



益華百貨控股有限公司

Yi Hua Department Store Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2213



Annual Report  
2013

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Chen Jianren  
Mr. Fan Xinpei  
Mr. Su Weibing  
Mr. Lin Guangzheng

### Non-executive Directors

Mr. Chen Daren  
Mr. Lu Hanxing

### Independent non-executive Directors

Mr. Sun Hong  
Mr. Xu Yinzhou  
Mr. Leung Wai Kwan

## REGISTERED OFFICE

Clifton House  
75 Fort Street  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2205A, 22nd Floor  
Nine Queen's Road Central  
Hong Kong

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Yihua Century Square  
Zhongshan 3rd Road  
Zhongshan City, Guangdong Province  
the PRC

## COMPANY SECRETARY

Mr. Tse Wing York, CPA

## AUTHORISED REPRESENTATIVES

Mr. Fan Xinpei  
Mr. Tse Wing York, CPA

## AUDIT COMMITTEE

Mr. Sun Hong  
Mr. Xu Yinzhou  
Mr. Leung Wai Kwan (*Chairman*)

## REMUNERATION COMMITTEE

Mr. Fan Xinpei  
Mr. Sun Hong  
Mr. Xu Yinzhou (*Chairman*)  
Mr. Leung Wai Kwan

## NOMINATION COMMITTEE

Mr. Chen Jianren (*Chairman*)  
Mr. Sun Hong  
Mr. Xu Yinzhou  
Mr. Leung Wai Kwan

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd.  
Clifton House  
75 Fort Street  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL BANKS

Industrial and Commercial Bank of China  
Ping An Bank  
Postal Savings Bank of China  
China Guangfa Bank  
Bank of Communications  
Agricultural Bank of China

## AUDITORS

PricewaterhouseCoopers

## INTERNAL CONTROL ADVISER

Baker Tilly Hong Kong Business Services Limited

## COMPLIANCE ADVISER

Kingsway Capital Limited

## LEGAL ADVISERS TO THE COMPANY

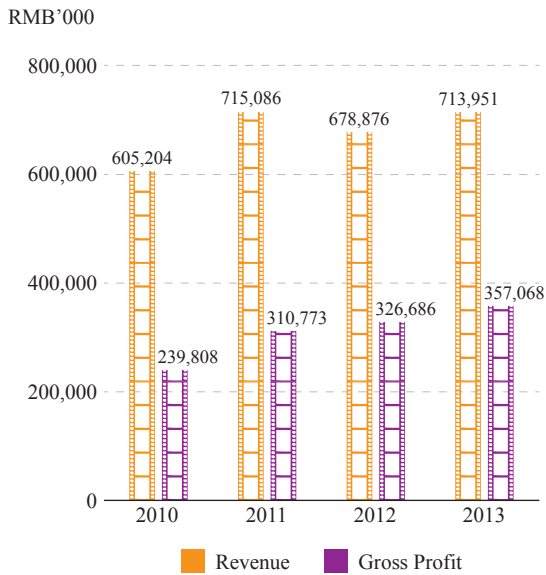
*As to Hong Kong law*  
Peter C. Wong, Chow & Chow  
*As to the PRC law*  
JunZeJun Law Offices

## STOCK CODE

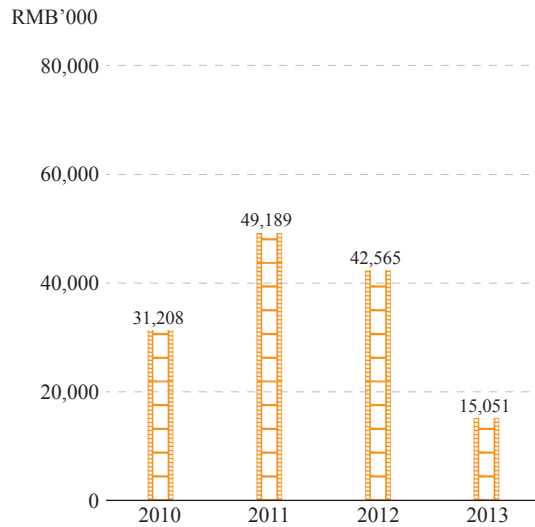
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# FINANCIAL HIGHLIGHTS AND SUMMARY

## TOTAL COMPREHENSIVE INCOME FOR THE YEAR

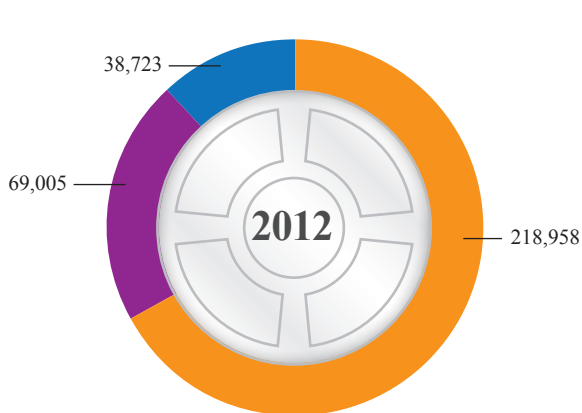


## PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

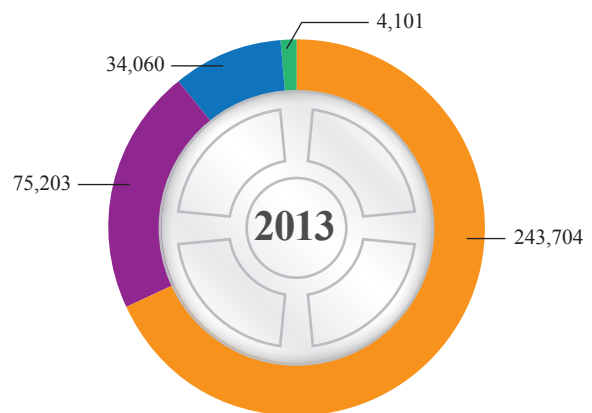


## SEGMENT RESULT – GROSS PROFIT

RMB'000



- Department Store
- Supermarket
- Electrical Appliances



- Department Store
- Supermarket
- Electrical Appliances
- Furniture

## FINANCIAL HIGHLIGHTS AND SUMMARY

	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Operating results</b>				
Revenue	605,204	715,086	678,876	<b>713,951</b>
Operating profit	45,665	68,300	58,686	<b>27,104</b>
Profit for the year from continuing operations	32,478	50,346	42,519	<b>14,663</b>
Profit for the year	30,530	49,167	43,643	<b>16,667</b>
Total comprehensive income attributable to the equity holders of the Company	31,208	49,189	42,565	<b>15,051</b>
Total comprehensive income attributable to the equity holders of the Company from continuing operations	32,159	49,767	42,014	<b>14,069</b>
Earnings per share attributable to the equity holders of the Company (note 1)	0.1156	0.1822	0.1576	<b>0.0548</b>
Earnings per share attributable to the equity holders of the Company from continuing operations (note 1)	0.1191	0.1843	0.1556	<b>0.0512</b>
<b>Consolidated balance sheet summary</b>				
Non-current assets	122,141	121,332	140,141	<b>234,478</b>
Current assets	374,024	487,921	514,666	<b>458,702</b>
Total assets	496,165	609,253	654,807	<b>693,180</b>
Non-current liabilities	4,771	25,208	9,543	<b>11,677</b>
Current liabilities	495,515	538,999	556,575	<b>548,478</b>
Total liabilities	500,286	564,207	566,118	<b>560,155</b>
Net assets	(4,121)	45,046	88,689	<b>133,025</b>
Equity attributable to equity holders of the Company	63	49,252	91,817	<b>132,304</b>
Non-controlling interest	(4,184)	(4,206)	(3,128)	<b>721</b>
Total equity	(4,121)	45,046	88,689	<b>133,025</b>

## FINANCIAL HIGHLIGHTS AND SUMMARY

Note 1: Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

The weighted average number of ordinary shares in issue during the year ended 31 December 2013 used in the basic earnings per share calculation is determined on the assumption that an aggregate 270,000,000 shares with par value of HK\$0.01 each issued upon the reorganisation and the capitalisation issue had been in issue prior to the incorporation of the Company, which is the same assumption for the basic earnings per share calculation for the three years ended 31 December 2010, 2011 and 2012.

## CHAIRMAN'S STATEMENT



The year 2013 is a very important and meaningful year for Yi Hua Department Store Holdings Limited (the “**Company**”) and its subsidiaries, together, (the “**Group**”). The successful listing of the Company in December 2013 on the Main Board of the Stock Exchange of Hong Kong Limited (the “**HKEX**” or “**Stock Exchange**”) set a new milestone for the Group. In view of supportive government policies and rising economic growth in the second and third tier cities in the PRC despite slowing growth in the PRC overall, the Group opened five new stores with an aggregate gross floor area of over 100,000 square metres during the year 2013. Among the five new stores, the Group had successfully established the first store out of Guangdong Province, the PRC, at Tai’an City, Shandong Province, the PRC.

