,413
NET CURRENT ASSETS		**595,986**	368,300
TOTAL ASSETS LESS CURRENT LIABILITIES		**696,006**	465,657
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	**9,634**	7,728
Pension obligation	21	**3,877**	2,825
		13,511	10,553
NET ASSETS		**682,495**	455,104

Consolidated Statement of Financial Position

At 31 December 2014

	NOTE	**2014** **HK$'000**	2013 HK$'000
CAPITAL AND RESERVES			
Share capital	*25*	**3,474**	10
Reserves		**679,021**	455,094
TOTAL EQUITY		**682,495**	455,104

The consolidated financial statements on pages 38 to 95 were approved by the Board of Directors on 30 March 2015 and are signed on its behalf by:

Wong Pong Chun James
DIRECTOR

Su Da
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital HK$'000 *(note 25)*	Share premium HK$'000	Other reserve HK$'000 *(note i)*	Share options reserve HK$'000	Actuarial gain and loss reserve HK$'000	General reserve HK$'000 *(note ii)*	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2013	10	–	15,500	–	(2,090)	362	12,775	357,521	384,078
Profit for the year	–	–	–	–	–	–	–	93,021	93,021
Other comprehensive (expense) income for the year	–	–	–	–	(266)	–	8,271	–	8,005
Total comprehensive (expense) income for the year	–	–	–	–	(266)	–	8,271	93,021	101,026
Dividend paid *(note 12)*	–	–	–	–	–	–	–	(30,000)	(30,000)
Transfer	–	–	–	–	–	491	–	(491)	–
At 31 December 2013	10	–	15,500	–	(2,356)	853	21,046	420,051	455,104
Profit for the year	–	–	–	–	–	–	–	58,811	58,811
Other comprehensive expense for the year	–	–	–	–	(453)	–	(19,764)	–	(20,217)
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**(453)**	**–**	**(19,764)**	**58,811**	**38,594**
Issue of shares	**660**	**197,340**	**–**	**–**	**–**	**–**	**–**	**–**	**198,000**
Expenses incurred in connection with the issue of shares	**–**	**(13,886)**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,886)**
Issue of shares by capitalisation of share premium account *(note 25)*	**2,800**	**(2,800)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**3,634**	**–**	**–**	**–**	**–**	**3,634**
Issue of shares upon exercise of share options	**4**	**1,445**	**–**	**(400)**	**–**	**–**	**–**	**–**	**1,049**
Lapse of share options	**–**	**–**	**–**	**(1)**	**–**	**–**	**–**	**1**	**–**
Transfer	**–**	**–**	**–**	**–**	**–**	**694**	**–**	**(694)**	**–**
At 31 December 2014	**3,474**	**182,099**	**15,500**	**3,233**	**(2,809)**	**1,547**	**1,282**	**478,169**	**682,495**

Notes:

i. Other reserve of HK$15,500,000 represents amount arising from capitalisation of loans from shareholders due by Ernest Borel (Far East) Company Limited ("EB (Far East)"), a subsidiary of the Company, in 2005.

ii. General reserve represents the legal reserve being allocated from the retained profits of Ernest Borel S.A. ("EB Switzerland") and Ernest Borel (Guangzhou) Trading Co., Ltd. ("EB (GZ)"), the subsidiaries of the Company, as required under the relevant legislation of Switzerland and the People's Republic of China (the "PRC"), respectively. According to the relevant legislation, EB Switzerland has allocated to the general reserve until this reserve reached 50% of its share capital. For the legal reserve in the PRC, it represented the statutory surplus reserve of EB (GZ). During the year ended 31 December 2014, 10% of net profit of EB (GZ) has been transferred to the statutory surplus reserve.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**79,047**	110,743
Adjustments for:		
Allowance for inventories	**–**	1,093
Allowance for doubtful debt	**243**	981
Depreciation of property, plant and equipment	**40,389**	37,980
Finance costs	**5,017**	3,819
Interest income	**(517)**	(355)
Loss on disposal of property, plant and equipment	**274**	40
Provision for defined benefit scheme	**1,345**	872
Change in fair value of derivative financial instruments	**1,811**	(996)
Recognition of equity-settled share-based payments	**3,634**	–
Operating cash flows before movements in working capital	**131,243**	154,177
Increase in inventories	**(90,868)**	(82,935)
Decrease in trade and other receivables	**1,034**	335
Increase in trade and other payables	**2,791**	(538)
Contribution to defined benefit scheme	**(699)**	(665)
Change in derivative financial instruments	**(1,106)**	996
Cash generated from operations	**42,395**	71,370
Hong Kong Profits Tax paid	**(12,558)**	(12,162)
Switzerland income tax paid	**(6,773)**	(5,992)
PRC Enterprise Income Tax paid	**(4,050)**	(708)
NET CASH FROM OPERATING ACTIVITIES	**19,014**	52,508
INVESTING ACTIVITIES		
Additions of property, plant and equipment	**(55,366)**	(52,003)
Pledged bank deposits placed	**(5,003)**	(4)
Deposit paid for a life insurance policy	**(2,223)**	–
(Advance to) repayment from related parties	**(22)**	25
Interest received	**145**	103
Repayment from shareholders	**10**	–
Proceeds from disposal of property, plant and equipment	**4**	75
Deposit for acquisition of property, plant and equipment	**–**	(1,521)
NET CASH USED IN INVESTING ACTIVITIES	**(62,455)**	(53,325)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
FINANCING ACTIVITIES		
Proceeds from issue of shares	**198,000**	–
New bank loans raised	**146,423**	266,991
Proceeds from issue of shares upon exercise of share options	**1,049**	–
Repayment of bank loans	**(189,089)**	(195,490)
Dividend paid	**(15,000)**	(59,000)
Expenses paid in connection with issue of shares	**(13,886)**	–
Interest paid	**(5,017)**	(3,819)
Repayment to a related party	**–**	(3,723)
Repayment to a director	**–**	(18)
NET CASH FROM FINANCING ACTIVITIES	**122,480**	4,941
NET INCREASE IN CASH AND CASH EQUIVALENTS	**79,039**	4,124
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**60,907**	55,456
Effect of foreign exchange rate changes	**1,339**	1,327
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**141,285**	60,907

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law of Cayman Islands as a non-resident company by registration on 18 January 1991 and re-registered as an exempted company with limited liability on 14 April 2014 under the Companies Law. The Company is a public limited company with its shares listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 July 2014.

The addresses of the registered office and principal place of business of the Company are set out in the corporate information section to the annual report.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in note 34.

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the functional currency of the Company and may be different from the functional currency of certain group entities, i.e. Renminbi ("RMB") and Swiss Franc ("CHF"). The Group's management has elected to use HK$ as they believe HK$ is the appropriate presentation currency for the users of Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following new Interpretation and amendments to International Financial Reporting Standards issued by the International Accounting Standards Board.

