Hengdeli Holdings Limited
亨得利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3389)

2015 INTERIM RESULTS

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
Results	**2015**	2014	YoY change
	RMB'000	*RMB'000*	
	(Unaudited)	(Unaudited)	(%)
Revenue	**6,753,944**	7,206,514	-6.3
Gross profit margin	**30.5%**	28.6%	+190 bps
Profit for the period	**283,689**	320,038	-11.4
Profit attributable to shareholders	**255,150**	279,646	-8.8

INTERIM RESULTS

The board of directors (the "Board") of Hengdeli Holdings Limited (the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015, along with the comparative figures and selected explanatory notes, which are prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2015 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**6,753,944**	7,206,514
Cost of sales		**(4,693,152)**	(5,146,163)
Gross profit	*3*	**2,060,792**	2,060,351
Other revenue	*4*	**69,896**	69,273
Other net income/(loss)	*4*	**509**	(46,303)
Distribution costs		**(1,476,817)**	(1,367,142)
Administrative expenses		**(155,428)**	(167,560)
Profit from operations		**498,952**	548,619
Finance costs	*5(a)*	**(103,252)**	(118,555)
Share of losses of associates		**–**	(1,521)
Share of profits of joint ventures		**686**	1,161
Profit before taxation	*5*	**396,386**	429,704
Income tax	*6*	**(112,697)**	(109,666)
Profit for the period		**283,689**	320,038
Attributable to:			
Equity shareholders of the Company		**255,150**	279,646
Non-controlling interests		**28,539**	40,392
Profit for the period		**283,689**	320,038
Earnings per share	*7*		
Basic		**RMB0.053**	RMB0.058
Diluted		**RMB0.053**	RMB0.058

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2015 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Profit for the period		**283,689**	320,038
Other comprehensive income for the period:			
Items that may be reclassified subsequently to profit or loss:			
Net gain recognised from the remeasurement of investment in equity securities	*9*	**4,666**	–
Exchange differences on translation of overseas companies' financial statements		**11,043**	9,192
Total comprehensive income for the period		**299,398**	329,230
Attributable to:			
Equity shareholders of the Company		**270,859**	288,838
Non-controlling interests		**28,539**	40,392
Total comprehensive income for the period		**299,398**	329,230

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2015 – unaudited

(Expressed in Renminbi)

		At 30 June 2015		At 31 December 2014	
	Note	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*
Non-current assets					
Investment property			**40,292**		41,286
Other property, plant and equipment	*8*		**1,413,118**		1,404,669
			1,453,410		1,445,955
Intangible assets			**81,676**		86,601
Goodwill			**802,521**		802,521
Interest in joint ventures			**54,362**		55,423
Other investments	*9*		**125,345**		71,862
Deferred tax assets			**65,684**		72,167
			2,582,998		2,534,529
Current assets					
Inventories	*10*	**6,292,273**		6,612,693	
Trade and other receivables	*11*	**1,608,437**		1,615,836	
Deposits with banks		**8,000**		113,000	
Cash and cash equivalents	*12*	**1,595,837**		1,968,065	
		9,504,547		10,309,594	
Current liabilities					
Trade and other payables	*13*	**1,418,522**		2,240,209	
Bank loans	*14*	**849,136**		991,831	
Current taxation		**44,156**		25,960	
Provision		**47,316**		94,668	
Convertible bonds	*15*	**78,711**		78,005	
		2,437,841		3,430,673	
Net current assets			**7,066,706**		6,878,921

		At 30 June 2015		At 31 December 2014	
	Note	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*
Total assets less current liabilities			**9,649,704**		9,413,450
Non-current liabilities					
Bank loans	*14*	**612,611**		494,508	
Senior notes	*16*	**2,176,446**		2,173,905	
Deferred tax liabilities		**109,069**		116,409	
			2,898,126		2,784,822
NET ASSETS			**6,751,578**		6,628,628
CAPITAL AND RESERVES					
Share capital			**22,856**		22,920
Reserves			**6,057,059**		5,960,084
Total equity attributable to equity shareholders of the Company			**6,079,915**		5,983,004
Non-controlling interests			**671,663**		645,624
TOTAL EQUITY			**6,751,578**		6,628,628

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2015 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2015 RMB'000	2014 RMB'000
Operating activities			
Cash generated from/(used in) operations		**58,021**	(216,531)
Income tax paid		**(95,355)**	(81,304)
Net cash used in operating activities		**(37,334)**	(297,835)
Investing activities			
Payment for the purchase of property, plant and equipment		**(83,582)**	(48,411)
Other cash flows arising from investing activities		**49,823**	(8,434)
Net cash used in investing activities		**(33,759)**	(56,845)
Financing activities			
Dividends paid to equity shareholders of the company		**(153,100)**	(119,978)
Other cash flows arising from financing activities		**(147,205)**	(200,045)
Net cash used in financing activities		**(300,305)**	(320,023)
Net decrease in cash and cash equivalents		**(371,398)**	(674,703)
Cash and cash equivalents at 1 January	*12*	**1,968,065**	2,185,922
Effect of foreign exchange rates changes		**(830)**	6,358
Cash and cash equivalents at 30 June	*12*	**1,595,837**	1,517,577

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 25 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2014 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 17 March 2015.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company.

- Annual Improvements to HKFRSs 2010-2012 Cycle

- Annual Improvements to HKFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography (mainly in Mainland China). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has identified the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Retail segments (includes three segments for watches retail in Mainland China, Taiwan and Hong Kong and one segment ("Harvest Max") for jewellery, watches and duty free commodities retail in Hong Kong): given the importance of the retail division to the Group, the Group's retail business is segregated further into four reportable segments on a geographical and products and services basis, as the divisional managers for each of these regions report directly to the senior executive team. All segments primarily derive their retail revenue through their own retail network.