### INDUSTRY REVIEW

For the year 2013, the growth of departmental stores was constrained by unclear global economic outlook and the decelerating economy in the PRC. Furthermore, there continues to be intense competition in the industry not only between small domestic stores and larger and possibly international operators of supermarkets, hypermarkets and department stores but also online retailers.

# CHAIRMAN'S STATEMENT



## BUSINESS REVIEW

### Overview

Amid the intense market competition during the year 2013, our Group had been exploring our internal potentials, adjusting merchandise mix, and launching various promotional and cultural activities, with an aim to promote a better shopping environment, thereby increase the consumption of our customer and achieve our sales target. Our Group had also taken the initiative to provide a cozy ambience that pampers customers so as to provide a pleasant shopping experience for our customers. For the year ended 31 December 2013, our Group reported a revenue of approximately RMB714.0 million, representing an increase of approximately 5.2%.



## CHAIRMAN'S STATEMENT



### Operation review

Focusing on our expansion in the second and third tier cities in the PRC and creating a one-stop shopping experience are the main strategies for the business expansion of our Group, so as to secure an increase in revenue. Our new stores, namely Taiyangcheng store, Yangchun store, Yangjiang store, Yingde store, Tai'an store as well as Yihua Shijia, the newly-established furniture section, underwent a series of promotional campaigns in the forms of rebate, free gifts and lucky draw, cultural events, media advertisement, adjustment in merchandise mix, in order to broaden our potential customer base, create "Yihua Department Store" brand awareness and increase pedestrian flow to these new stores. For creating a one-stop shopping experience, we had also organised various new product launchings, wedding photo fairs, ceramic exhibitions and children artwork exhibitions at our stores.



### VIP customers

Our Group continued our efforts in analysing the records relating to our VIP cardholders, particularly on the spending habits and requirements of our VIP customers. In order to enhance customer loyalty and broaden our VIP customer base, we had been improving our customer service quality, providing different privileges including discounts on merchandise purchases, certain free services

and free holiday tours. Our VIP cardholders are a solid customer base for our Group and gross sale proceeds from them accounted for approximately 35.7% of gross sales proceeds of our Group for the year 31 December 2013.

## CHAIRMAN'S STATEMENT

### OUTLOOK AND PROSPECTS

Going forward, the directors of the Company (the “**Directors**” and each a “**Director**”) believe that the overall retailing market of the PRC remains stable. Couple with the growing population and urbanisation in the second and third tier cities in the PRC, the retailing market in these cities are expected to continue to grow. In the year 2014, we will open two new stores in Zhenjiang, Jiangsu Province, the PRC and Enping, Guangdong Province, the PRC respectively. With the growing number of our stores, our bargaining power with our direct suppliers and concessionaires has been rising and our “Yihua Department Store” brand recognition has been stronger. Hence, we will optimise the use of resource to explore new source of income. The Directors are confident about the prospect of our Group and remain optimistic on our future performance.



Despite the overall economic outlook in the PRC remain uncertain, we will continue our effort in expanding our business in the second and third tier cities in the PRC where the economic outlook remains positive. We will monitor the market closely and may acquire our own property to ease the pressure of rising cost of rental in the long run. As mentioned in the announcement of the Company dated

24 January 2014, the Company has entered into a framework agreement with an independent third party to acquire a site located in Enping, Guangdong Province, the PRC at a consideration lower than the prevailing market rate.

## CHAIRMAN'S STATEMENT

Besides, we will continue our effort in upgrading our information and technology systems, among others, launching O2O business to further expand our sales. We also intend to attract more VIP members at the surrounding community of our stores, so as to generate higher sales for our Group and maximise return for our shareholders.

### APPRECIATION

On behalf of the board of Directors (the “**Board**”), I hereby extend my gratitude to all of our staff for their continued diligence and dedication to the Company’s sales growth and ongoing innovations. We would like to thank our shareholders and business associates for their generous support and contribution which enabled the Company to open new stores and upgrade and restructure its business operations in an efficient manner. I am confident that our commitment to work together will definitely build a bright and promising future for the Group.



**Chen Jianren**

*Chairman*

28 March 2014

# MANAGEMENT DISCUSSION AND ANALYSIS



## FINANCIAL REVIEW

### RESULTS OF OPERATION

#### Revenue

For the year ended 31 December 2013, the Group recorded a revenue of approximately RMB714.0 million, representing an increase of approximately 5.2% or approximately RMB35.1 million year on year.

The following table sets forth a breakdown of the Group's revenue for the two years ended 31 December 2013.

	Year ended 31 December									
	2013					2012				
	Department store segment	Supermarket segment	Electrical appliances segment	Furniture segment	Total	Department store segment	Supermarket segment	Electrical appliances segment	Furniture segment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Direct sales of goods	9,281	274,436	141,498	217	425,432	6,204	266,186	146,943	-	419,333
Commission income from concessionaire sales	199,214	11,428	12,438	-	223,080	181,441	15,569	11,845	-	208,855
Management fee and service income from operations	36,589	5,129	6,334	1,389	49,441	28,397	6,031	4,479	-	38,907
Rental income	6,176	5,001	2,172	2,649	15,998	7,725	2,564	1,492	-	11,781
	251,260	295,994	162,442	4,255	713,951	223,767	290,350	164,759	-	678,876

#### Direct sales of goods

For the year ended 31 December 2013, our revenue from direct sales was approximately RMB425.4 million, representing a slight increase of approximately RMB6.1 million or approximately 1.5%, from approximately RMB419.3 million for the year ended 31 December 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2013, the revenue from direct sales in department store segment and supermarket segment increased by approximately 49.6% and approximately 3.1%, respectively; while the revenue from electrical appliances segment decreased by approximately 3.7%, year on year.

The increase in revenue from direct sales of department store segment was mainly attributable to (i) the increase in sales of gold products due to the decrease in gold prices; and (ii) the increase in sales of cosmetics products upon the introduction of a famous brand of cosmetic products in our main store.

The increase in revenue from direct sales of supermarket segment was mainly attributable to the contribution from the new stores opened during the year ended 31 December 2013. Such increase was partially off-set by a slight decrease in revenue derived from the mature stores which was caused by the intense market competition.



The decrease in revenue from direct sales of electrical appliances segment was mainly attributable to competition from online retailers offering cheaper products, which in turn had taken over some of the market share from traditional retailers.

### Commission income from concessionaire sales

For the year ended 31 December 2013, our revenue from concessionaire sales was approximately RMB223.1 million, representing an increase of approximately RMB14.2 million, or approximately 6.8%, from approximately RMB208.9 million for the year ended 31 December 2012.

The increase was mainly due to (i) the contribution of approximately RMB9.4 million from the new stores opened during the year ended 31 December 2013; and (ii) the continuous promotional activities held in our mature stores.

### Management fee and service income from operations

For the year ended 31 December 2013, the management fee and service income from operations were approximately RMB49.4 million, representing an increase of approximately RMB10.5 million, or approximately 27.0%, from approximately RMB38.9 million for the year ended 31 December 2012. The increase was attributable to (i) the contribution of approximately RMB8.3 million from our new stores opened during the year ended 31 December 2013; (ii) the contribution of approximately RMB2.2 million arising from the mature stores. Such increase in contribution from the mature stores was mainly due to the higher management and service fee charged to those concessionaires with a relatively poor sales performance. The Group reviewed the performance

## MANAGEMENT DISCUSSION AND ANALYSIS

of the concessionaries on a regular basis. If the performance of concessionaires does not meet the sales target, the Group would revise the fee structure on terms more favourable to the Group during the renewal of contracts.

### **Rental income**

For the year ended 31 December 2013, our revenue from rental income was approximately RMB16.0 million, representing an increase of approximately RMB4.2 million, or approximately 35.6%, from approximately RMB11.8 million for the year ended 31 December 2012. The increase was mainly due to (i) contribution from the furniture segment which was a new segment commenced operation during the year ended 31 December 2013; (ii) the increase in area for fixed-term rental tenants in the supermarket segment; and (iii) the change of some of our concessionaires and direct suppliers in electrical appliances segment to fixed-term rental shop tenants. As a result, the Group recorded a higher fixed rental income for the year ended 31 December 2013.

### **Gross profit and gross profit margin**

For the year ended 31 December 2013, our total gross profit were approximately RMB357.1 million, an increase of approximately RMB30.4 million, or approximately 9.3%, from approximately RMB326.7 million for the year ended 31 December 2012. The gross profit margin for the years ended 31 December 2013 and 2012 was approximately 50.0% and approximately 48.1%, respectively, represented an increase of approximately 1.9%.

### **Other income**

For the year ended 31 December 2013, our other income was approximately RMB3.5 million, an increase of approximately RMB2.7 million, from approximately RMB0.8 million for the year ended 31 December 2012. The increase was due to an one-off government grant.

### **Purchases of and changes in inventories**

For the year ended 31 December 2013, the purchases of and changes in inventories was approximately RMB356.9 million, representing an increase of approximately RMB4.7 million, or approximately 1.3%, from approximately RMB352.2 million for the year ended 31 December 2012. The increase in our purchases of and changes in inventories was in line with the increase in our revenue from direct sales of goods as compared with the previous year.