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

The application of the above new Interpretation and amendments to IFRSs in the current year have no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and revised IFRSs in issue but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to IAS 1	Disclosure Initiative[4]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[4]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[3]
Amendments to IAS 27	Equity Method in Separate Financial Statements[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[4]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted
2 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted
3 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted
4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted
5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions, with earlier application permitted

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

IFRS 15 "Revenue from Contracts with Customers"

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

The directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for defined benefit scheme and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

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

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 IFRS 2 "Share-based Payment", leasing transactions that are within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

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 as follows:

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

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

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Maintenance service income is recognised when services are provided.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including buildings and freehold land held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and amortisation and accumulated impairment losses, if any.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than freehold land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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.

Inventories

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

Provision

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 that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions for warranty is measured at the directors' best estimate of the warranty expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation, are discounted to present value (where the effect of the time value of money is material).

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates 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 that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the asset and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of 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.

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

Retirement benefit costs

Payments to the state-managed retirement benefits schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement scheme, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and loss on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs *(Continued)*

The Group presents the first two components of defined benefits cost in the profit or loss in the line item of employee benefits expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Share-based payment arrangements

Share-based payment transactions of the Company

Share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 32.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" 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 current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax

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 difference 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 the initial recognition of 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, 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 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 each 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 is realised, based on tax rate (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 each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and 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 current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

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

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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 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.

Interest income is recognised on an effective interest basis for debt instruments.

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 and other receivables, amounts due from related parties/shareholders, deposits placed for life insurance policies, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

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

Impairment of financial assets

Financial assets 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 financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest and principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. 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, as well as observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For financial assets that are 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 the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial asset 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 (see accounting policy below).

The carrying amount of the financial asset 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 impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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.

Financial liabilities

Financial liabilities (including trade and other payables, dividend payable and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

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.

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.

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.

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.

The Group derecognises financial liabilities when, and only when, the Group's obligation are discharged, cancelled or 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. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, 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 underlying 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.

Estimated allowance 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 judgment 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 year in which such estimate has been changed. The carrying amount of trade and other receivables as at 31 December 2014 amounting to HK$156,847,000 (2013: HK$161,358,000).

Estimated allowance for inventories

The Group makes allowance 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. The carrying amount of inventories as at 31 December 2014 amounting to HK$498,027,000 (2013: HK$424,381,000).

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received or receivable for the sale of watch products, less returns and trade discounts, during the year.

The Group's principal activities are the manufacturing and sale of watches. Information reported to the chief operating decision makers, being the executive directors of the Company, for resource allocation and performance assessment, is based on the Group's overall performance, which is considered as a single operating segment. Segment revenue, results, assets and liabilities are therefore the same as the respective amounts presented in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position. Equity-wide segment information is set out below.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2014 HK$'000	2013 HK$'000
Mechanical watches	**427,028**	419,670
Quartz watches	**174,408**	183,332
Others	**1,188**	1,011
	602,624	604,013

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers determined based on the location of customers, and (ii) the Group's non-current assets (which exclude deposits placed for life insurance policies and deferred tax assets) based on the location of assets.

	Revenue from external customers	
	2014 HK$'000	2013 HK$'000
PRC	**449,986**	463,401
Hong Kong and Macau	**114,388**	107,218
Southeast Asia	**27,470**	23,853
Others	**10,780**	9,541
	602,624	604,013

	Non-current assets	
	2014 HK$'000	2013 HK$'000
PRC	**35,899**	33,254
Hong Kong	**7,658**	5,187
Switzerland	**37,883**	42,082
	81,440	80,523

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from customers contributing over 10% of the total sales of the Group are as follows:

	2014 HK$'000	2013 HK$'000
Customer A	**117,639**	–
Customer B	**75,729**	67,856

6. OTHER GAINS AND LOSSES

	2014 HK$'000	2013 HK$'000
Allowance for doubtful debts	**(243)**	(981)
Fair value (loss) gain on derivative financial instruments	**(1,811)**	996
Exchange (loss) gain, net	**(6,774)**	3,130
Loss on disposal of property, plant and equipment	**(274)**	(40)
	(9,102)	3,105

7. OTHER INCOME

	2014 HK$'000	2013 HK$'000
Interest income on life insurance contract	**372**	252
Bank interest income	**145**	103
Maintenance services income	**147**	173
Government subsidy	**36**	226
Sundry income	**585**	382
	1,285	1,136

8. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on bank borrowings wholly repayable within five years	**5,017**	3,819

9. PROFIT BEFORE TAX

	2014 HK$'000	2013 HK$'000
Profit before tax has been arrived at after charging:		
Auditors' remuneration	**3,441**	4,551
Allowance for inventories	**–**	1,093
Cost of inventories recognised as expenses	**195,170**	184,393
Depreciation of property, plant and equipment	**40,389**	37,980
Staff costs, inclusive of directors' remuneration:		
— salaries and other benefits	**72,986**	67,827
— equity-settled share-based payment	**3,634**	–
— retirement benefits scheme contributions	**5,388**	4,448
Employee benefit expenses	**82,008**	72,275
Operating lease rental in respect of rented premises	**27,399**	20,902

10. INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
Current tax:		
Hong Kong Profits Tax *(note i)*	**8,191**	13,228
Switzerland income tax *(note ii)*	**6,084**	6,940
PRC Enterprise Income Tax *(note iii)*	**2,740**	2,193
	17,015	22,361
Overprovision in prior year — Hong Kong Profits Tax	**(521)**	(946)
Deferred tax charge (credit) *(note 24)*	**3,742**	(3,693)
Income tax expense for the year	**20,236**	17,722

10. INCOME TAX EXPENSE *(Continued)*

Notes:

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

(ii) Switzerland

Switzerland income tax is calculated at certain tax rates on the assessable income for both years. Under the relevant Tax Laws in Switzerland, the Group's subsidiary incorporated in Switzerland was subjected to Direct Federal Tax ("DFT") of 8.5% (2013: 8.5%) and enjoys a special tax benefit which Cantonal Communal Tax ("CCT") calculated at 8.97% (2013: 8.97%) on the profit for the year ended 31 December 2014. Starting from 1 January 2015, the subsidiary will be subjected to CCT at 16.55%.

Swiss Federal withholding tax is levied at a rate of 35% on the distribution of the profit of the company incorporated in Switzerland for both years.