- Wholesale segment: this segment distributes numerous world renowned brand watches in Mainland China and Hong Kong.

(a) Information about profit or loss and assets

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. However, other than reporting inter-segment sales, assistance provided by one segment to another, including sharing of assets, is not measured.

The measure used for reporting segment profit is "gross profit".

Segment assets represent inventories only, without eliminating the unrealised inter-segment profits.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

For the six months ended 30 June	Retail													
	Mainland China		Hong Kong		Taiwan		Harvest Max		Wholesale		All others#		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**3,094,219**	3,224,564	**954,399**	1,406,584	**77,324**	89,176	**808,380**	698,932	**1,576,776**	1,613,660	**242,846**	173,598	**6,753,944**	7,206,514
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**–**	–	**1,999,369**	1,727,309	**16,318**	9,000	**2,015,687**	1,736,309
Reportable segment revenue	**3,094,219**	3,224,564	**954,399**	1,406,584	**77,324**	89,176	**808,380**	698,932	**3,576,145**	3,340,969	**259,164**	182,598	**8,769,631**	8,942,823
Reportable segment gross profit	**923,110**	990,006	**201,980**	294,125	**19,166**	23,081	**651,239**	522,794	**194,029**	178,281	**71,268**	52,064	**2,060,792**	2,060,351

	Retail													
	Mainland China		Hong Kong		Taiwan		Harvest Max		Wholesale		All others#		Total	
	30 June	31 December	**30 June**	31 December	**30 June**	31 December	**30 June**	31 December	**30 June**	31 December	**30 June**	31 December	**30 June**	31 December
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB '000***	*RMB'000*
Reportable segment assets	**2,944,854**	3,136,954	**1,375,490**	1,527,848	**203,593**	199,983	**105,821**	115,969	**1,594,890**	1,579,018	**112,496**	105,393	**6,337,144**	6,665,165

\# Revenues from segments below the quantitative thresholds are mainly attributable to a watch repairing and maintenance business, a packaging and decoration business, a watch case manufacturing business, a hotel business and a property management business. None of those segments met any of the quantitative thresholds for determining reportable segments.

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Revenue		
Total revenues for reportable segments	**8,510,467**	8,760,225
Other revenue	**259,164**	182,598
Elimination of inter-segment revenue	**(2,015,687)**	(1,736,309)
Consolidated revenue	**6,753,944**	7,206,514
Profit		
Total gross profit for reportable segments	**1,989,524**	2,008,287
Other profit	**71,268**	52,064
	2,060,792	2,060,351
Other revenue	**69,896**	69,273
Other net income/(loss)	**509**	(46,303)
Distribution costs	**(1,476,817)**	(1,367,142)
Administrative expenses	**(155,428)**	(167,560)
Finance costs	**(103,252)**	(118,555)
Share of losses of associates	**–**	(1,521)
Share of profits of joint ventures	**686**	1,161
Consolidated profit before taxation	**396,386**	429,704

4 OTHER REVENUE AND NET INCOME/(LOSS)

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Other revenue		
Interest income	**7,200**	9,088
Government grants	**23,028**	17,502
Dividend income from unlisted investments	**25,443**	33,494
Rental income	**5,017**	5,581
Others	**9,208**	3,608
	69,896	69,273
Other net income/(loss)		
Impairment of interest in an associate	**–**	(34,293)
Net gain/(loss) on disposal of property, plant and equipment	**42**	(109)
Net foreign exchange gain/(loss)	**467**	(11,901)
	509	(46,303)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
(a) Finance costs		
Interest expense on bank loans	**22,606**	41,097
Interest on convertible bonds *(note 15)*	**1,673**	1,736
Interest on senior notes *(note 16)*	**70,267**	70,178
Bank charges	**8,706**	5,544
	103,252	118,555
(b) Other items		
Amortisation	**5,716**	5,437
Depreciation	**74,784**	70,722
Operating lease charges in respect of properties		
– minimum lease payments	**144,755**	139,812
– contingent rents	**250,304**	274,963
	395,059	414,775

6 INCOME TAX

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Current tax		
Hong Kong profits tax	**18,514**	27,742
Mainland China income tax	**94,964**	80,275
Taiwan and Macau income tax	**76**	–
Sub-total	**113,554**	108,017
Deferred taxation	**(857)**	1,649
	112,697	109,666

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2014: 16.5%) to the six months ended 30 June 2015.

Taxation for other overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries or jurisdictions.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB255,150,000 (six months ended 30 June 2014: RMB279,646,000) and the weighted average of 4,784,882,738 ordinary shares (six months ended 30 June 2014: 4,800,158,893 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share amount for the six months ended 30 June 2015 is based on the profit attributable to equity shareholders of the Company of RMB255,150,000 (six months ended 30 June 2014: RMB279,646,000) and the weighted average number of ordinary shares outstanding of 4,784,882,738 shares (six months ended 30 June 2014: 4,800,158,893).

The calculation of diluted earnings per share amount for the six months ended 30 June 2015 and 2014 has not included the potential effects of the deemed issue of shares under the Company's shares option scheme for nil consideration into ordinary shares and the potential effects of the deemed conversion of the convertible bonds into ordinary shares as they have anti-dilutive effect on the basic earnings per share amount during the interim period.

8 OTHER PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group incurred decoration and construction costs with a total amount of RMB49,010,000 (six months ended 30 June 2014: RMB40,022,000).

9 OTHER INVESTMENTS

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
Listed investment in equity securities	**123,021**	71,065
Unlisted investment, at cost	**2,324**	797
	125,345	71,862

On 23 April 2015, Ming Fung issued an open offer of 1,634,514,070 shares at a subscription price of HKD0.3 each on the basis of two offer shares for every one share held, through which the Group purchased 200,000,000 shares at a total consideration of HKD60,000,000 (equivalent to RMB47,290,000).