### **Employee benefit expenses**

For the year ended 31 December 2013, our employee benefit expenses were approximately RMB92.8 million, representing an increase of approximately RMB16.9 million, or approximately 22.3%, from approximately RMB75.9 million for the year ended 31 December 2012. This increase was mainly due to the increase in the number of employees due to the commencement of operations for our new stores. As at 31 December 2013, we have approximately 2,176 employees, as compared to approximately 1,856 employees as at 31 December 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Depreciation and amortisation**

For the year ended 31 December 2013, our depreciation and amortisation expenses were approximately RMB20.4 million, representing an increase of approximately RMB3.1 million, or approximately 17.9%, from approximately RMB17.3 million for the year ended 31 December 2012. This increase was primarily attributable to the addition of depreciation and amortisation expenses arising from our new stores.

### **Operating lease rental expenses and property management fee**

For the year ended 31 December 2013, our operating lease rental expenses and property management fee was approximately RMB97.0 million, representing an increase of approximately RMB24.6 million, or approximately 34.0%, from approximately RMB72.4 million for the year ended 31 December 2012.

This increase was primarily due to (i) the increase in rental expenses and property management fee attributable to our Zhongshan store and also the organic growth of our mature stores; and (ii) the commencement of our new stores during the year ended 31 December 2013.

### **Other operating expenses**

For the year ended 31 December 2013, the other operating expenses were approximately RMB123.1 million, representing an increase of approximately RMB19.3 million, or approximately 18.6%, from approximately RMB103.8 million for the year ended 31 December 2012. This increase was primarily attributable to (i) the increase in professional service expenses of approximately RMB10.0 million in relation to the Placing and Public Offer; (ii) the increase in utilities expenses of approximately RMB3.6 million which was mainly related to our new stores opened during the year ended 31 December 2013; (iii) the increase in advertising and promotional expenses of approximately RMB2.7 million; and (iv) the increase in consumables of approximately RMB1.5 million, which was mainly related to our new stores opened during the year ended 31 December 2013.

### **Finance income – net**

For the year ended 31 December 2013, our net finance income was approximately RMB0.5 million, representing a decrease of approximately RMB0.4 million, or approximately 44.4%, from approximately RMB0.9 million for the year ended 31 December 2012. The decrease was mainly attributable to the decrease in bank interest income as a result of a lower average bank balance position during the year ended 31 December 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Profit before income tax**

For the year ended 31 December 2013, the profit before income tax for the year was approximately RMB27.6 million, representing a decrease of approximately RMB31.9 million, or approximately 53.6%, from approximately RMB59.5 million for the year ended 31 December 2012. This decrease was primarily due to the following reasons:

(i) *Losses and one-off start-up expenses of our new stores*

During the year ended 31 December 2013, our new stores recorded losses of approximately RMB24.9 million, which included one-off start-up expenses (mainly consists of advertisement and promotion expenses, and consumables) incurred prior to the commencement of business of our new stores. Such expenses are expected to be significantly reduced in light of less new stores to be opened in 2014.

(ii) *Listing expenses in relation to the Placing and Public Offer during the year ended 31 December 2013*

The Company was listed on Main Board of the HKEX on 11 December 2013. The listing expenses charged to the consolidated statement of comprehensive income for the year ended 31 December 2013 was approximately RMB11.0 million. As the listing expenses are non-recurring item, no such expenses will be incurred in the coming years.

(iii) *An increase of operating lease rental expense and property management fee for the mature stores*

For the year ended 31 December 2013, the operating lease rental expense and property management fee for the mature stores amounted to approximately RMB87.2 million, representing an increase of approximately RMB14.8 million or approximately 20.4% year to year.

### **Income tax expense**

The income tax expense was approximately RMB12.9 million for the year ended 31 December 2013, representing a decrease of approximately RMB4.1 million, or approximately 24.1%, from approximately RMB17.0 million for the year ended 31 December 2012. Our effective income tax rate was approximately 46.7% for the year ended 31 December 2013 and approximately 28.6% for the year ended 31 December 2012. Our effective income tax rate was higher than that of the previous year mainly due to the tax losses for which no deferred income tax asset was recognised for the year ended 31 December 2013, which was primarily attributable to our new stores.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Profit from discontinued operations

For the year ended 31 December 2013, the profit from discontinued operation was approximately RMB2.0 million, representing an increase of approximately RMB0.9 million, or approximately 81.8%, from approximately RMB1.1 million for the year ended 31 December 2012. The change was mainly due to the improved operating results of Shaoguan Central Management Limited (韶關市中環廣場管理有限公司) during the year ended 31 December 2013.

### Net profit for the year

Due to the aforesaid reasons, the net profit for the year declined by approximately RMB26.9 million or approximately 61.7% from approximately RMB43.6 million for the year ended 31 December 2012 to approximately RMB16.7 million for the year ended 31 December 2013.

### LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly rely on two sources of liquidity, which are (i) cash flow generated from its operating activities as a primary source of liquidity and; (ii) standby general banking facilities.

The Group's cash and cash equivalents and the near cash instruments (including restricted cash) stood at approximately RMB253.5 million and approximately RMB201.5 million as at 31 December 2013 and 2012, respectively. The Group has no outstanding bank loan as at 31 December 2013.

As at 31 December 2013 and 2012, total current assets of the Group amounted to approximately RMB458.7 million and approximately RMB514.7 million, respectively, whereas total current liabilities amounted to approximately RMB548.5 million and approximately RMB556.6 million, respectively, which resulted in a net current liabilities position of approximately RMB89.8 million and approximately RMB41.9 million, respectively as at 31 December 2013 and 2012. The reason for the increase in net current liabilities was mainly because the group has applied a portion of its cash generated from operating activities to finance the renovation of its new stores. As at 31 December 2013, the Group had unutilised banking facilities of approximately RMB42.3 million.

### Gearing ratio

As at 31 December 2013 and 2012, the gearing ratios were approximately 19.1% and approximately 53.1%, respectively. The gearing ratio is calculated as total debts (including borrowings, amounts due to related companies and other payables) divided by total equity as at the balance sheet dates.

### Pledge of assets

As at 31 December 2013, no assets of the Group were pledged to any bank or lender.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Employees

As at 31 December 2013, total number of employees for the Group was 2,176. The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary, incentives and bonus scheme.

With the mission of "Be accountable and grow with pride", in 2013, the Group has set up the Care and Assistance Fund. Its objective is to provide financial and in-kind assistance to any staff and promoters who encounter unexpected difficulties, suffer from serious diseases or are affected by natural disasters. The fund is raised by staff's voluntary donations and from activities such as charity sales. As such, cohesion within the Company is strengthened. Moreover, the Company has organised the Adult Higher Education Program "Dreams Come True Program of Yihua Department Store 2013", which help 59 frontline staff members and line managers to accomplish their dream of pursuing tertiary education, thereby motivating the staff in the Group.

### Contingent liabilities

The Group has no significant contingent liabilities as at 31 December 2013.

### Foreign exchange exposure

The Group conducted its business operations in the PRC and its revenues and expenses were denominated in RMB. Except for certain proceeds from the Company's Placing and Public Offer which was deposited in banks and denominated in HKD, there is limited exposure for the foreign exchange risk.

### USE OF IPO PROCEEDS

The net proceeds from the Company's listing on the HKEX (the "Listing") (after deducting underwriting fees and related expenses) amounted to approximately HK\$93.7 million, which are intended to be applied in the manner consistent with that set out in the Prospectus, that is, approximately 12% of the net proceeds for the newly opened department store in Yangjiang; approximately 43% and approximately 28% for opening of new department store in Zhenjiang and Enping, respectively; approximately 7% for upgrading our existing information technology systems and approximately 10% for general working capital. As at 31 December 2013, the proceeds from the Listing has not been utilised.

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

## CHAIRMAN AND EXECUTIVE DIRECTORS

**Mr. Chen Jianren** (陳健仁), aged 60, is our executive Director and chairman of our Group. Mr. Chen is the founder of our Group and was appointed as our Director on 20 April 2012. He is responsible for the formulation of the overall strategy and setting of business direction of our Group. He was also appointed as the director and manager of Guangdong Yihua Group Investment Company Limited (廣東益華集團投資有限公司) (“**Yihua Investment**”) since 2005. Prior to joining Yihua Investment, he was the director of Zhongshan Yihua Group Company Limited (中山市怡華集團有限公司) from 1987 to 2002 and the director and general manager of Zhongshan King Hotel (中山市京華酒店) in 1985. Mr. Chen has approximately 28 years of experience in corporate management. As a director of certain members of Yihua Investment and its subsidiaries (collectively, “**Yihua Investment Group**”), Mr. Chen has extensive experience in the tertiary industry particularly in regards to property development.

He attained the certificate of professional corporate management (中山企業管理專業證書) from Sun Yat-Sen University (中山大學) in July 1998.