(iii) PRC

Under the laws of PRC on Enterprise Income Tax (The "EIT Law") and Implementation Regulation of EIT Law, the tax rate of PRC subsidiary is 25%.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 **HK$'000**	2013 HK$'000
Profit before tax	**79,047**	110,743
Tax at the average income tax rate of 16.68% (2013: 15.72%)	**13,186**	17,405
Tax effect of income not taxable for tax purpose	**(129)**	(76)
Tax effect of expenses not deductible for tax purpose	**5,334**	1,693
Utilisation of deductible temporary differences previously not recognised	**–**	(329)
Utilisation of tax losses previously not recognised	**–**	(25)
Overprovision of profits tax in prior years	**(521)**	(946)
Change in tax rate	**2,344**	–
Others	**22**	–
Income tax expense for the year	**20,236**	17,722

Note: The average income tax rate for the year ended 31 December 2014 and 2013 represents the weighted average tax rate of the operations in different jurisdictions on the relative amounts of assessable profits and the relevant statutory rates.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors and chief executive

The emoluments paid or payable to each of the directors by the Group are set out below:

	Fee HK$'000	Salaries and other benefits HK$'000	Performance related bonus HK$'000 *(note ii)*	Retirement benefits scheme contributions HK$'000	Equity-settled share-based payments HK$'000	Total emoluments HK$'000
For the year ended 31 December 2014						
Executive directors						
Mr. Su Da *(note i)*	**–**	**2,256**	**549**	**17**	**661**	**3,483**
Ms. Liu Libing	**780**	**151**	**195**	**29**	**397**	**1,552**
Mr. Wong Pong Chun, James	**–**	**600**	**50**	**17**	**205**	**872**
Non-executive directors						
Mr. Chan Kwan Pik, Gilbert	**24**	**–**	**–**	**–**	**–**	**24**
Mr. Pan Di	**24**	**–**	**–**	**–**	**–**	**24**
Mr. Lo Chi Chiu	**47**	**–**	**–**	**–**	**–**	**47**
Mr. Cheung Kam Min, Mickey	**47**	**–**	**–**	**–**	**–**	**47**
Dr. Yau Bun	**14**	**–**	**–**	**–**	**–**	**14**
Mr. Zhang Huaqiao	**50**	**–**	**–**	**–**	**–**	**50**
	986	**3,007**	**794**	**63**	**1,263**	**6,113**

	Fee HK$'000	Salaries and other benefits HK$'000	Performance related bonus HK$'000 *(note ii)*	Retirement benefits scheme contributions HK$'000	Equity-settled share-based payments HK$'000	Total emoluments HK$'000
For the year ended 31 December 2013						
Executive directors						
Mr. Su Da *(note i)*	–	2,397	360	15	–	2,772
Ms. Liu Libing	789	204	25	23	–	1,041
Mr. Wong Pong Chun, James	–	650	–	15	–	665
	789	3,251	385	53	–	4,478

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors and chief executive *(Continued)*

Notes:

i. Mr. Su Da is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

ii. The performance related bonus is recommended by the remuneration committee of the Company and is approved by the Board of Directors with reference to the Group's operating results, individual performance and comparable market statistics.

Employees

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

	2014 HK$'000	2013 HK$'000
Salary and other benefits	**3,968**	3,654
Equity-settled share-based payments	**205**	–
Retirement benefits scheme contributions	**–**	30
	4,173	3,684

Their emoluments were within the following bands:

	2014 Number of employees	2013 Number of employees
HK$1,000,001 to HK$1,500,000	**2**	3
HK$1,500,001 to HK$2,000,000	**1**	–

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors, the Chief Executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

Neither the Chief Executive nor any of the directors waived any emoluments in the year ended 31 December 2014 and 2013.

12. DIVIDEND

	2014 **HK$'000**	2013 HK$'000
Dividend recognised as distribution during the year:		
— 2012 Final, paid — HK$3,000 per share	**–**	30,000
— 2014 Final, proposed — HK8 cents per share	**27,795**	–
	27,795	30,000

No dividend has been proposed or paid for the year ended 31 December 2013.

The final dividend of HK8 cents per share based on 347,437,000 ordinary shares amounting to approximately HK$27,795,000 in respect of the year ended 31 December 2014 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting. The proposed final dividend is not recognised as a liability in these consolidated financial statements.

13. EARNINGS PER SHARE

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

	2014 **HK$'000**	2013 HK$'000
Earnings		
Earnings of the Company for the purposes of basic and diluted earnings per share (profit for the year attributable to owners)	**58,811**	93,021

	2014 **'000**	2013 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share on the assumption that subdivision of shares and capitalisation issue have been effective on 1 January 2013	**312,554**	281,000
Effect of dilutive potential ordinary shares on share options	**887**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**313,441**	281,000

The number of ordinary shares for the purpose of basic earnings per share for both years was taken into account the 281,000,000 ordinary shares in issue which have been retrospectively adjusted to reflect the share subdivision on 24 June 2014 and capitalisation issue on 11 July 2014 as disclosed in note 25.

There were no potential ordinary shares outstanding during the year ended 31 December 2013 and as at 31 December 2013.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and building outside Hong Kong HK$'000	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2013	31,474	6,960	106,829	4,937	1,222	151,422
Additions	4,199	708	37,512	117	–	42,536
Disposals	–	–	–	–	(133)	(133)
Exchange realignment	1,031	109	402	119	22	1,683
At 31 December 2013	**36,704**	**7,777**	**144,743**	**5,173**	**1,111**	**195,508**
Additions	**4,468**	**3,657**	**38,665**	**323**	**323**	**47,436**
Disposals	**–**	**(1,744)**	**(6,833)**	**(54)**	**–**	**(8,631)**
Exchange realignment	**(4,072)**	**(409)**	**(1,137)**	**(460)**	**(18)**	**(6,096)**
At 31 December 2014	**37,100**	**9,281**	**175,438**	**4,982**	**1,416**	**228,217**
DEPRECIATION						
At 1 January 2013	4,484	1,944	69,084	2,226	365	78,103
Provided for the year	1,167	1,585	34,437	535	256	37,980
Eliminated on disposals	–	–	–	–	(18)	(18)
Exchange realignment	169	34	159	75	4	441
At 31 December 2013	**5,820**	**3,563**	**103,680**	**2,836**	**607**	**116,506**
Provided for the year	**1,175**	**1,445**	**37,038**	**531**	**200**	**40,389**
Eliminated on disposals	**–**	**(1,617)**	**(6,703)**	**(33)**	**–**	**(8,353)**
Exchange realignment	**(679)**	**(142)**	**(643)**	**(295)**	**(6)**	**(1,765)**
At 31 December 2014	**6,316**	**3,249**	**133,372**	**3,039**	**801**	**146,777**
CARRYING VALUES						
At 31 December 2014	**30,784**	**6,032**	**42,066**	**1,943**	**615**	**81,440**
At 31 December 2013	30,884	4,214	41,063	2,337	504	79,002

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment except for freehold land are depreciated and amortised on a straight-line basis at the following rates per annum:

Building held under freehold land	3.3% – 10%
Leasehold improvement	Over the lease term ranging from 3 to 5 years
Furniture, fixtures and equipment	15% – 50%
Machinery	6% – 20%
Motor vehicles	30%

No depreciation is provided on freehold land.

15. DEPOSITS PLACED FOR LIFE INSURANCE POLICIES

In December 2011, the Group entered into a life insurance policy with an insurance company to insure an executive director ("Policy A"). In May 2014, the Group entered into another life insurance policy with an insurance company to insure the same executive director ("Policy B"). Under these policies, the beneficiary and policy holder is the EB (Far East). The Group is required to pay an upfront payment for each policy. The Group may request a partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policy at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged (the "Cash Value"). If such withdrawal is made at any time during the first to the fifteen or eighteenth policy year, as appropriates, a pre-determined specified surrender charge would be imposed on the Group.