As at 30 June 2015, the carrying amount of listed investment in equity securities was remeasured at its market value and the resultant gain of RMB4,666,000 was recognised in other comprehensive income for the period ended 30 June 2015.

10 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Raw materials	**24,645**	44,145
Work in progress	**24,956**	30,174
Finished goods	**6,242,672**	6,538,374
	6,292,273	6,612,693

11 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the due date and net of allowance for doubtful debts, is as follows:

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Current	**999,919**	964,427
Less than 1 month past due	**29,023**	49,339
1 to 3 months past due	**20,149**	13,376
More than 3 months but less than 12 months past due	**13,389**	17,213
More than 12 months past due	**4,274**	5,632
Trade debtors, net of allowance for doubtful debts	**1,066,754**	1,049,987
Prepayments and other receivables	**541,683**	565,849
	1,608,437	1,615,836

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

Customers are normally granted credit terms of not more than 60 days depending on the credit worthiness of individual customers.

12 CASH AND CASH EQUIVALENTS

As at 31 December 2014 and 30 June 2015, all of the Group's cash and cash equivalents in the consolidated statement of financial position represented cash at bank and cash in hand.

13 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Within 1 month	**621,888**	985,262
Over 1 month but less than 3 months	**460,264**	814,352
Over 3 months but less than 12 months	**19,099**	18,626
Over 1 year	**19,711**	22,285
	1,120,962	1,840,525
Other payables and accrued expenses	**247,726**	343,301
Advance receipts from customers	**49,834**	56,383
	1,418,522	2,240,209

14 BANK LOANS

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Bank loans repayable within one year or on demand		
– Secured	**–**	496
– Unsecured	**849,136**	991,335
	849,136	991,831
Bank loans repayable after one year		
– Secured	**4,963**	5,011
– Unsecured	**607,648**	489,497
	612,611	494,508
	1,461,747	1,486,339

At 30 June 2015, the banking facilities of certain subsidiaries were secured by mortgages over their land and buildings with an aggregate carrying value of RMB10,495,000 (31 December 2014: RMB10,282,000).

15 CONVERTIBLE BONDS

On 20 October 2010, the Company issued the HKD Settled 2.5% Convertible Bonds due 2015 (the "2015 Convertible Bonds"). The 2015 Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited.

The movement of the liability component and the equity component of the 2015 Convertible Bonds for the six months ended 30 June 2015 is set out below:

	Liability component	**Equity component**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2014	78,005	2,296	80,301
Interest charged during the period *(note 5(a))*	1,673	–	1,673
Interest paid during the period	(937)	–	(937)
Foreign currency translation difference	(30)	–	(30)
As at 30 June 2015	78,711	2,296	81,007

16 SENIOR NOTES

In January 2013, the Company issued 6.25% senior notes due in 2018 in the aggregate principal amount of United States Dollars ("USD") 350,000,000 ("the Notes"), which are listed on the Stock Exchange. The Notes are interest-bearing at 6.25% per annum and payable semi-annually in arrears. The Notes will mature on 29 January 2018, unless redeemed earlier in accordance with the terms of the Notes.

The movement of the Notes is set out below:

	RMB'000
As at 31 December 2014	2,173,905
Interest charged during the period *(note 5(a))*	70,267
Interest paid	(67,084)
Foreign exchange loss	(120)
Foreign currency translation difference	(522)
As at 30 June 2015	2,176,446

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) No interim dividend has been declared after the interim period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period, are as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved during the interim period, of RMB0.032 per share (six months ended 30 June 2014: RMB0.025 per share)	**153,100**	119,978

(b) Purchase of own shares

During the six months ended 30 June 2015, a total of 16,260,000 shares were repurchased on the Stock Exchange at an aggregate consideration of HKD23,260,000 (RMB equivalent: 18,346,000) which includes related transaction costs of HKD82,000 (RMB equivalent: 64,000).

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of Cayman Islands Companies Law, an amount equivalent to the par value of the shares cancelled of RMB64,000 was transferred from the retained profits to the capital redemption reserve. The premium paid on the repurchase of shares equivalent to RMB18,282,000 was charged against the share premium.

(c) Equity settled share-based transactions

No share option was exercised during the six months ended 30 June 2015 (31 December 2014: Nil).

(d) Shares purchased under share award scheme

Pursuant to a share award scheme approved by the Board in 2015, the Company may purchase its own shares and grant such shares to certain employees or consultants of the Group. For the six months ended 2015, the Company purchased 2,000,000 shares at cash consideration of HKD3,173,000 (RMB equivalent: 2,502,000), which have not yet been granted under the share award scheme. The consideration paid for the purchase of the Company's shares is reflected as a decrease in the capital reserve of the Company.

18 CAPITAL COMMITMENTS

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Authorised but not contracted for	**24,353**	45,432

19 RELATED PARTY TRANSACTIONS

The Group has transactions with joint ventures, which are jointly held by the Group and The Swatch Group (Hong Kong) Limited, and companies controlled by associates. The following is a summary of principal related party transactions carried out by the Group with the above related parties for the periods presented.

Recurring transactions

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Lease expense to a joint venture	**3,000**	1,500
Sales of goods to associates	**–**	11,307
Purchase of goods from an associate	**–**	9,229
Payments made on behalf of associates	**–**	4,726
Payments made on behalf of a joint venture	**3,887**	3,429

MANAGEMENT DISCUSSION AND ANALYSIS

The first half of 2015 saw continued global economic instability and China gradually setting itself a new growth benchmark and fine-tuning its economy from fast-paced to more moderate growth, posting difficulties to our operations. Confronted with the challenges of the macro-economy and an increasingly diversified consumption trend of customers, the Group adhered to its business strategy of "seeking sustainable profits to underpin healthy growth" as in 2014, with a view to achieving stability and development in our business, through which we safeguarded the interests of shareholders by recording sound operating results.