Mr. Chen is the brother of Mr. Chen Daren, a non-executive Director and a controlling Shareholder of the company (“**Shareholder**”).

**Mr. Fan Xinpei** (范新培), aged 59, is our executive Director and chief executive officer of our Company. Mr. Fan was appointed as our Director on 20 April 2012. Mr. Fan is responsible for our overall development and strategic plans and the formulation and implementation of our operational plans. He is also responsible for our new development projects, the opening and location of our new stores and formulating our business and organisational structure. Mr. Fan joined our Group since the establishment of Guangdong Yihua Department Store and was appointed as president of Guangdong Yihua Department Store since May 1995. Prior to joining our Group, Mr. Fan worked in Yihua Group Company Limited (怡華集團有限公司) as vice president from 1987 to 1995. He was elected as the Standing Committee Member of the 10th session of the Zhongshan Municipal People’s Political Consultative Conference (政協中山市第十屆委員會常委), the Representative of the 14th session of the Zhongshan Municipal People’s Congress (中山市人大代表), Vice-Chairman of Council of China Chain-Store and Franchise Association of Guangdong Province (廣東省連鎖經營協會理事會副會長) in March 2012, Vice-Chairman of Zhongshan City Business Association (中山市商業行業協會理事會常務副會長) in March 2005, Chairman of Zhongshan Commerce Circulation Association (中山市商貿流通協會會長) in August 2009. He was also awarded as National Working Model of Commercial System (全國商務系統勞動模範) by Ministry of Commerce, PRC in January 2008. Mr. Fan is a substantial Shareholder.

Mr. Fan attained a graduation certificate of corporate governance (企業管理) (part-time) at University of Electronic Science and Technology of China, Zhongshan Institute (電子科技大學中山學院), previously named Sun Wen Institute of Sun Yat-sen University (中山大學孫文學院), in July 1992.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Su Weibing** (蘇偉兵), aged 55, was appointed as our executive Director in 12 November 2013. Mr. Su is responsible for the overall operation and planning of the department stores section. He joined our Group in 1995 and was appointed as our vice president of Guangdong Yihua Department Store in 2001. He became the vice president of our Group in June 2012. Prior to joining us, Mr. Su has gained extensive experience while being a director and the general manager of First Department Store Limited (百貨一商店股份有限公司) in Tongliao, Inner Mongolia, the PRC.

Mr. Su obtained a graduation certificate in business and corporate management (商業企業管理) from Tianjin College of Commerce (天津商學院), and attained a diploma of economic management (經濟管理) from a correspondence program of Shanxi University of Finance and Economics (山西財經大學), formerly known as Shanxi Finance and Economics Institute (山西財經學院), in July 1989 and July 1993 respectively. He was accredited the title of Business Economist (商業經濟師) by the Inner Mongolia Autonomous Region in 1993. Mr. Su was also appointed as the committee member of the 9th Chinese People's Political Consultative Conference of Tongliao (政協通遼市第九屆委員會) in 1994.

**Mr. Lin Guangzheng** (林光正), aged 54, was appointed as our executive Director in 12 November 2013. Mr. Lin is responsible for the overall operation and planning of supermarket section, furniture section and logistic center, including setting up supermarket section and furniture section in new stores. He was also responsible for establishment of electrical appliances section in 1997, logistic center in 2003 and furniture section in 2013. He served in Guangdong Yihua Department Store as an office manager and assistant president from July 1995 to June 1997 and has worked as assistant president from July 1997 to November 2000. He was appointed as the vice president of Guangdong Yihua Department Store in December 2000. He became the vice president of our Group in June 2012. Before joining our Group, Mr. Lin was a teacher of Zhongshan Qifa Middle School (中山市啟發中學) for 19 years.

He studied mathematics in Guangdong Radio and TV University (廣東廣播電視大學) from 1982 to 1984 and obtained the graduation certificate in November 1984. He completed a program on business administration in Sun Yat-Sen University (中山大學) in June 2000.

### NON-EXECUTIVE DIRECTORS

**Mr. Chen Daren** (陳達仁), aged 58, was appointed as our non-executive Director in 12 November 2013. Mr. Chen has been the director of Yihua Investment and also the executive director of Guangdong Yucca Hotel Management Co. Ltd. (廣東逸豪酒店管理有限公司) since 2004. Mr. Chen has approximately nine years of experience in corporate management. As the deputy general manager of Yihua Investment, Mr. Chen has extensive experience in the tertiary industry and principally involved in the businesses relating to hotels, food and beverages and entertainment of Yihua Investment. He is responsible for the overall development and strategic plans of this area in Yihua Investment Group.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Daren is a controlling Shareholder and brother of Mr. Chen, an executive Director and the chairman of our Group.

**Mr. Lu Hanxing (陸漢興)**, aged 64, was appointed as our non-executive Director in 12 November 2013. He has been the deputy general manager of Yihua Investment since 2003. Before joining Yihua Investment Group, Mr. Lu has worked in Zhong Shan City Scenic Hotel Management Co. Ltd. (中山市怡景酒店經營管理有限公司) from 1990 to 1997 as general manager. He has approximately 23 years of experience in corporate management.

Mr. Lu worked as deputy general manager in Yihua Group Company Limited between 1991 and 2002. He has taken up significant roles in Yihua Investment Group since 2003 and principally involved in the businesses relating to the development of electronic goods manufacturing. He is responsible for the overall development and strategic plans of this area in Yihua Investment Group.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Sun Hong (孫洪) (formerly Sun Xiong (孫雄))**, aged 65, was appointed as our independent non-executive Director on 12 November 2013. He was appointed as the chairman of Guangdong Chain Operations Association (廣東省連鎖經營協會會長) from March 2012 to March 2015, and was appointed as council member of the China Chain Store and Franchise Association (中國連鎖經營協會常務理事) in December 1998 and the honorary president of Guangdong Chamber of Daily Used Chemicals (廣東省日化商會榮譽會長) in 2011. He has been the committee member of the Advisory Committee in Economic Decision-making and Promotion of Shunde District (順德區(經濟促進)經濟決策諮詢委員會) from October 2011 to December 2013. He was elected as a member of the expert committee of Guangdong Consumer Council (廣東省消費者委員會專家委員會委員) from March 2012 to March 2015. He was an independent director of a company listed on the Shenzhen Stock Exchange, Shenzhen Agricultural Products Co., Ltd (深圳市農產品股份有限公司) (Shenzhen Stock code: 000061) from October 2006 to October 2009.

He studied political economics in the Beijing College of Commerce (北京商業學院) in 1978 and obtained a graduation certificate in December 1978. In 2011, Mr. Sun was appointed as an Adjunct Professor in the College of Business in the City University of Hong Kong from January 2011 to December 2012.

**Mr. Xu Yinzhou (徐印州)**, aged 67, was appointed as our independent non-executive Director on 12 November 2013. He was the assistant dean in Guangdong University of Business Studies (廣東商學院副院長) between 2001 and 2005. Mr. Xu has been elected as the Policy Adviser in the second session of the policy advisory committee of the Guangzhou Municipal Government Office (廣州市人民政府第二屆決策諮詢專家) from March 2010 to March 2013.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Xu graduated from Chemistry studies in Peking University (北京大學) in March 1970 and Trade Economics in Renmin University of China (中國人民大學) in July 1984, and is qualified as Professor in commerce and economics as accredited by Department of Personnel of Guangdong Province (廣東省人事廳) in December 1995 and tutor in business administration as accredited by Guangdong University of Business Studies (廣東商學院) in December 2003. He was also appointed as the ninth vice president of the Guangdong Economic Society (廣東經濟學會副會長) in June 2000. Mr. Xu was an independent director of a listed company on the Shenzhen Stock Exchange, Guangzhou KingTeller Technology Co., Ltd (廣州御銀科技股份有限公司) (Shenzhen stock code: 2177) from October 2004 to October 2010.

**Mr. Leung Wai Kwan (梁維君)**, aged 50, was appointed as our independent non-executive Director on 12 November 2013. Prior to joining our Company, from April 2007 to May 2011, Mr Leung was a principal of a local audit firm, O.S.R. C.P.A Limited and the managing director of a consulting firm, O.S.R. Consultants & Secretaries Limited from February 1995 to October 1999 and from June 2006 to April 2011, which provides services of secretarial, taxation and corporate finance consultancy.

He was also an executive director of two companies listed on the Stock Exchange, namely New Smart Energy Group Limited (Stock code: 91) from October 1999 to June 2005 and China Mining Resources Group Limited (Stock code: 340) from May 2000 to June 2004. Mr. Leung is currently an executive director of a company listed on the Stock Exchange. He was appointed as an executive director of CVM Minerals Limited (Stock code: 705) since September 2010 and is the chief executive officer of this company. His duties for the aforesaid company listed on the Stock Exchange included implementation of internal control measures within the company, ensuring transactions complied with relevant accounting standards, analysing financial statements for a listed company and preparing and reviewing the annual report.