At the inception dates, the upfront payment is separated into deposit placed and prepayment of life insurance premium. The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit placed is carried at amortised cost using the effective interest method. The insurance company will pay the Group guaranteed interest rates plus a premium determined by the insurance company during the tenures of these policies. The effective interest rate on initial recognition was determined by discounting the estimated future cash receipts through the expected life of the insurance policies, excluding the financial effect of surrender charge.

Particulars of the policies are as follows:

			Guaranteed interest rates	
Policy	Insured sum	Upfront payment	First year	Second year and onward
Policy A	USD1,380,000 (equivalent to HK$10,764,000)	USD828,000 (equivalent to HK$6,458,000)	4.4% per annum	3% per annum
Policy B	USD1,118,000 (equivalent to HK$8,674,000)	USD304,000 (equivalent to HK$2,357,000)	4.2% per annum	2% per annum

15. DEPOSITS PLACED FOR LIFE INSURANCE POLICIES *(Continued)*

The carrying amount of the life insurance policies as at 31 December 2014 approximates the Cash Value of the insurance policies and the expected life of the policies remained unchanged from the initial recognition. The entire balance of the life insurance policies is denominated in United States Dollar ("USD"), being a currency other than the functional currency of the relevant group entity.

At the end of both reporting periods, both life insurance policies were pledged to a bank to secure general banking facilities granted to the Group.

16. INVENTORIES

	2014 **HK$'000**	2013 HK$'000
Raw materials	**219,270**	172,592
Work-in-progress	**115,740**	97,097
Finished goods	**163,017**	154,692
	498,027	424,381

17. TRADE AND OTHER RECEIVABLES

	2014 **HK$'000**	2013 HK$'000
Trade receivables	**123,348**	104,325
Less: allowance for doubtful debts	**(1,259)**	(1,151)
	122,089	103,174
Other receivables	**3,338**	6,114
Other tax recoverable	**10,840**	27,826
Prepayment	**13,839**	17,347
Deposits	**6,741**	6,897
	34,758	58,184
	156,847	161,358

17. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group allows a credit period ranging from 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance of doubtful debts, presented based on the invoice date which approximates the respective revenue recognition dates:

	2014 HK$'000	2013 HK$'000
0–90 days	**110,438**	97,973
91–180 days	**10,997**	3,566
181–270 days	**654**	1,635
	122,089	103,174

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for customer. Limits attributed to customers are reviewed annually.

At 31 December 2014, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$40,500,000 (2013: HK$31,520,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience.

Aging of trade receivables (by due date) which are past due but not impaired

	2014 HK$'000	2013 HK$'000
Overdue for		
Within 90 days	**38,900**	26,319
91 to 180 days	**946**	3,566
More than 180 days	**654**	1,635
	40,500	31,520

17. TRADE AND OTHER RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts

	2014 **HK$'000**	2013 HK$'000
Balance at beginning of the year	**1,151**	170
Impairment losses recognised	**243**	981
Exchange realignment	**(135)**	–
Balance at end of the year	**1,259**	1,151

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date at which credit was initially granted up to the reporting date.

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$1,259,000 (2013: HK$1,151,000) for the year ended 31 December 2014. The Group does not hold any collateral over these balances.

Allowance of doubtful debts are recognised against trade receivables over 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty, the credit quality of the trade receivable, as well as the number of delayed payments.

Age of impaired trade receivables

	2014 **HK$'000**	2013 HK$'000
Overdue for		
91 to 180 days	**226**	976
More than 180 days	**1,033**	175
	1,259	1,151

18. AMOUNTS DUE FROM RELATED PARTIES/SHAREHOLDERS

The amounts due from related parties and shareholders are unsecured, interest-free and repayable on demand. No collateral is held over these balances by the Group. Certain directors of the Company are also directors and shareholders of the related companies.

Amounts due from related parties which is non-trade nature, disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

			Maximum balance outstanding	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts due from related parties				
Truly Electronic Manufacturing Limited	**–**	–	**–**	56
Truly Semiconductors Limited	**22**	–	**22**	10
Mr. Su Ran	**41**	41	**41**	41
	63	41		
Amounts due from shareholders				
Force Field Limited	**–**	4	**4**	4
Mr. Lam Wai Wah	**–**	6	**6**	6
	–	10		

19. PLEDGED BANK DEPOSITS, BANK BALANCES AND CASH

Pledged bank deposits included in current assets carried interest in the range of 0.05% to 0.19% (2013: 0.17% to 0.36%) per annum at 31 December 2014. These bank deposits are pledged to secure the short term banking facilities granted to the Group.

Bank balances carried market interest rate in the range of 0.01% to 0.35% (2013: 0.01% to 0.35%) per annum at 31 December 2014.

The Group's bank balances that are denominated in USD, RMB and CHF, currency other than functional currency of the relevant group entities are set out below:

	2014	2013
	HK$'000	HK$'000
Denominated in USD	**276**	871
Denominated in RMB	**2,660**	13,432
Denominated in CHF	**5,879**	–

20. TRADE AND OTHER PAYABLES

	2014 HK$'000	2013 HK$'000
Trade payables	**39,424**	31,892
Other payables	**9,165**	5,630
Accruals	**18,640**	38,356
	67,229	75,878

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2014 HK$'000	2013 HK$'000
1–30 days	**30,908**	19,900
31–60 days	**3,562**	11,054
Over 60 days	**4,954**	938
	39,424	31,892

The credit period for trade purchases ranges from 0 to 30 days.

The Group's trade payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2014 HK$'000	2013 HK$'000
Denominated in CHF	**–**	13
Denominated in USD	**479**	617

21. RETIREMENT BENEFIT SCHEME

Hong Kong

The Group operates a Mandatory Provident Fund Scheme ("the MPF Scheme") for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Authority. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Contributions are made based on a percentage of the participating employees' relevant income from the Group and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

21. RETIREMENT BENEFIT SCHEME *(Continued)*

People's Republic of China

According to the relevant laws and regulation in PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligations of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

Switzerland

Defined benefit scheme

In Switzerland, the company contributes to a mandatory post-employment defined benefit plan, funded by contribution of both employees and employer (the "Defined Benefit Scheme"). The plan is operated by an insurance company in the form of a multi-employer scheme (Swiss Life Collective BVG Foundation).

The Defined Benefit Scheme exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit obligation is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Due to the long-term nature of the plan liabilities, the board of the pension fund may consider it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the Plan's debt investments.
Longevity risk	The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of Scheme participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The valuations of the plan assets and the present value of the defined benefit obligations were estimated by the directors with reference to the valuation carried out at 31 December 2014 and 2013 by an independent qualified professional actuary not connected to the Group. The present value of the defined benefit obligations and the related current service cost were measured using the projected unit credit method.