I. Financial Review

Revenue

As at 30 June 2015, the Group recorded revenue of RMB6,753,944,000, representing a year-on-year decrease of 6.3%. Retail sales amounted to RMB4,934,322,000, representing a year-on-year decrease of 8.9%. Revenue of segments including watch accessories manufacturing, customer services and maintenance etc. increased 39.9% year-on-year.

Decrease in the Group's total sales was mainly due to the subdued luxury market in Hong Kong. Under the impact of the general economic environment, the process of restructuring in Mainland China continued and the sales of high-end watches remained weak, exerting an overall impact on the Group's retail sales. Yet, as a whole, the sales of the Group's mid-end brands remained comparatively stable.

Sales breakdown:
(for the six months ended 30 June)

	2015		2014	
	RMB('000)	***%***	*RMB('000)*	*%*
Retail Business				
Mainland China	**3,094,219**	**45.8**	3,224,564	44.8
Hong Kong	**954,399**	**14.1**	1,406,584	19.5
Taiwan	**77,324**	**1.1**	89,176	1.2
Harvest Max	**808,380**	**12.0**	698,932	9.7
Wholesale Business	**1,576,776**	**23.4**	1,613,660	22.4
Watch accessories manufacturing, customer service and others	**242,846**	**3.6**	173,598	2.4
Total	**6,753,944**	**100**	7,206,514	100

Gross profit and gross profit margin

As at 30 June 2015, the Group's gross profit was almost the same as compared to the same period last year amounted to approximately RMB2,060,792,000. Gross profit margin was approximately 30.5%, representing a year-on-year increase of 190 bps. If excluding the contribution from Harvest Max, the gross profit margin of the Group's retail business remained basically flat. Despite the subdued market environment, the Company still managed to maintain relatively stable discount offering.

Profit for the period

During the period under review, the Group's net profit amounted to RMB283,689,000, representing a year-on-year decrease of 11.4%. Profit attributable to equity shareholders amounted to RMB255,150,000, representing a year-on-year decrease of 8.8%, which was mainly due to reasons including the drop in sales of Elegant Hong Kong, etc.

Financial status and net debt to equity ratio

The Group maintained a sound and stable financial position.

As at 30 June 2015, the Group had total equity of RMB6,751,578,000 and net current assets of RMB7,066,706,000, with cash and cash equivalents of RMB1,595,837,000 and total bank loans of RMB1,461,747,000.

As at 30 June 2015, the aggregate principal amount of the HKD settled convertible bonds due in 2015 issued by the Company on 20 October 2010 was HKD95,000,000. The aggregate principal amount of the USD settled senior notes due in 2018 (the "Senior Notes") was USD350 million. Taking into account of the net amount of such convertible bonds and the Senior Notes of USD350 million, together with bank loans, the Group's total debt amounted to RMB3,716,904,000. The net debt to equity ratio of the Group was approximately 31.4%; and taking into account of fixed deposits in banks, the effective net debt to equity ratio was 31.3%. The directors of the Company believe that such net debt to equity ratio is within a reasonable operating range.

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

Foreign exchange risk

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

The Group has been actively monitoring its foreign exchange risk.

Pledge of assets

As at 30 June 2015, the Group had land and buildings equivalent to RMB10,495,000 pledged as security for mortgage.

Contingent liabilities

As at 30 June 2015, the Group did not have any material contingent liabilities.

Current assets

During the period under review, the current assets of the Group amounted to approximately RMB9,504,547,000, comprising inventories of approximately RMB6,292,273,000, trade and other receivables of approximately RMB1,608,437,000 and cash and cash equivalents of approximately RMB1,595,837,000, and deposits with banks of approximately RMB8,000,000.

Current liabilities

During the period under review, the current liabilities of the Group amounted to approximately RMB2,437,841,000, comprising bank loans of approximately RMB849,136,000, trade and other payables of approximately RMB1,418,522,000, and current tax payable of approximately RMB44,156,000.

Capital structure

The Company's capital structure is composed of issued share capital, convertible bonds, reserves and accumulated profits. As at 30 June 2015, the issued share capital of the Company was 4,782,870,959 shares, with reserve and accumulated profits of RMB6,057,059,000 in total.

Material investment, acquisition and disposal

Save as disclosed in the notes to the financial statements, there was no material acquisition or disposal of subsidiaries and associated companies, nor was there any significant investment held by the Company during the period under review.

Dividends

The Company does not recommend the payment of any interim dividend for the period ended 30 June 2015.

II. Business Review

During the period under review, the Group's business primarily focused on the retail of internationally renowned branded watches in the Greater China region with a core presence in Mainland China and Hong Kong, comprehensive related customer services, manufacturing of products in the industrial chain, distribution of internationally renowned branded watches and e-commerce, etc.

Retail Network

The Group's retail network spans across the Greater China region where retail stores mainly include "Prime Time"/"Hengdeli", "Elegant", and certain single-brand boutiques. "Prime Time"/"Hengdeli" is mainly located in Mainland China and Taiwan, selling mid-end and mid-end to high-end internationally renowned brands, while "Elegant" is mainly located in Hong Kong, selling high-end internationally renowned brands. During the period under review, after adjustment and optimization, the Group operated a total of 511 retail outlets in Mainland China, Hong Kong, Macau and Taiwan as at 30 June 2015, as detailed below:

	As at 30 June 2015			
	Mainland China	**Hong Kong and Macau**	**Taiwan**	**Total**
Prime Time/Hengdeli	381	6 (Harvest Max)	36	423
Elegant	14	5	1	20
Brand boutiques	35	15	18	68
Total	430	26	55	511

As a pacesetter in the sales of internationally renowned watch brands in the world, the Group has maintained sound business relationships with many world-renowned brand watch suppliers over the years, including SWATCH Group, LVMH Group, RICHEMONT Group, ROLEX Group and KERING Group, etc. As at 30 June 2015, the Group was engaged in the distribution of over 50 international brands from the above five major brand suppliers and other independent watchmakers, including Breguet, Bulgari, Cartier, Girard-Perregaux, IWC, Jaeger-LeCoultre, Longines, Mido, Omega, Rolex, Scatola del Tempo, TAG Heuer, Tissot, Vacheron-Constantin, Van Cleef & Arpels and Zenith, etc. During the period under review, the Group continued to step up its efforts in bringing in and aligning mid-end, mid-end to high-end and high-end brands in both Mainland China and Hong Kong to enhance its brand portfolio, paving the way for long-term business development and ongoing enhancement of overall sales performance. During the first half of 2015, the Group introduced new brands such as Bomberg.