### SENIOR MANAGEMENT

**Ms. Wang Guping (王古坪)**, aged 48, was appointed as our assistant president of Guangdong Yihua Department Store in February 2003. She is responsible for internal control management of our Group and assists in the overall administration and operation of our Group including being a member of the internal control committee. She acquired qualification for the local registered pharmacist in Guangdong Province, the PRC from December 2011 to December 2013 with our company being the chartered unit. Prior to joining our Group, Ms. Wang worked as a supervisor in Zhongshan Yihua Group Limited (中山市怡華集團有限公司) between December 1992 and April 1995. She graduated from Guangzhou Open University (廣州市廣播電視大學) in chemical engineering (理工類化學工程) in July 1987. She also completed a program on business administration in Sun Yat-Sen University (中山大學) in 2002.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

**Ms. Zhang Rong (張蓉)**, aged 41, was appointed as our assistant president of Guangdong Yihua Department Store in February 2007. Ms. Zhang is responsible for the overall administration management and operation and planning of the department store section and the electronic appliance section of our Group. Prior to joining our Group in 1996, Ms. Zhang has worked in Zhong Shan City Scenic Hotel Management Co. Ltd. (中山市怡景酒店經營管理公司) as a reception manager (前台經理) between March 1991 and March 1996. She obtained a diploma of English in Hainan Snow Foreign Language College (海南實驗外國語學院) in July 1990 and also completed a program on business administration in Sun Yat-Sen University (中山大學) in September 2002. Ms. Zhang was appointed as the council member of the Home Appliances Industry Association of Zhongshan in 2008.

**Mr. Luo Chengwen (羅成文)**, aged 56, was appointed as the assistant president of Guangdong Yihua Department Store and the deputy general manager of Qingyuan Yihua Department Store from August 2005 to February 2008. Since March 2008, he is the assistant president of Guangdong Yihua Department Store and the general manager of Shaoguan Yihua Department Store. Mr. Luo is responsible for formulating and implementing plans for the opening of new stores of our Group. He is also responsible for the overall operation and strategic planning of Shaoguan Yihua Department Store.

Mr. Luo received his high school education at Shunde Guizhou Middle School (順德桂洲中學) in 1975.

**Ms. Pan Zhihong (潘志紅)**, aged 47, was the supervisor of Guangdong Yihua Department Store from July 1997 to June 2000, and was promoted to vice section head from July 2000 to February 2003. From March 2003 to December 2003, she worked as the section head of Guzhen Yihua Department Store. From October 2004 to February 2008 she was the assistant manager of Qingyuan Yihua Department Store. From March 2008 to May 2012, she was appointed as the deputy general manager of Qingyuan Yihua Department Store. Since June 2012, Ms. Pan was appointed as the general manager of Qingyuan Yihua Department Store. She is responsible for the overall operation and strategic planning of Qingyuan Yihua Department Store. Prior to joining our Group, she has worked in the retail services and travel souvenirs trading companies of Zhongshan Yihua Group Limited between June 1989 to July 1997. Ms. Pan had completed a corporate management program (part-time) in Sun Yat-Sen University (中山大學) in February 1998. She was appointed as the vice president of Qingyuan Entrepreneurs Association (清遠市企業家協會) in 2008.

**Mr. Sun Shaobin (孫紹斌)**, aged 46, was appointed as the vice section head of Shaoguan Yihua Department Store from September 2008 to May 2010 and was promoted to the position of assistant manager from June 2010 to October 2011. Since November 2011, he has been working as the deputy general manager of Yihua Lejia Supermarket of Guangdong Yihua Department Store. He is responsible for the management and future development of the supermarket business. Mr. Sun completed a diploma on Commodities of Trading of Henan University of Finance and Economics (河南財經學院) between September 1985 and July 1987.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

**Ms. Wu Bintao** (吳彬濤), aged 47, was appointed as the administration and human resources manager of Guzhen Yihua Department Store from August 2005 to February 2008 and has been promoted as its deputy general manager from March 2008 to May 2012 and its general manager since June 2012. She is responsible for the overall operation and strategic planning of Guzhen Yihua Department Store. Prior to joining our Group, she worked at the guest room service department of Zhong Shan City Scenic Hotel Management Co. Ltd. (中山市怡景酒店經營管理有限公司) from November 1984 to February 1996.

Ms. Wu was qualified as assistant human resources management trainer (助理人力資源管理師) in July 2005 and enterprise trainer (企業培訓師) as accredited by Occupational Skill Testing Authority of Ministry of Human Resources and Social Security (勞動和社會保障部職業技能鑒定中心) in January 2007. She also obtained her diploma in business administration in Guangdong Ocean University (廣東海洋大學) (a correspondence program) in 2011.

**Ms. Hu Pingping** (胡平平), aged 50, has been appointed as the deputy general manager of Jiangmen Yihua Department Store since May 2012 and the deputy general manager of the Jiangmen branch of Zhongshan Yihua Shijia since December 2012. Ms. Hu is responsible for the overall general management of Jiangmen Yihua Department Store, including managing its daily operation and facilitating co-ordinations with internal departments and externally with government departments and customers. Ms. Hu joined our Group in February 1998 as an assistant team head of the service counter of the Zhongshan main store. She was redesignated to Jiangmen Yihua Department Store and promoted to be the vice section head and the assistant manager of the human resources and administration department in April 2006 and May 2007 respectively, and then as the deputy manager of the administration department in August 2009. In May 2010, Ms. Hu was awarded the title of Retail Profession – Manager (Shop Manager) (零售業職業經理人(店長)) by the China General Chamber of Commerce (中國商業聯合會).

Prior to joining our Group, Ms. Hu has worked in Zhongshan China Sugar Group Company Limited (中山市中糖集團有限公司) from January 1980 to March 1997, with her last position as a technician of the company. Ms. Hu was awarded the qualification of assistant engineer by the Zhongshan Municipal Bureau of Personnel (中山市人事局) in December 1996.

Ms. Hu obtained a graduation certificate in sugar manufacturing from Zhongshan Tangzhi Gongye Vocational Secondary School (中山市糖紙工業職工中等專業學校) in July 1988.

**Mr. Chen Jinquan** (陳進權), aged 39, was appointed as the deputy general manager of Yihua Shijia in December 2012. He is responsible for assisting the management in formulating the development strategies, establishment and implementation of the operational systems and human resources training and development of Yihua Shijia. Prior to joining our Group, Mr. Chen has worked in B&Q (China) Investments Co., Ltd (百安居(中國)投資有限公司), an interior decoration materials retailer and service provider, from March 2004 to September 2012, with the last position held as Operation Regional Manager.



## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen obtained a graduation certificate in professional studies of computerised accounting (part-time) from the School of Mathematics of South China Normal University (華南師範大學) in July 1996.

**Mr. Zhou Zhijian (周智堅)**, aged 56, was appointed as the section head of Qingyuan Yihua Department Store from January 2004 to April 2005. From May 2005 to March 2006, he worked as the deputy manager of Guzhen Yihua Department Store. He was then redesignated to work as the deputy manager of Jiangmen Yihua Department Store from April 2006 to October 2006. Between November 2006 and September 2009, he worked as the deputy manager of Guangdong Yihua Department Store. Since October 2012, he has been the general manager of the infrastructure and engineering department of Guangdong Yihua Department Store. He is responsible for the overall infrastructure planning and technical support of the venues and expansion on the new venues of our Group.

Mr. Zhou graduated from high school education at Guangzhou No.105 Secondary School (廣州市第105中學) (already closed) in 1974.

**Ms. Luan Xiaoxun (樂小濤)**, aged 51, has been appointed as the financial manager of Guangdong Yihua Department Store since February 2003. Ms. Luan is responsible for assisting our chief financial controller to handle financial matters of our Group. Prior to joining our Group, Ms. Luan has worked in the audit department of Zhongshan Yihua Group Company Limited between 1993 and 1999. She obtained her diploma in business corporate administration (商業企業管理) in Jiangxi Radio and TV University (江西廣播電視大學) in October 1986, and was qualified for assistant accountant as accredited by Department of Human Resources of Jiangxi Province (江西省人事廳) in October 1989.

### COMPANY SECRETARY

**Mr. Tse Wing York (謝永鏞)**, aged 34, is our company secretary and chief financial controller. Mr. Tse joined our Group in March 2012. Mr. Tse has over seven years of experience in auditing and financial management. Prior to joining our Group, Mr. Tse worked in ShineWing (HK) CPA Limited (a certified public accounting firm) between July 2004 and September 2010 and left as an audit manager. From 3 October 2011 to 7 May 2013, Mr. Tse was the company secretary of Inno-Tech Holdings Limited, a company listed on the Stock Exchange (Stock code: 8202). Mr. Tse graduated from Lingnan University with a bachelor's degree in business administration in 2004. Mr. Tse is a member of the Hong Kong Institute of Certified Public Accountants.

## CORPORATE GOVERNANCE REPORT

The Company is committed to enhancing corporate governance and transparency of the Group by applying the principles in the code provisions of the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange. The Company has complied with the code provisions in the Code during the period from the date of the Listing on 11 December 2013 to 31 December 2013 (the “Relevant Period”).

### DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “Model Code”) as the code of practice for carrying out securities transactions by the Directors. After specific enquiry with all members of the Board, the Company confirmed that all Directors have fully complied with the relevant standards stipulated in the Model Code during the Relevant Period.

### BOARD OF DIRECTORS

During the Relevant Period and up to the date of this report, the Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors.

#### Composition of the Board

##### Executive Directors

Name	Other positions in the Company
Mr. Chen Jianren	Chairman of the Board Chairman of the Nomination Committee
Mr. Fan Xinpei	Chief Executive Officer Member of the Remuneration Committee
Mr. Su Weibing	–
Mr. Lin Guangzheng	–

##### Non-executive Directors

Name	Other positions in the Company
Mr. Chen Daren	–
Mr. Lu Hanxing	–

##### Independent non-executive Directors

Name	Other positions in the Company
Mr. Sun Hong	Member of Audit Committee Member of Remuneration Committee Member of Nomination Committee
Mr. Xu Yinzhou	Member of Audit Committee Chairman of Remuneration Committee Member of Nomination Committee
Mr. Leung Wai Kwan	Chairman of Audit Committee Member of Remuneration Committee Member of Nomination Committee

## CORPORATE GOVERNANCE REPORT

### Responsibility of the Board

The principal functions of the Board are to consider and approve the business strategies, financial objectives, annual budget, investment proposals and overseeing the Group's compliance with statutory and regulatory obligations, ensuring proper internal control, and supervision of management in accordance with the rules governing the meeting of the Board, articles of association of the Company (“**Articles of Association**”) and rules governing the meeting of Shareholders.

The day-to-day operations of the Group are delegated to the management of the Group. The Chairman is responsible for the orderly conduct and operation of the Board and the formulation of the overall strategy and setting of business direction of the Group while the executive Directors are responsible for the daily operation of the Group.

### Board meetings

Regular Board meetings are held no less than four times a year. In respect of regular board meetings, an agenda and accompanying board papers are sent in full to all Directors in a timely manner and at least three days before the intended date of a board or board committee meeting. Adequate information related to the issues are also supplied for the board and its committee to make decisions which is for the best interests of the Group. Notice of at least fourteen days is given to all Directors and all Directors have an opportunity to attend. The Directors who cannot attend in person might participate through other electronic means of communications. Senior management executives may, from time to time, be invited to attend the board meeting for making presentation and/or answering any queries that may be raised by the Board.

During the Relevant Period and up to the date of this report, the Company had held two Board meetings and the attendance records are set out below:

Name	Meetings attended/ Number of meetings held
Mr. Chen Jianren	2/2
Mr. Fan Xinpei	2/2
Mr. Su Weibing	2/2
Mr. Lin Guangzheng	2/2
Mr. Chen Daren	2/2
Mr. Lu Hanxing	2/2
Mr. Sun Hong	2/2
Mr. Xu Yinzhou	2/2
Mr. Leung Wai Kwan	2/2

There is no financial, business, family or other material relationships among members of the Board except that Mr. Chen Jianren is the brother of Mr. Chen Daren.

## CORPORATE GOVERNANCE REPORT

### **Independence of the independent non-executive Directors**

The Company has received confirmation from each of the independent non-executive Directors regarding his independence pursuant to the requirements of Rule 3.13 of the Listing Rules. Based on these confirmations, the Board considers that each of the independent non-executive Directors to be independent.

### **Appointment and re-election of Directors**

Pursuant to the Articles of Association, Directors shall be elected at general meetings with a term of office of no more than three years and may be re-appointed. The Company has implemented a set of effective procedures for the appointment of new Directors. Nomination of new Directors shall be first considered by the nomination committee whose recommendations will then be put forward to the Board for consideration. All newly nominated Directors are subject to election and approval at general meetings. The respective appointment dates of the Directors are set out under the section “Directors” in the Directors’ Report. The Company has entered into service contracts with each of the Directors (including non-executive Directors) on 12 November 2013. Each service contract or appointment letter prescribes a term of three years commencing from 12 November 2013.

### **Directors’ remuneration**

The remuneration committee of the Company makes recommendations to the Board on the remuneration packages of the Directors and senior management personnel. It is the Company’s policy that the remuneration package of each Director and senior management personnel shall be determined by taking reference to, inter alia, their duties, responsibilities, seniority, experiences and qualifications and the prevailing market practice.

### **Directors’ continuing professional development**

During the year ended 31 December 2013, our Directors have received training on duties and obligations as Directors under the Listing Rules. Furthermore, on 5 July 2013, the executive Directors as well as the members of the internal control committee and certain members of senior management received training from the Company’s legal adviser to reinforce their knowledge on the non-compliance issues as set out in the Prospectus specifically the legal requirements and proper procedures. On 11 July 2013, the executive and non-executive Directors as well as the members of the internal control committee received training conducted by representatives of Hong Kong’s Independent Commission Against Corruption.

### **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The roles and duties of the Chairman and the Chief Executive Officer (CEO) of the Company are segregated and are carried out by different individuals.

The Chairman of the Board, Mr. Chen Jianren, is responsible for the formulation of the overall strategy and setting of business direction of our Group. Mr. Fan Xinpei, CEO of the Company, is responsible for assisting in formulation of overall strategy and day-to-day management and execution of Company’s strategies.

## CORPORATE GOVERNANCE REPORT

### REMUNERATION COMMITTEE

The Remuneration Committee comprises four members namely, Mr. Xu Yinzhou (Chairman and independent non-executive Director), Mr. Fan Xinpei (executive Director), Mr. Sun Hong (independent non-executive Director) and Mr. Leung Wai Kwan (independent non-executive Director).

The role and function of the Remuneration Committee are set out in its terms of reference. Primary terms include recommendations to the Board on policy and structure of remuneration of the Directors and senior management, determination of the remuneration packages of each Director and member of the senior management, ensuring that no Directors or any of their associates are involved in deciding their own remuneration packages and review and approval of performance-based remuneration by reference to corporate goals and objectives and compensation arrangements relating to dismissal or removal of Directors.

During the Relevant Period and up to the date of this report, the Remuneration Committee had held two Remuneration Committee meetings and the attendance records are set out below:

Name	Meetings attended/ Number of meetings held
Mr. Xu Yinzhou ( <i>Chairman</i> )	2/2
Mr. Fan Xinpei	2/2
Mr. Sun Hong	2/2
Mr. Leung Wai Kwan	2/2

Set out below is the summary of work of the Remuneration Committee in the financial year ended 31 December 2013:

- reviewed the remuneration policy of the Directors and the senior management for 2013; and
- reviewed the remuneration of the executive Directors, non-executive Directors and the independent non-executive Directors.

### NOMINATION COMMITTEE

The Nomination Committee comprises four members namely, Mr. Chen Jianren (Chairman and executive Director), Mr. Xu Yinzhou (independent non-executive Director), Mr. Sun Hong (independent non-executive Director) and Mr. Leung Wai Kwan (independent non-executive Director).

## CORPORATE GOVERNANCE REPORT

The role and function of the Nomination Committee are set out in its terms of reference. Primary terms include review and supervision of the structure, size and diversity of the Board, developing the procedures for identifying and assessing the biographical details of and evaluating candidates for directorship, making recommendations to the Board on the selection of nominated directorship and matters related to appointment or re-appointment of Directors.

Before a prospective Director's name is formally proposed, the opinions of the existing Directors (including the independent non-executive Directors) are sought. The selection criteria of the qualified candidates are mainly based on assessments of their qualifications, experiences and expertise as well as the requirements under the Listing Rules. The Nomination Committee selects and recommends candidates for directorship with regards to balancing skills and experiences appropriate to the Group's businesses.

During the Relevant Period and up to the date of this report, the Nomination Committee held one meeting. The members of Nomination Committee reviewed and discussed the current structure, size and composition of the Board.

The following is the attendance record of the committee meeting held by the nomination committee.

Name	Meeting attended/ Number of meetings held
Mr. Chen Jianren ( <i>Chairman</i> )	1/1
Mr. Xu Yinzhou	1/1
Mr. Sun Hong	1/1
Mr. Leung Wai Kwan	1/1

### AUDIT COMMITTEE

The Audit Committee comprises three members namely, Mr. Leung Wai Kwan (Chairman and independent non-executive Director), Mr. Xu Yinzhou (independent non-executive Director) and Mr. Sun Hong (independent non-executive Director).

During the Relevant Period and up to the date of this report, the Audit Committee held two meetings. The members of Audit Committee reviewed and discussed the Group's audited financial statements for the year ended 31 December 2013 with the external auditor of the Company. They were of the opinion that these financial statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made. Additional meetings may also be held by the Audit Committee from time to time to discuss special projects or other issues which it considers necessary. The external auditor of the Company may request a meeting of the Audit Committee to be convened if they consider that is necessary.