21. RETIREMENT BENEFIT SCHEME *(Continued)*

Switzerland *(Continued)*

Defined benefit scheme *(Continued)*

The principal actuarial assumptions used at the end of the reporting period are as follows:

	2014	2013
Price inflation	**1.00%**	1.00%
Discount rate	**1.00%**	2.00%
Long term rate of return on plan assets	**1.50%**	2.00%
Expected rate of salary increase	**1.50%**	1.50%
Average longevity at retirement age for current pensioners and employees	**50.8**	52

The actuarial valuation showed that the market value of plan assets was HK$7,149,000 (2013: HK$4,567,000) at 31 December 2014 and that the actuarial value of these assets represented 65% (2013: 62%) of the benefits that had accrued to members. The shortfall of HK$3,877,000 (2013: HK$2,825,000) is to be cleared over the estimated remaining service period of 9.6 years (2013: 9.4 years).

The overall expected rate of return is a weighted average of the expected returns of the various categories of Defined Benefit Scheme assets held.

Amounts recognised in comprehensive income in respect of the Defined Benefit Scheme are as follows:

	2014 HK$'000	2013 HK$'000
Service costs:		
Current service cost	**861**	857
Past service cost	**460**	–
Net interest expense	**24**	15
Components of defined benefit cost recognised in profit or loss	**1,345**	872
Remeasurement on the net defined benefit liability:		
(Return) loss on plan assets (excluding amounts included in net interest expense)	**(1,746)**	931
Actuarial losses (gains) arising from experience adjustments	**771**	(627)
Actuarial losses arising from changes in financial assumptions	**1,723**	–
Deferred tax credit arising on remeasurement of the net defined benefit liability *(note 24)*	**(295)**	(38)
Components of defined benefit cost recognised in other comprehensive income	**453**	266
Total	**1,798**	1,138

21. RETIREMENT BENEFIT SCHEME *(Continued)*

Switzerland *(Continued)*

Defined benefit scheme *(Continued)*

The expense is included as employee benefits expense and included in cost of sales.

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

The amount included in the consolidated statement of financial position arising from the Group's obligations in respect of the Scheme is as follows:

	2014 HK$'000	2013 HK$'000
Present value of defined benefit obligations	**11,026**	7,392
Fair value of plan assets	**(7,149)**	(4,567)
Net liability arising from defined benefit obligations	**3,877**	2,825

Movements of the present value of defined benefit obligations in the current year were as follows:

	2014 HK$'000	2013 HK$'000
Opening defined benefit obligations	**7,392**	9,124
Current service cost	**861**	857
Past service cost	**460**	–
Interest cost	**143**	180
Remeasurement losses (gains):		
Actuarial losses (gains) arising from experience adjustments	**771**	(627)
Actuarial losses arising from changes in financial assumptions	**1,723**	–
Benefits paid	**(2,022)**	(3,736)
Contribution paid by plan participants	**2,793**	1,419
Exchange differences on foreign plans	**(1,095)**	175
Closing defined benefit obligation	**11,026**	7,392

21. RETIREMENT BENEFIT SCHEME *(Continued)*

Switzerland *(Continued)*

Defined benefit scheme *(Continued)*

Movements of the fair value of plan assets in the current year were as follows:

	2014 HK$'000	2013 HK$'000
Opening fair value of plan assets	4,567	6,806
Interest income	119	165
Remeasurement gain (loss):		
Return (loss) on plan assets (excluding amounts included in net interest expense)	1,746	(931)
Contributions from employers	699	665
Benefits paid	(2,022)	(3,736)
Contributions paid by plan participants	2,793	1,419
Exchange differences on foreign plans	(753)	179
Closing fair value of plan assets	7,149	4,567

The fair value of the plan assets at the end of the reporting period for each category are as follows:

	2014 HK$'000	2013 HK$'000
Fixed interest, cash and cash equivalents and time deposits	5,513	3,585
Real estate	863	565
Mortgages and others claims	456	315
Others	317	102
	7,149	4,567

The fair values of real estate, mortgages and other claims, and others are not based on quoted market price in active markets.

21. RETIREMENT BENEFIT SCHEME *(Continued)*

Switzerland *(Continued)*

Defined benefit scheme *(Continued)*

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

- If the discount rate is 0.5% higher (lower), the defined benefit obligation would decrease by HK$357,000 (increase by HK$419,000).
- If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by HK$58,000 (decrease by HK$54,000).
- If the life expectancy increases (decreases) by 1 year, the defined benefit obligation would increase by HK$62,000 (decrease by HK$62,000).

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

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

The Group's subsidiary in Switzerland funded the cost of the entitlements of employees on a yearly basis. Employees pay approximately 8% of pensionable salary. The residual contribution (including back service payments) is paid by the subsidiary of the Group. The funding requirements are based on the local actuarial measurement framework. In this framework, the discount rate is set on a risk free rate. Furthermore, premiums are determined on a current salary base. Additional liabilities stemming from past service due to salary increases (back-service liabilities) are paid immediately to the Defined Benefit Scheme. Apart from paying the costs of the entitlements, the Group's subsidiary is not liable to pay additional contributions in case the Defined Benefit Scheme does not hold sufficient assets. In that case, the Defined Benefit Scheme would take other measures to restore its solvency, such as a reduction of the entitlements of the plan members.

The average duration of the benefit obligation at 31 December 2014 is 20 years (2013: 11 years).

The Group expects to make a contribution of HK$745,000 to the defined benefit plan during the next financial year ending 31 December 2015.

22. BANK BORROWINGS

	2014 HK$'000	2013 HK$'000
Bank loans	**100,610**	121,390
Import trade loans	**28,042**	49,928
	128,652	171,318
Carrying amount repayable on demand and within one year	**101,352**	149,218
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause	**27,300**	22,100
Amounts due within one year shown under current liabilities	**128,652**	171,318
Analysed as:		
Secured	**119,052**	155,118
Unsecured	**9,600**	16,200
	128,652	171,318

	2014 HK$'000	2013 HK$'000
The borrowings repayable based on scheduled repayment dates set out in the loan agreement, are as follows:		
Within one year	**101,352**	149,218
More than one year, but not exceeding two years	**24,900**	17,300
More than two years, but not exceeding five years	**2,400**	4,800
	128,652	171,318

All the Group's borrowings are variable-rate borrowings which carry interest at Hong Kong Interbank Offered Rate ("HIBOR") or London Interbank Offered Rate ("LIBOR") plus certain basis points. Interest is repriced every six months and the range of effective interest rates is ranging from 2.72% to 3.22% (2013: 2.21% to 3.22%) per annum.

Details of assets that have been pledged as collateral to secure borrowings are set out in note 31.

23. DERIVATIVE FINANCIAL INSTRUMENTS

During the year ended 31 December 2014, fair value loss of approximately HK$1,811,000 (2013: gain of approximately HK$996,000) was recognised directly in profit or loss.