Overall speaking, the retail market for watches in the Greater China region experienced no significant changes in the first half of 2015 when compared to that of last year. In line with the market conditions, in terms of sales of renowned watches, the Group insisted on complementary and interaction within the Greater China region including Mainland China and Hong Kong, with mid-end brands as the mainstay in its brand mix in order to meet the affordability of the general public, and second, third and fourth tier cities emerging as the main sales regions. The Group also applied strict and standardised scientific management while continuing to work on constantly improving store quality and enhancing inventory mix. During the period under review, under the backdrop of a continued negative growth in the sales of high-end watches, the sales of mid-end brands of the Group remained basically stable. However, the overall pace of the sales of the Group slowed down due to the significant changes in the high-end consumer market in Hong Kong amid the general environment.

Mainland China

The Group has developed a comprehensive and fully-fledged network of retail outlets in Mainland China, with a broad presence in key regions including Beijing, Shanghai, Zhejiang, Jiangsu, Henan, Shanxi, Hubei, Northeastern and Southwestern China where its market share has been consolidated. Meanwhile, the Group is expanding its market share in Central, Southern and Northwestern China as well as other regions to bolster its market position.

The retail outlet "Prime Time" is positioned to sell mid-end and mid-end to high-end internationally renowned branded watches in Mainland China. This marketing strategy is mainly designed to cater for the actual demand of Mainland consumers and complement the Group's high-end watch business strategy in Hong Kong. As at 30 June 2015, the Group had 430 retail outlets in Mainland China, including 381 "Prime Time" shops. The Group's "Elegant" shops, which mainly sell high-end watches, have a relatively small coverage in Mainland China. Most of the 14 "Elegant" shops are image stores which are located in first-tier developed cities such as Shanghai, Beijing, Hangzhou, Shenyang and Chengdu, with no new shop being opened during the period under review.

During the period under review, the Group's main retail strategy in Mainland China did not incur major changes compared to that of last year. The strategy focused on a core operational principle of "maintaining steady sales and revenues, and promoting inventory structure enhancement in full swing", and the retail region management structure adjustment aimed at "leanness, professionalism, and efficiency" was expedited. The Group kept pace with the market adjustment to integrate retail outlets and furthered its refined management for better performance of individual outlets; and continued to step up its efforts in streamlining outlets in the first tier market and high-end watch retail market, and reasonably adjusted its brand portfolio and enhanced its inventory structure in response to the changing market conditions in a timely manner; the Group also enhanced the sales skills of frontline staff and improved customer relationship management at outlets. As mid-end brand market surpassed high-end brand market, steering the Group toward a mid-end concentrated approach to re-position and adjust the mid-end outlets. New outlets have been set up in regions with the highest sales records such as third and fourth-tier cities, as well as emerging second and third-tier cities, to consolidate and expand its market share.

The two winged strategy on refined management and scientific integration achieved desirable results. In the first half of 2015, the sales of high-end watches remained stable, with a further increase in the market share of mainstay brands, while sales of mid-end watches remained basically stable; meanwhile, the inventory turnover ratio also markedly improved to higher than the industry average. Such stability and further increase in the Group's market share in different regions in Mainland China paved the way to sustainability in the medium and long term.

The accelerating industrialisation and urbanisation process, rapid growth of second, third and fourth-tier cities and burgeoning middle class in Mainland China have provided a favourable precondition for a sound growth momentum of the mid-end brands. The sales strategy of targeting at mid-end and mid-end to high-end internationally renowned branded watches will still be the major direction of the Group in Mainland China in the short and medium term.

Hong Kong and Macau

The Group's retail business in Hong Kong mainly focuses on high-end brands, including Blancpain, Breguet, Cartier, Chopard, Dewitt, Franck Muller, Girard-Perregaux, IWC, Jaeger-LeCoultre, Omega, Panerai, Piaget, Vacheron-Constantin and Zenith as well as independent watchmakers namely Scatola del Tempo, Christophe Claret and Heuge, etc. During the period under review, certain new brands such as Bomberg were introduced. The sales of such high-end brands fully complemented our retail business in Mainland China and Taiwan, thus creating tremendous synergy. To adapt to the change in the mix and consumption patterns of visitors in recent years, the Group also started to deploy multi-layer brand positioning in Hong Kong, introducing certain mid-end brands in order to expand market share and maintain its leading position in Hong Kong.

As at 30 June 2015, Elegant Hong Kong operated a total of 20 retail outlets in Hong Kong under the name of “Elegant”, of which 5 were multi-brand “Elegant” shops and the rest were single-brand boutiques or image stores. Currently, the shops operated by the Group in Hong Kong are mainly located in prime commercial districts such as Tsim Sha Tsui, Central, Causeway Bay and Shatin.