## CORPORATE GOVERNANCE REPORT

The main duties of the Audit Committee are as follows:

- To consider the appointment of the external auditors, the audit fee, and any question of resignation or dismissal.
- To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.
- To develop and implement policy on the engagement of external auditors to supply non-audit services.
- To discuss with management about the scope and quality of systems of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget.

The following is the attendance record of the committee meetings held by the Audit Committee.

Name	Meetings attended/ Number of meetings held
Mr. Leung Wai Kwan ( <i>Chairman</i> )	2/2
Mr. Sun Hong	2/2
Mr. Xu Yinzhou	2/2

### EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

Total fee for services, being provided by external auditors – PricewaterhouseCoopers, relating to the audit of the Group's financial statements for the year ended 31 December 2013 is approximately RMB1.1 million.

### CORPORATE GOVERNANCE

The corporate governance functions are performed by the Board.

The Company adopted paragraph D.3.1 of the Code as the duties of the Board in performing its corporate governance functions.

During the Relevant Period, the Board has performed the following duties in respect of its corporate governance functions:

- a. reviewing the Company's policies and practices on corporate governance;
- b. reviewing and monitoring the training and continuous professional development of Directors and senior management;

## CORPORATE GOVERNANCE REPORT

- c. reviewing and monitoring the Company's policies and practices in compliance with legal and regulatory requirements;
- d. reviewing and monitoring the code of conduct applicable to employees; and
- e. reviewing the Company's compliance with the code of disclosure in the Corporate Governance Report.

### INTERNAL CONTROL

The internal controls of the Group are designed to provide reasonable assurance that the Group's assets and shareholders' investments are safeguarded against unauthorised use or disposition, transactions are executed in accordance with the management's authorisation, proper accounting records are maintained, and the relevant legislation and regulations are being complied with.

Internal control procedures and risk management systems are in place in each of the principal operating units of the Group. The internal control committee undertakes the role of reviewing and assessing the Group's internal control system implemented in the principal operations for their respective effectiveness and efficiency on a continuous basis.

The Company engaged an internal control advisor, Baker Tilly Hong Kong Business Services Limited ("**Internal Control Adviser**") which is responsible for the review and appraisal on the effectiveness of risk management, internal control and corporate governance processes in the Company, reports directly to the Audit Committee.

The Audit Committee has full and direct access to the internal control advisor, reviews the reports on all internal control performed and monitors the internal control performance.

The internal control advisor will carry out internal control reviews on various operating units within the Company based on the audit plan approved by the Audit Committee. Based on these audits, the internal control advisor will provide the Audit Committee with periodic reports highlighting observations, recommendations and management action plans to improve the system of internal control.

The Board has conducted a review of the effectiveness of the internal control system of the Group by considering the report of the Audit Committee, which was prepared based on the review reports of the internal control adviser and the internal control committee. Based on the satisfactory findings in those reports, the Board is of the view that there were no material losses incurred during the year as a result of weaknesses in internal control. The Board will continue to take adequate measures to strengthen the control environment in which the Group operates.

The improvement of the system of internal control is an on-going process and the Board maintains ongoing commitment to strengthening the Company's control environment and processes.



## CORPORATE GOVERNANCE REPORT

### **On going compliance of non-compliance incidents**

As stated in the Prospectus, the Company shall disclose the compliance status of certain non-compliance events in its annual report, which details are set out below:

*(i) Employee theft*

The Audit Committee had reviewed the report issued by the Internal Control Adviser in relation to the findings on the effectiveness of the sales and receipt cycle, inventory management cycle and financial management (including cash) cycle in a field work visit conducted from 24 February 2014 to 8 March 2014. Based on the evaluation report of the Internal Control Adviser, the Audit Committee is of the view that recommended measures of the Internal Control Adviser are effectively implemented.

*(ii) Prevention of bribery and anti-money laundering*

As disclosed in the Prospectus, the Internal Control Adviser had found that the policies to prevent bribery and anti-money laundering activities in connection with the issuance of Consumption Cards were adequately carried out during its follow up review field work conducted in June 2013 and October 2013. The Company continues to enforce the above policies and compliance records are maintained. After considering the compliance records and review results of the internal control committee, the Audit Committee is satisfied that, subsequent to the review field works, those measures continued to be effectively implemented.

*(iii) Entering into a new lease without building ownership certificate*

At a Board meeting held on 21 March 2014, the Board considered the proposals to enter into two new lease agreements in respect a property located in Zhenjiang (the “**Zhenjiang Premises**”) and a property located in Guangdong (the “**Guangdong Premises**”), subject to the satisfactory results received from the due diligence exercise on the said properties, and where defective title was an issue, approval from the independent non-executive Directors based on the PRC legal opinion to be obtained. For details of the compliance procedures and issues for consideration, please refer to page 193 of the Prospectus. As the landlord of the Zhenjiang Premises has not yet obtained the building ownership certificate of the property, the independent non-executive Directors has obtained the PRC legal opinion in relation to the Zhenjiang Properties before entering into the lease agreement. The compliance procedure in relation to entering into new leases in respect of properties without building ownership certificates has been duly observed.

## CORPORATE GOVERNANCE REPORT

### *(iv) Update on registration status of existing leases without building ownership certificates*

As set out in the Prospectus, our Jiangnan store, Fushan store, Yingde store, Tai'an (Longtan) store as well as a portion (6,590 square metres) of our Guzhen store are respectively located in premises which form part of a larger development project with different parts in various stages of development, for which building ownership certificate will only be obtained upon completion of the whole project and the building ownership certificate will be applied for after the final acceptance process and other procedures. As at 28 March 2014, being the date of this report, those projects are not completely constructed or there are certain processes and procedures still outstanding to apply for building ownership certificates. Having considered the status based on information from the landlord and applicable regulations, the independent non-executive Directors are of the view that the delay in registration of the relevant building ownership certificates is not due to either parties to the lease agreements acting in breach of the relevant laws and regulations. In addition, due to the unsatisfactory sales performance and location of the Fusha store, the Company has decided to cease its operation and early terminate the lease in April 2014. The Fusha store is a community supermarket store and its closure will not have material impact on the financial position of the Group. Furthermore, the landlord of the Guzhen store notified the Company that it is unlikely that building ownership certificate will be obtained prior to expiration of the lease term on 30 November 2017. The Directors have therefore decided not to renew the Guzhen lease upon its expiration.

As disclosed on page 189 of the Prospectus, pursuant to 《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋》 (Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Cases about Disputes over Lease Contracts on Urban Buildings), the People's Court of the PRC generally recognised the validity of a lease agreement where the landlord has obtained the construction work planning permit and the building construction had complied with the terms set forth in the construction work planning permit. As all of the subject leased properties have the construction work planning permit and the respective landlords had been verified as the legal owners and considering advice from PRC counsel that the relevant landlords have the right to lease the premises to us and the lease agreements are valid and enforceable, our Directors considered that the subject leases without building ownership certificates will not pose a material risk on the operation of our stores.

### PERFORMANCE OF DEED OF NON-COMPETITION UNDERTAKING

On 19 November 2013, Mr. Chen Daren, the controlling Shareholder as well as certain executive Directors and members of the senior management interested in the shares of the Company (the "Shares"), being Mr. Chen Jianren, Mr. Lu Hanxing, Mr. Fan Xinpei, Mr. Su Weibing and Mr. Lin Guangzheng (the "Covenantors") have entered into the deed of non-competition in favour of our Company (the "Deed of Non-competition"), whereby each of the Covenantors undertakes with the Company that for so long as the Shares remain listed in the Stock Exchange and the

## CORPORATE GOVERNANCE REPORT

Covenantors, individually or collectively with their associates (as defined in Chapter 1 of the Listing Rules), are, directly or indirectly, interested in not less than 30% of the Shares in issue, or are otherwise regarded as Controlling Shareholders, each of the Covenantors, shall and shall procure that their respective associates shall:

- (a) not directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of our Group or be in competition with our Group in any business activities which our Group may undertake in the future save for the holding (by him/her/it and/or his/her/its associates) of not more than 5% shareholding interests in any company listed on the Stock Exchange or any other stock exchange;
- (b) not take any direct or indirect action which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, solicitation of customers, suppliers and staff members of our Group; and
- (c) keep our Directors informed of any matters of potential conflicts of interest between the Covenantors (including their associates) and our Group.

In addition, each of the Covenantors jointly and severally, irrevocably and unconditionally, undertakes with our Company that if any new business opportunity relating to any products and/or services of our Group (“**New Business Opportunity**”) is made available to the Covenantors or their respective associates, he/she/it shall direct the New Business Opportunity to our Group with such required information to enable our Group to evaluate the merits of the New Business Opportunity. None of the Covenantors and their respective associates will pursue the New Business Opportunity until our Group decides not to pursue the New Business Opportunity because of commercial reasons.

The Company has received confirmation letters from each of the Covenantors confirming that, during the Relevant Period, they have not violated the terms under the Deed of Non-Competition Undertaking. The independent non-executive Directors had reviewed and confirmed that the Covenantors have complied with the provisions of the deed and the deed has been enforced by the Company in accordance with its terms.