The details of outstanding foreign exchange forward contracts to which the Group is committed are as follows:

Notional amount	Maturity	Exchange rates
Buy CHF750,000	15 January 2015	CHF1: HK$8.0110
Buy CHF750,000	30 January 2015	CHF1: HK$8.0190
Buy CHF750,000	13 February 2015	CHF1: HK$8.0240
Buy CHF750,000	27 February 2015	CHF1: HK$8.0295
Buy CHF750,000	10 March 2015	CHF1: HK$7.9290
Buy CHF750,000	16 March 2015	CHF1: HK$7.9330
Buy CHF500,000	31 March 2015	CHF1: HK$7.9370

No financial assets or liabilities were recognised in respect of the financial derivatives at 31 December 2013 since all the derivative was matured and derecognised as at that date.

24. DEFERRED TAXATION

The following are the major deferred tax (liabilities) assets recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Defined benefit pension scheme HK$'000	Unrealised profit HK$'000	Others HK$'000 *(note i)*	Total HK$'000
At 1 January 2013	(3,626)	344	7,094	(5,205)	(1,393)
Credit (charged) to profit or loss *(note 10)*	1,899	31	2,373	(610)	3,693
Credit to equity *(note 21)*	–	38	–	–	38
Exchange realignment	(12)	5	–	(155)	(162)
At 31 December 2013	**(1,739)**	**418**	**9,467**	**(5,970)**	**2,176**
(Charged) credit to profit or loss *(note 10)*	**233**	**130**	**(1,058)**	**(703)**	**(1,398)**
Credit to equity *(note 21)*	**–**	**295**	**–**	**–**	**295**
Effect of change in tax rate charged to profit or loss *(note 10) (note ii)*	**(176)**	**–**	**–**	**(2,168)**	**(2,344)**
Exchange realignment	**52**	**(67)**	**–**	**771**	**756**
At 31 December 2014	**(1,630)**	**776**	**8,409**	**(8,070)**	**(515)**

24. DEFERRED TAXATION *(Continued)*

Notes:

i. Others represent the temporary difference arising from the special deduction made on the inventories and accruals held by subsidiaries.

ii. The Group's subsidiary incorporated in Switzerland enjoys special tax benefit which CCT is calculated at 8.97% and such tax benefit were expired at 31 December 2014. Starting from 1 January 2015, the subsidiary will be subjected to CCT at 16.55%.

The following is the analysis of the deferred tax balances in the consolidated statement of financial position for financial reporting purposes:

	2014 **HK$'000**	2013 HK$'000
Deferred tax assets	**9,119**	9,904
Deferred tax liabilities	**(9,634)**	(7,728)
	(515)	2,176

The deductible temporary differences had been recognised as deferred tax asset as it is probable that taxable profits will be available against which temporary difference can be utilised.

The aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised for the year ended 31 December 2014 was HK$167,515,000 (2013: HK$176,318,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

25. SHARE CAPITAL

	Number of ordinary shares '000	Par value HK$	Share capital HK$'000
Authorised:			
Balance at 1 January 2013 and 31 December 2013	6,500	1.00	6,500
Shares subdivision *(note i)*	643,500	0.01	–
Increase in authorised share capital *(note i)*	9,350,000	0.01	93,500
Balance at 31 December 2014	10,000,000	0.01	100,000
Issued and fully paid:			
Balance at 1 January 2013 and 31 December 2013	10	1.00	10
Shares subdivision *(note i)*	990	0.01	–
Issued of shares by capitalisation of share premium account *(note ii)*	280,000	0.01	2,800
Issue of shares on global offering *(note iii)*	66,000	0.01	660
Exercise of Pre-IPO share option	437	0.01	4
Balance at 31 December 2014	347,437	0.01	3,474

Notes:

(i) Pursuant to the shareholders' resolution passed on 24 June 2014, every share of HK$1 each in the issued and unissued share capital of the Company was subdivided into 100 shares of HK$0.01 each and the authorised share capital of the Company was increased from HK$6,500,000 divided into 6,500,000 shares of HK$1 each to HK$100,000,000 divided into 10,000,000,000 of HK$0.01 each by the creation of 9,350,000,000 shares of HK$0.01 each.

(ii) Simultaneous with the listing of the shares of the Company on the Stock Exchange on 11 July 2014, 280,000,000 ordinary shares of HK$0.01 per share, each were issued at par to the shareholders whose names were on the register of members of the Company as at the close of business on 24 June 2014 for capitalisation of HK$2,800,000 standing to the credit of the share premium account of the Company.

(iii) The Company's shares were listed on the Stock Exchange on 11 July 2014. The Company allotted and issued the total of 66,000,000 new ordinary shares of HK$0.01 each to the public at a price of HK$3.0 per share pursuant to the initial public offering by way of a sum of HK$198,000,000.

Details of the exercise of Pre-IPO share option scheme are set out in note 32.

All the shares issued rank pari passu with the existing shares in all respect.

26. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 **HK$'000**	2013 HK$'000
NON-CURRENT ASSETS		
Investment in a subsidiary	**11,438**	1
Amount due from a subsidiary	**79,997**	–
	91,435	1
CURRENT ASSETS		
Other receivables	**290**	–
Amount due from a subsidiary	**76,000**	15,000
Amounts due from shareholders	**–**	10
Bank balances and cash	**75,597**	–
	151,887	15,010
CURRENT LIABILITIES		
Other payable	**479**	–
Amount due to a subsidiary	**1**	1
Dividend payable	**–**	15,000
	480	15,001
NET CURRENT ASSETS	**151,407**	9
TOTAL ASSETS LESS CURRENT LIABILITIES	**242,842**	10
CAPITAL AND RESERVES		
Share capital	**3,474**	10
Reserves *(note)*	**239,368**	–
TOTAL EQUITY	**242,842**	10

26. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

	Share premium HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2013	–	–	–	–
Profit and total comprehensive income for the year	–	–	30,000	30,000
Dividend paid	–	–	(30,000)	(30,000)
At 31 December 2013	–	–	–	–
Profit and total comprehensive income for the year	–	–	54,035	54,035
Issue of shares	197,340	–	–	197,340
Expenses incurred in connection with the issue of shares	(13,886)	–	–	(13,886)
Issue of shares by capitalisation of share premium account	(2,800)	–	–	(2,800)
Recognition of equity-settled share-based payments	–	3,634	–	3,634
Issue of shares upon exercise of share options	1,445	(400)	–	1,045
Lapse of share options	–	(1)	1	–
At 31 December 2014	182,099	3,233	54,036	239,368

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged from the prior year.

The capital structure of the Group consists of debt, which includes the bank borrowings disclosed in note 22, net of cash and cash equivalents, and equity comprising issued share capital and reserves.

The directors of the Group reviews the capital structure regularly. The directors consider the cost of capital and the risks associated with capital, and will balance its overall capital structure through payments of dividends, new share issues as well as issue of new debts or redemption of the existing debts.