Amidst the macro economic constraints, Hong Kong’s retail sector was still lacklustre in the first half of the year, as witnessed by continued weakness of consumer demand for high-end brands. According to the Census and Statistics Department of Hong Kong, the Hong Kong retail value index for jewellery, timepieces and precious gifts continued to register a double-digit decline year-on-year in the first half of the year. Under the not-too favourable overall conditions, sales of Elegant Hong Kong decreased year-on-year in line with the market during the period under review. In addition, as operation costs such as rental expenses had not followed the market with significant changes, profit also decreased. However, sales of Elegant Hong Kong was still promising with the Group’s extensive, solid and loyal client base in Hong Kong, the interaction between retail outlets in Mainland China and Hong Kong, the favourable partnership with brand suppliers, as well as the comprehensive after-sale service network across the Greater China region, which helped ensure after-sale warranty for Mainland tourists shopping in Hong Kong.

Elegant Hong Kong focused on refined management during the period under review, including merging of single-brand boutiques for lowering cost while strengthening the training of staff at different levels and enhancing the knowledge in watches and the service standards of the sales front. Efforts were also taken to upgrade the management model and build up a talent pool to foster a world-class professional sales force for expanding market share.

Meanwhile, Elegant Hong Kong continued to strengthen its marketing campaigns. Resources were committed to collaborate more closely with a broadened portfolio of international brands in advertising, VIP events and other promotional activities. Social networking platforms such as Facebook, Weibo and WeChat were employed to establish and maintain sound interaction with consumers, aiming to enhance their awareness of and loyalty for Elegant Hong Kong and hence uplift the international visibility of “Elegant” brand.

In light of the continued adjustment of the high-end consumer goods industry in Hong Kong, we anticipate that rental costs may start to decline in the second half of the year. Capitalising on its strengths, Elegant Hong Kong will follow the pace of the market, ride on the opportunities to capture more market share and improve profitability against market adversity.

During the period under review, the position of the overall sales and operations of the Group in Macau is the same as that in Hong Kong. We will constantly adjust our distribution and brand structure by following the market. As the economic conditions of Macau continued to change and its economic status improved, it is certain that synergy between the Group’s businesses in Hong Kong and Macau will be achieved, further consolidating the Group’s leading position in the region.

Taiwan

The Group's retail business in Taiwan is currently in the process of network building and nurturing. Clinging to a similar sales strategy as in Mainland China, the Group focuses on the sales of mid-end and mid-end to high-end watches in Taiwan. The Group operated a total of 55 retail outlets in Taiwan as at 30 June 2015, mainly located in prime districts including Taipei, Taichung, Kaohsiung, Hsinchu and Chiayi. Except for one "Elegant" shop which sells top-end watches and certain single-brand boutiques, all other retail outlets are "Hengdeli" shops which sell mid-end and mid-end to high-end watch brands like Certina, Hamilton, Longines, Rado, TAG Heuer and Tissot, etc.

During the period under review, the sales in Taiwan decreased slightly along with the trend. Currently, the target consumers in Taiwan are mainly local customers. However, as the cross-strait business relations and the economic ties among Mainland China, Taiwan and Hong Kong become closer, it is expected that an increasing number of Mainland tourists will travel to Taiwan, creating new opportunities for Taiwan's retail industry.

E-commerce

The establishment and development of the e-commerce O2O platform marks a strategic direction for the growth of the Group. In addition to its positioning as a trading portal for internationally renowned branded watches, the e-commerce platform is expected to be built into an information channel connecting customers and a carrier for communications of the culture of watches. It is designed to effectively combine the quick access to information of internationally renowned branded watches and the privileged shopping experience for customers, while instilling the culture of internationally renowned branded watches into their daily life. Such unity is believed to deliver flawless interaction between the Group's online and offline sales to ensure mutual benefit.

During the period under review, the existing single-brand boutiques of the Group recorded good performance in terms of page viewing rate and transaction volume. Meanwhile, with our deliberate preparation and continuous innovative enhancements, commissioning of the O2O interactive e-commerce platform 盛时.com (www.censh.com) is essentially completed and the platform would soon be put online. Following the official commencement of operation, the platform is expected to achieve the goals of the Group in respect of the integrated interactive business nature featuring online-to-offline sales, online customer service, 3D experience, and comprehensive review, etc. The Group expected the active promotion of such platforms and the effective use of social platforms including Weibo and WeChat should eventually make a positive contribution to the long-term development of the Group.

Customer service and maintenance

"Cutting-edge technology, joint warranty network, efficient management, and considerate services" have always been the aspirations of the customer services of the Group. As the top-notch leading retail group for internationally renowned watch brands, the customer service network of the Group has been integrated and comprehensive. Coupled with the continuing training provided by brand suppliers to the Group's technical personnel, the human resources policy of recruiting talents worldwide has ensured the Group to stay at the cutting edge of maintenance expertise. The warranty covering the Greater China region including Mainland China, Hong Kong, Macau and Taiwan, as well as the interactive customer service network consisting of "repair and maintenance service centres", "repair service stations" and "repair service points", ensure the delivery of all-round and one-stop services to customers. The service hotline 4008 acts as the Group's centralised service channel for the general public, offering timely advice and providing customers with assurance and confidence.

High-calibre maintenance technicians have been the foundation of the Group's customer services. During the period under review, the Group dispatched selected maintenance technicians to attend overseas training courses for a number of times, and maintained good partnerships with brand suppliers in Switzerland and watch maintenance technical schools in foreign countries like Sweden and Japan, so as to secure consistent supply of high-calibre maintenance technicians. Also, with the increasing number of shops in second and third tier cities, the scale of maintenance technical training courses was also expanded, with overseas senior technicians in charge of course planning and teaching, so as to provide strict training for the front-line maintenance technicians in a timely and phased manner. As a result, the Group's high level customer services on par with the international standards are guaranteed.

Both for brand suppliers and consumers, more emphasis is being put on the integration of the global services of internationally renowned watch brands. As the linking bridge between brand suppliers and consumers, the Group has continued to win their confidence with comprehensive service coverage. Capitalising on its sound services and expertise, the Group continues to broaden and deepen the cooperation with these brands. During the period under review, the Group entered into watch maintenance agent agreements with Blita, LOCMAN and Million Horn, etc. To date, the Group has become the maintenance agent for 72 international brands such as brands from SWATCH Group and LVMH Group, of which the Group is the exclusive maintenance agent for 42 brands. During the period under review, the Group added the CK brand in the comprehensive customer services arrangements with brands like Tissot, Mido, Certina etc. from the SWATCH Group.

During the period under review, the initial stage of the integration of customer services of the Group was just completed, and it has improved the working system of the Customer Services Department in various aspects such as organisational structure, talent pool, and the construction of information systems; and during the same period, the regional expansion of our service network has been faster and more efficient. The Group has achieved initial success as to the vision to maintain both service quality and profitability. During the period under review, while guaranteeing brands and consumers quality services, the maintenance revenue of the Group grew by 7.7%, showing its growth momentum.

The Construction of the Watch Industrial Chain

Following the integration spanning for about two years, the Group has formulated the new business mode which creates a seamless synergy between watchcase manufacturing, packaging products, display production, interior design and decoration and its own brand along with the watch industrial chain. Each of these areas also establishes a brand effect based on the core competitiveness of product quality and service quality.

In the first half of the year, the Group had significant improvements in the scientific management of the construction of the watch industrial chain, in particular the all-roundness of the industrial chain and the development of quality control. Every company of the Group implemented and updated the worldwide state-of-the-art ISO management systems. The Group has also begun implementing the information management systems for the whole industrial chain. To date, two companies have finished investigation and research, geared up for going online.

On the basis of strict management and effective development, the watch industrial chain demonstrated a substantial boost in its production capacity, representing a year-on-year increase of 52.5% and manifesting the Group's powerful development.

Brand Distribution

In the brand distribution business, the Group has always sought cooperation with brand suppliers and retailers by adopting the most market-oriented approach, leveraging each other's strengths to strive for a coordinated division of labour in the integration of sale and supply. During the period under review, the Group worked closely with brand suppliers to respond to the changing market by actively adjusting brand distribution strategies and streamlining and improving inventory mix for a healthy and sustainable development of the brands in Mainland China. At the same time, based on joint market research, a number of incentive policies more closely aligned with market needs and sales plans tailor-made based on regional characteristics were developed, to provide retailers with more comprehensive and thoughtful services to stimulate their enthusiasm in the retail end.

The Group has maintained strong partnerships with brand suppliers as well as numerous retailers. Backed by their extensive and tremendous support, the Group has achieved harmonious and mutually beneficial development.

The Group has about 400 wholesale customers in over one hundred cities across China, distributing and exclusively distributing world-famous watch brands including Hamilton, Certina, Balmain, Tissot, Mido, and CK of Swatch Group, and Bulgari of LVMH Group.

III. Social Responsibility and Human Resources

As the cornerstone of its corporate management and social responsibility, the Group has always been advocating the entrepreneurship spirit of "mutual respect, shouldering responsibility, close collaboration and ongoing innovations" under the people-oriented core value.

As at 30 June 2015, the Group had a total of 9,306 employees in Mainland China, Hong Kong and Taiwan. The Group is always committed to developing and adding value to human resources. The Group implements a standard recruitment system and allocates resources to training of various kinds for managerial staff, front-line service staff and maintenance technicians, which covers, among others, the art of management, sales skills, brand knowledge and service awareness, with an aim to enhance the knowledge, marketing skills and service capability of our staff. The Group also works with our brand suppliers to provide front-line service staff and maintenance technicians with regular training in brand knowledge and maintenance expertise.

The Group offers a competitive remuneration package and various incentives to all employees, and regularly reviews the structure of relevant mechanisms to cope with corporate development needs. Options are granted to the general management staff and associates of the Company in recognition of their contributions to the Group and as an incentive for their greater future commitment. The Group also offers other benefits to its employees, including pension plans, MPF plans, insurance schemes, housing and meal allowances.

Under a solid human resources assurance system, the Group boasts a number of senior salespeople and senior repair technicians, and certain staff members were awarded the "Capital Labour Medal", Principal Technician of the City and the "May 1st Labour Medal".

The Group actively implements the concept of a "paperless" office by using an online OA system to improve its administrative functions. Environmental protection is one of the top priorities for the Group's sustainable development. During the period under review, subsidiaries of the Group's industrial segment were in strict compliance with national regulations. Reports on pollutants were submitted to environmental authorities regularly as required. All pollutant emissions including sewage and gas passed the annual inspection and met national standards.

As the largest internationally renowned branded watch retailer group in the world, the Group has maintained sound business relationships with many world-renowned watch brand suppliers over the years, including SWATCH Group, LVMH Group, RICHEMONT Group, ROLEX Group and KERING Group. During the period under review, the Group was engaged in the distribution of over 50 internationally renowned brands from the above five major brand suppliers and other independent watchmakers. Subsidiaries of the Group's industrial segment carried out strict quality control processes on products to align with national quality standards, fully safeguarding the interests of clients and consumers.

As a pacesetter in the timepiece industry, apart from its efforts in achieving business results and creating brand value, the Group spares no effort in making a presence in public welfare activities. The Group has conscientiously made contributions to education, healthcare, sports and other welfare undertakings through its donations to The Community Chest of Hong Kong, Po Leung Kuk of Hong Kong, Hong Kong Red Cross, Huangpu District Government of Shanghai and Xinhua Compassion Education Foundation in China.