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 HK$'000	2013 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**282,255**	178,192
Financial liabilities		
Amortised cost	**174,187**	223,840
Fair value through profit or loss		
Derivative financial instruments	**705**	–

(b) Financial risk management objectives and policies

The Group's major financial instruments include deposits placed for life insurance policies, trade and other receivables, amounts due from related parties/shareholders, pledged bank deposits, bank balances and cash, trade and other payables, derivative financial instruments and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies, which expose the Group to foreign currency risk. From time to time, the Group may use derivative financial instrument to hedge the foreign currency risk. The Group manages the foreign currency risk by closely monitoring the movement of the foreign currency exchange rates.

The Group's foreign currency monetary assets are mainly bank balances and the Group's foreign currency monetary liabilities are mainly trade payables.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	Liabilities		Assets	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Third parties				
RMB	**–**	–	**2,660**	13,432
USD	**2,131**	617	**9,737**	7,801
CHF	**–**	13	**5,879**	–
Intra-group balances				
RMB	**–**	–	**205,855**	217,921
CHF	**–**	36,719	**17,071**	–

28. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Foreign currency risk (Continued)

Sensitivity analysis

The following table indicates the approximate change in the Group's post-tax profit for the year in response to reasonably possible change in the exchange rate of the functional currency of each group entity against USD, RMB and CHF. Since HK$ is pegged to USD under the Linked Exchange Rate System, the management does not expect significant foreign currency exposure in relation to the exchange rate fluctuation between HK$ and USD. The Group is mainly exposed to the foreign currency risk of CHF and RMB against the functional currency of each group entity.

The following table indicates the approximate change in the Group's profit after taxation for the year in response to 2% (2013: 2%) and 10% (2013: 5%) increase or decrease in the functional currency of each group entity against RMB and CHF respectively to which the Group has significant exposure at the end of reporting period. A negative number below indicates a decrease in post-tax profit where the functional currency of the relevant group entity strengthens 2% (2013: 2%) against RMB and 10% (2013: 5%) against CHF. For a 2% (2013: 2%) weakening of the functional currency of the relevant group entity against RMB and 10% (2013: 5%) against CHF, there would be an equal and opposite impact on the post-tax profit.

A sensitivity rate of 2% (2013: 2%) on RMB and 10% (2013: 5%) on CHF represents management's assessment of the reasonably possible change in foreign currency exchange rates.

	THE GROUP			
	RMB impact		CHF impact	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Decrease in post-tax profit during the year	**(44)**	(224)	**(491)**	–

28. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Foreign currency risk (Continued)

Sensitivity analysis (Continued)

The Group is also exposed to currency risk concerning the intra-group amounts due from group entities, which are denominated in currencies other than the functional currency of each group entity.

The following table indicates the approximate change in the Group's post-tax profit for the year in response to 2% (2013: 2%) and 10% (2013: 5%) increase or decrease in the functional currency of each group entity against RMB and CHF respectively to which the Group has significant exposure at the end of the reporting period. A negative number below indicates a decrease in post-tax profit where the functional currency of the relevant group entity strengthens 2% (2013: 2%) against RMB and 10% (2013: 5%) against CHF. For a 2% (2013: 2%) weakening of the functional currency of the relevant group entity against RMB and 10% (2013: 5%) against CHF, there would be an equal and opposite impact on the post-tax profit.

A sensitivity rate of 2% (2013: 2%) on RMB and 10% (2013: 5%) on CHF represents management's assessment of the reasonably possible change in foreign currency exchange rates.

	THE GROUP			
	RMB impact		CHF impact	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Post-tax profit during the year	**(3,438)**	(3,639)	**(1,425)**	1,533

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

For the foreign exchange forward contracts at 31 December 2014, the sensitivity analysis has been estimated based on the contracts outstanding at the end of reporting period. When the relevant market forward exchange rate of CHF against HK$, the functional currency of the group entity holding the foreign exchange forward contracts, strengthens/weakens by 10%, the potential effect on post-tax profit for the year will increase/decrease by approximately HK$3,272,000.

28. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate bank borrowings (see notes 19 and 22 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and LIBOR arising from the Group's Hong Kong dollar denominated borrowings. The management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low interest rate. The Group currently does not use any derivative contract to hedge its exposure to interest rate risk. However, the management of the Group, will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period existed for the whole year. A 100 basis point (2013: 100 basis point) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis point (2013: 100 basis point) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2014 would decrease/increase by HK$1,074,000 (2013: decrease/increase by HK$1,431,000).

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its deposits placed for life insurance policies, trade and other receivables, amounts due from related companies/shareholders, pledged bank deposits and bank balances.

The Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

With respect to credit risk arising from amounts due from related companies, the management considered that the exposure to credit risk arising from defaults of these parties is limited as the counterparties have sufficient net assets and funds to repay their debts and the Company is not expected to result in any financial loss for amounts due from these parties.

The credit risk on pledged bank deposits and bank balances and deposits placed for life insurance policies is limited because the majority of the counterparties are banks with good reputation.

28. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

For the year ended 31 December 2014, the Group has concentration of credit risk as 47.17% (2013: 37%) of the total trade receivables due from the Group's five largest trade customers. The directors of the Company consider that the customers are of good qualities because the counterparties have good reputation and no default payment history. An analysis of the amounts due from two of the five largest customers at the end of the reporting period at follows:

	% of total trade receivables	
	2014	2013
	HK$'000	HK$'000
Customer A	**20%**	–
Customer B	**14%**	9%

Other than those described above, the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The credit risk on receivables from department stores and corporate customers are limited because all department stores and corporate customers have good repayment records.

Liquidity risk

The management of the Group has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The management manages liquidity risk by closely monitoring the Group's cash flow position.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

28. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2014					
Non-derivative financial liabilities					
Trade and other payables	**–**	**42,102**	**3,433**	**45,535**	**45,535**
Variable interest rate bank borrowings *(Note)*	**2.95**	**128,652**	**–**	**128,652**	**128,652**
		170,754	**3,433**	**174,187**	**174,187**
At 31 December 2013					
Non-derivative financial liabilities					
Trade and other payables	–	37,522	–	37,522	37,522
Dividend payable	–	15,000	–	15,000	15,000
Variable interest rate bank borrowings *(Note)*	2.92	171,318	–	171,318	171,318
		223,840	–	223,840	223,840

Note: Bank loans with a repayment on demand clause are included in the repayable on demand or less than 3 months' time band in the above maturity analysis. At 31 December 2014, the aggregate undiscounted principal amounts of these bank loans amounted to HK$128,652,000 (2013: HK$171,138,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid by monthly instalments which will be wholly repayable in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$132,917,000 (2013: HK$177,665,000).

28. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

The table below details the Group's expected maturity of the bank loans in accordance with the scheduled repayment dates:

	Less than 3 months HK$'000	3 months to 1 year HK$'000	1 year to 2 years HK$'000	2 years to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2014	**31,220**	**73,509**	**25,717**	**2,471**	**132,917**	**128,652**
At 31 December 2013	31,818	122,769	17,993	5,085	177,665	171,318

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	Repayable on demand or less than 3 months HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Derivatives — gross settlement			
— inflow	39,223	39,223	39,223
— outflow	(39,928)	(39,928)	(39,928)
	(705)	(705)	(705)

No financial liabilities were recognised in respect of the financial derivatives at 31 December 2013, since the derivative was matured and derecognised as at that date.

28. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial liability	Fair value as at 31 December 2014 HK$'000	Fair value hierarchy	Valuation techniques and key inputs
Foreign exchange forward contracts *(note 23)*	705	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between Level 2 in the year.

Except for the above financial liability that is measured at fair value, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of reporting period.

29. OPERATING LEASE COMMITMENTS

At the end of the reporting date, the Group has commitments for future minimum lease payments for premises under non-cancellable operating leases which fall due as follows:

	2014 HK$'000	2013 HK$'000
Within one year	**23,180**	21,539
In the second to fifth years inclusive	**18,065**	25,165
	41,245	46,704

29. OPERATING LEASE COMMITMENTS *(Continued)*

Included in the above is future lease payments with related party of HK$82,000 (2013: HK$318,000) and the Group has commitments for future minimum lease payments for premises under non-cancellable operating leases which fall due as follows:

	2014 HK$'000	2013 HK$'000
Within one year	**82**	246
In the second to fifth years inclusive	**–**	72
	82	318

Operating lease payments represent rentals payable by the Group for its office and shops operated by retailers. Leases are negotiated for terms ranging from one year to three years with fixed monthly rentals.

30. CAPITAL COMMITMENT

	2014 HK$'000	2013 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**1,157**	6,413

31. PLEDGE OF ASSETS

The Group's bank borrowings are secured by:

	2014 HK$'000	2013 HK$'000
Fixed charges over time deposits	**6,019**	1,016
Fixed charges over deposits placed for life insurance policies	**9,461**	6,930
Floating charge over trade receivables	**8,551**	–

32. SHARE-BASED PAYMENT TRANSACTIONS

The Company's pre-IPO share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 24 June 2014, which will expire on 24 June 2024. The Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that the eligible participants under the Scheme have or may have made to the Company.

The eligible participants include any full-time or part-time employees, executives or officers (including executive, non-executive and independent non-executive directors) of the Company, or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the opinion of the directors of the Company, will contribute or have contributed to the Company and/or any of its subsidiaries.

At 31 December 2014, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 5,750,224 shares, representing 1.66% of the shares of the Company in issue at that date. Without prior approval from the Company's shareholder, (i) the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time; (ii) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time; and (iii) options in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million may not be granted to substantial shareholders or independent non-executive directors.

Upon acceptance of the share option, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

Details of the options granted under the Scheme are as follows:

Tranche	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	Fair value at grant date HK$
1	24.6.2014	24.6.2014 – 11.7.2014	11.7.2014 – 11.7.2016	2.40	0.9159
2	24.6.2014	24.6.2014 – 11.7.2015	11.7.2015 – 11.7.2017	3.00	0.7822

32. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following table discloses movements in the Company's share options under the Scheme during the current year:

		Number of share options				
Type of participants	Tranche	Outstanding at 1 January 2014	Granted during the year	Exercised during the year HK$	Lapsed during the year HK$	Outstanding at 31 December 2014
Directors	1	–	842,344	(50,000)	–	792,344
	2	–	1,258,928	–	–	1,258,928
		–	2,101,272	(50,000)	–	2,051,272
Employees	1	–	1,477,315	(387,000)	(980)	1,089,335
	2	–	3,242,752	–	(633,135)	2,609,617
		–	4,720,067	(387,000)	(634,115)	3,698,952
		–	6,821,339	(437,000)	(634,115)	5,750,224
Exercisable at the end of the year						1,881,679

The following share options granted under the Scheme were exercised during the year:

	Number exercised	Exercise date	Share price at exercise date
Tranche 1	387,000	15 October 2014	HK$4.68
Tranche 1	50,000	31 October 2014	HK$5.00
	437,000		

The weighted average share price at the date of exercise for share options exercised during the year was HK$4.72 (2013: No share options were exercised).

The fair value of the share options is determined using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. The dividend yield is based on management's best estimate taking into account the Group's future plans and prospects. Expected volatility was determined with reference to the historical volatility of the share prices of comparable companies on the Stock Exchange as the Company's shares have been listed on the Stock Exchange with effect from 11 July 2014.

32. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

	Tranche 1	Tranche 2
Grant date share price	HK$3.00	HK$3.00
Exercise price	HK$2.40	HK$3.00
Expected volatility	40.917%	40.917%
Option life	2.05 years	3.05 years
Dividend yield	1.562%	1.562%
Risk free rate	0.435%	0.435%
Sub optional factor	1.50	1.50

The Group recognised the total expense of approximately HK$3,634,000 for the year ended 31 December 2014 in relation to share options granted by the Company.

33. RELATED PARTY TRANSACTIONS

(i) During the year, the Group entered into the following transactions with related parties:

Name of related party	Relationship	Nature of transaction	2014 HK$'000	2013 HK$'000
Su Ran	Brother of one of the directors/ senior management	Rental expense	**241**	243
Truly Semiconductors Limited	Entity controlled by one of the directors	Sales	**22**	–

(ii) Amounts due from related parties is disclosed in the consolidated statement of financial position and in note 18.

(iii) Certain shareholders, directors and related parties of the Group have provided guarantees to banks amounting to HK$36,000,000 (2013: HK$121,318,000) in aggregate as at 31 December 2014 to secure certain banking facilities granted to the Group.

(iv) The compensation to key management personnel comprises only the directors' emoluments, details of which are disclosed in note 11.

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ registration/ operation	Nominal value of issued and fully paid share capital/ registered capital	Proportion ownership interest held by the Company as at 31 December 2014 and 2013	Principal activities
Ernest Borel S.A.	Switzerland	CHF100,000	100%	Manufacturing and trading of watches
Ernest Borel (Far East) Company Limited	Hong Kong	HK$20,000	100%	Assembling and sales of watches
Ernest Borel (Guangzhou) Trading Co., Ltd. (依波路（廣州）貿易有限公司)	PRC	RMB20,000,000	100%	Distribution and sales of watches
Ernest Borel (Hong Kong) Limited	Hong Kong	HK$1,000	100%	Investment holding
Ernest Borel Investment Limited	British Virgin Islands	USD100	100%	Investment holding

Four Years Financial Summary

A summary of the published results and assets, liabilities and total equity of the Group for the last four financial years, as extracted from the Group's audited financial statements, is set out below:

Results	For the year ended 31 December			
	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**602,624**	604,013	550,880	489,089
Profit before taxation	**79,047**	110,743	127,347	173,183
Income tax (expense) credit	**(20,236)**	(17,722)	(27,873)	(31,626)
Profit for the year	**58,811**	93,021	99,474	141,557
Earning per share				
Basic (HK cents)	**19**	33	35	50

Assets and Liabilities	As at 31 December			
	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**902,261**	745,070	641,777	477,404
Total liabilities	**(219,766)**	(289,966)	(257,699)	(130,411)
Total equity	**682,495**	455,104	384,078	346,993