IV. Outlook

In the second half of the year, the recovery of the global economy will remain arduous, and China's domestic economy will continue to face greater pressure in its downtrend. However, the "dual objectives" of the Chinese government in maintaining a moderate economic growth and moving towards the higher end of the continuum, as well as the implementation of a series of important initiatives for maintaining steady growth, while promoting reform, adjusting structure and benefitting people's livelihood will in the end achieve an overall stable development in the economy of China, and provide the enterprise with a broader platform for its development. Amid both challenges and opportunities, we have the confidence and ability to cope with various risks and challenges to maintain the sustainable and sound development of the business of the Group by leveraging its core competencies as its business model of a watch industrial chain, which has already proven its momentum for development, continues to grow and mature. We remain cautiously optimistic about the future prospects of the Group.

The Group will continue its operating strategy of "stabilisation + expansion" as in the first half of the year. With respect to "stabilisation", the Group's mid-end brands will continue to serve as mainstay brands, while the Group will also continue to spend efforts in expanding the sales network of stores in the second, third and fourth tier cities with the most lucrative potential, further refining our management and enhancing our inventory mix, in order to achieve stable and sustainable growth. Meanwhile, with respect to "expansion", the Group will further leverage the competitive advantages to drive the pace of development in the manufacturing of accessories for the watch industrial chain, customer services and e-commerce in full steam. Our prudent yet innovative operations will create greater value for both our shareholders and society at large.

DIVIDEND DISTRIBUTION

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2015.

SHARE OPTION SCHEME

In 27 August 2005, in order to provide incentives or rewards for their contributions to the Group, a share option scheme ("old share option scheme") was adopted by the Company to grant option to some selected participants including but not limited to directors and employees of the Group.

Details of the options granted by the Company under the old share option scheme are as follows:

Options granted in 2011

Name of grantee	Date of grant	Exercise period	Exercise price *(HKD)*	Closing price of the shares immediately before the date of grant *(HKD)*	Number of options as at 1 January 2015	Number of options exercised during the period	Number of options cancelled during the period	Number of options lapsed in accordance with the terms of the options or the share option scheme during the period	Number of options outstanding as at 30 June 2015	Percentage of the number of options to the total share capital of the Company
Directors	–	–	–	–	–	–	–	–	–	–
Other eligible participants	30 September 2011	30 September 2014 to 29 September 2016	2.66	2.71	385,000	–	–	–	385,000	0.008%
Total					385,000	–	–	–	385,000	0.008%

The old share option scheme was terminated upon the passing of the relevant resolution at the 2015 Annual General Meeting. No further shares are available for issue under the old share option scheme as at 30 June 2015.

A new share option scheme was adopted in place of the old share option scheme to grant option to selected participants including but not limited to directors and employees of the Group in order to provide incentives or rewards for their contributions to the Group. The new share option scheme will be valid for a period of ten years commencing on 19 May 2015. The total number of shares available for issue under the new share option scheme as at 30 June 2015 is 478,437,095, representing 10% of the issued shares on the same date.

Under both the old share option scheme and the new share option scheme, subject to the discretion of the directors, there is no minimum period for which an option must be held before it can be exercised. Each option has a validity of maximum 10 years after which the option shall lapse. The total number of shares issued and to be issued upon exercise of the options granted to the eligible participants in any 12-month period must not exceed 1% of the shares in issue. The exercise price shall not be less than the higher of: (i) the closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of offer of that option; (ii) the average of the closing prices per shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of that option; and (iii) the nominal value of the shares.

Under the new share option scheme, the grantee shall pay HKD1.00 to the Company as consideration for the grant upon acceptance of the option.

As at 30 June 2015, the issued share capital of the Company was 4,782,870,959 shares; and the number of options outstanding was 385,000.

PURCHASE, SALE OR REPURCHASE OF SECURITIES

During the period under review, the Company repurchased 16,260,000 listed shares on The Stock Exchange of Hong Kong Limited by way of acquisitions from the market. The total consideration paid was approximately HKD23,260,000. Upon completion of the settlement of such repurchase, the Company has cancelled all of the remaining repurchased shares.

As at 30 June 2015, the issued share capital of the Company was 4,782,870,959 shares. The Company held convertible bonds with a par value of HKD95,000,000, which were listed on the Singapore Exchange Securities Trading Limited on 22 October 2010.

Saved as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities as at 30 June 2015.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

The Company has always been committed to maintaining a high standard of corporate governance to ensure transparency, so that the interests of our shareholders and the cooperative development among our customers, employees and the Group can be safeguarded.

The Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Directors are of the opinion that the Company complied with the Corporate Governance Code during the period under review, except for a deviation from the provision A.2.1. Given the existing corporate structure, the roles of the chairman and chief executive officer have not been separated, and both are performed by Mr. Zhang Yuping. Although the roles and duties of the chairman and chief executive officer have been performed by the same individual, all major decisions would only be made (where applicable) after consultation with the Board. There are three independent non-executive directors in the Board in compliance with the requirements of rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. All of them possess adequate independence and therefore the Board considers that the Company has achieved balance of power and provided sufficient assurance for scientific decision-making.

Audit Committee

The Company has established an audit committee in compliance with rule 3.21 of the Listing Rules. The audit committee of the Company comprises three independent non-executive Directors, with the primary duties of reviewing the accounting principles and practices adopted by the Company as well as material extraordinary items, and discussing about auditing internal controls and financial reporting matters, including reviewing the unaudited interim report for the period ended 30 June 2015.

Compliance with the Model Code for Securities Transactions by Directors

For the six months ended 30 June 2015, the Company has adopted a code for securities transactions by directors on terms no less exacting than the standard required by the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. All Directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard for securities transactions by Directors set out in the above code.

DISCLOSURE OF INFORMATION ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

An interim report for the six months ended 30 June 2015 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange and the website of the Company in due course.

ACKNOWLEDGEMENT

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

GENERAL INFORMATION

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

By Order of the Board
Zhang Yuping
Chairman

Hong Kong, 25 August 2015