### **DIRECTORS’ RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Directors acknowledge that it is their responsibility to prepare accounts of the Group and other financial disclosures required under the Listing Rules and the management will provide information and explanation to the Board to enable it to make informed assessments of the financial and other decisions.

# CORPORATE GOVERNANCE REPORT

## COMMUNICATION WITH SHAREHOLDERS

The Company endeavours to develop and maintain continuing relationships and effective communications with its Shareholders and investors. In an effort to facilitate and enhance the relationships and communication, the Company has established the following various channels:

1. The annual general meeting provides a forum for the Shareholders to raise comments and exchange views with the Board. The Chairman and the Directors are available at the annual general meetings of the Company to address Shareholders' queries;
2. Separate resolutions are proposed at the general meetings on each substantially separate issue and procedures for convening extraordinary general meetings and putting forward proposals are included in the annual report to the Shareholders to facilitate enforcement of Shareholders' rights; and
3. The Shareholders can visit the Company's website at [www.yihua.com.cn](http://www.yihua.com.cn) to learn the general background of the Company and its activities, which enable the general public to have a better understanding of the Group.

## SHAREHOLDERS' RIGHTS

### Convening of extraordinary general meetings and putting forward proposals

Pursuant to Article 64 of the Articles of Association, extraordinary general meetings can be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. 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 put forward their enquiries to the Board by addressing them to the Company Secretary by mail to the headquarters of the Company at Yihua Century Square, Zhongshan 3rd Road Zhongshan City, Guangdong Province, the PRC.

## CHANGES IN CONSTITUTION DOCUMENTS

There is no change in the constitutional documents of the Company during the Relevant Period.

## DIRECTORS' REPORT

The directors of our Company (the “**Directors**”) are pleased to report the audited consolidated financial statements of our Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2013.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are operation of department store chain in the PRC.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated income statement on page 49 and 50.

The Directors do not recommend payment of a final dividend for the year ended 31 December 2013.

### FINANCIAL HIGHLIGHTS AND SUMMARY

A summary of the results and assets and liabilities of the Group for the last four financial years is set out on page 3 to 5 of the annual report.

### PROPERTY, PLANT AND EQUIPMENT

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

### SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 23 to the consolidated financial statements.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares.

### RESERVES

Movements in the reserves of the Group during the year ended 31 December 2013 are set out on page 100 of this report.

The Company's reserves available for distribution to shareholders as at 31 December 2013 calculated in accordance with the Companies Law of the Cayman Islands, amounted to RMB84,374,000, comprising the share premium of approximately RMB85,499,000 less the accumulated losses of RMB1,125,000.

## DIRECTORS' REPORT

### DIRECTORS

The Directors during the year ended 31 December 2013 and up to the date of this report were:

#### Executive Directors

Mr. Chen Jianren ( <i>Chairman</i> )	(appointed on 20 April 2012)
Mr. Fan Xinpei ( <i>Chief Executive Officer</i> )	(appointed on 20 April 2012)
Mr. Su Weibing	(appointed on 12 November 2013)
Mr. Lin Guangzheng	(appointed on 12 November 2013)

#### Non-executive Directors

Mr. Chen Daren	(appointed on 12 November 2013)
Mr. Lu Hanxing	(appointed on 12 November 2013)

#### Independent Non-executive Directors

Mr. Sun Hong	(appointed on 12 November 2013)
Mr. Xu Yinzhou	(appointed on 12 November 2013)
Mr. Leung Wai Kwan	(appointed on 12 November 2013)

Biographical details of the Directors and senior management of the Group are set out in the section headed "Biographies of Directors and Senior Management".

### CHANGE IN INFORMATION OF DIRECTORS

Upon specific enquiry by the Company and following confirmations from the Directors, save as otherwise disclosed in this annual report, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed under the headings "Continuing Connected Transactions" in this Directors' Report and "Related Parties and Significant Related Party Transactions" in note 31 to the financial statements, no Directors or controlling Shareholder or their respective associates had a material interest, either directly or indirectly, in any contract of significance to the business of the Group and to which the Company, its subsidiary, its fellow subsidiaries or its holding company was a party, subsisted at the end of the year or at any time during the year.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

Up to the date of this report, none of the Directors have any beneficial interest in other businesses which constitute, either directly or indirectly, a competing business of the Group.

### DIRECTORS' SERVICE CONTRACTS

None of the Directors has any existing or proposed service contract with the Company or its subsidiary which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' REPORT

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

As of 31 December 2013, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Company/ Name of associated corporation	Capacity/ Nature of interest	Number of shares	Approximate percentage of shareholding
Mr. Chen Daren	The Company	Interest in controlled corporation	208,116,000 (L) (Note 2)	57.81%
Mr. Fan Xinpei	The Company	Interest in controlled corporation	61,884,000 (L) (Note 3)	17.19%
Mr. Chen Daren	JAGUAR ASIAN LIMITED (“Jaguar Asian”)	Beneficial Owner	1 (L) (Note 2)	100%
Mr. Lin Guangzheng	Zhongshan Guzhen Yihua Trading Management Limited	Beneficial Owner	100,000 (L)	20%
Mr. Su Weibing	Zhongshan Guzhen Yihua Trading Management Limited	Beneficial Owner	100,000 (L)	20%

*Note:*

- The letter “L” denotes long position in the shares, underlying shares and debentures of the Company or any of its associated corporations.
- Jaguar Asian is wholly-owned by Mr. Chen Daren, a non-executive Director. Mr. Chen Daren is deemed to be interested in the 208,116,000 Shares held by Jaguar Asian under the SFO.
- These shares are held by EAGLEPASS DEVELOPMENTS LIMITED (“Eaglepass Developments”), which is owned as to 15.66% and 84.34% by Mr. Lu Hanxing (non-executive Director) and Gain Profit Management Limited (“Gain Profit”) respectively. Gain Profit is wholly-owned by Zhongshan Yinglifeng Trading Developments Limited (“Yinglifeng Developments”). Yinglifeng Developments is owned as to 66.33%, 9.62%, 9.62%, 4.81%, 4.81% and 4.81% by Mr. Fan Xinpei (executive Director), Mr. Lin Guangzheng (executive Director), Mr. Su Weibing (executive Director), Ms. Wang Guping, Ms. Zhang Rong and Mr. Luo Chengwen respectively. Mr. Fan Xinpei is deemed to be interested in the 61,884,000 Shares held by Eaglepass Developments under the SFO.

Save as disclosed above, as at 31 December 2013, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' REPORT

### INTERESTS AND SHORT POSITION IN THE SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive of the Company, as at 31 December 2013, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Name of Shareholder	Capacity/Nature of interest	Number of shares	Approximate percentage of shareholding
Jaguar Asian ( <i>Note 2</i> )	Beneficial owner	208,116,000 (L)	57.81%
Eaglepass Developments ( <i>Note 3</i> )	Beneficial owner	61,884,000 (L)	17.19%
Gain Profit ( <i>Note 3</i> )	Interest in controlled corporation	61,884,000 (L)	17.19%
Yinglifeng Developments ( <i>Note 3</i> )	Interest in controlled corporation	61,884,000 (L)	17.19%

*Note:*

- The letter "L" denotes long position in the Shares.
- Jaguar Asian is wholly owned by Mr. Chen Daren, a non-executive Director. Mr. Chen Daren is deemed to be interested in the 208,116,000 Shares held by Jaguar Asian under the SFO.
- These shares are held by Eaglepass Developments, which is owned as to 15.66% and 84.34% by Mr. Lu Hanxing (non-executive Director) and Gain Profit respectively. Gain Profit is wholly-owned by Yinglifeng Developments. Yinglifeng Developments is owned as to 66.33%, 9.62%, 9.62%, 4.81%, 4.81% and 4.81% by Mr. Fan Xinpei (executive Director), Mr. Lin Guangzheng (executive Director), Mr. Su Weibing (executive Director), Ms. Wang Guping, Ms. Zhang Rong and Mr. Luo Chengwen respectively. Mr. Fan Xinpei is deemed to be interested in the 61,884,000 Shares held by Eaglepass Developments under the SFO.

Save as disclosed above, as at 31 December 2013, the Directors and the chief executive of the Company were not aware of any other person (other than Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.



## DIRECTORS' REPORT

### CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had engaged in the following continuing connected transactions (“CCTs”), a summary of which is set out as follows:

No.	Date of agreement	Connected party	Subject matter of the transaction	Term	Transaction amount for the year ended 31 December 2013 RMB'000	Annual cap amount for the year ended 31 December 2013 RMB'000
<b>I. CCTs exempt from announcement, reporting and independent shareholders' approval</b>						
<b>A. Master Licence Agreement</b>						
1.	1 January 2013	Yihua Investment (Note 1)	Grant of short periods of licences by Yihua Investment and its subsidiaries to the Group for using additional areas in the vicinity of the Group's department stores	1 January 2013 to 31 December 2015	476	782 (Note 2)
<b>B. Cooperation Agreements in respect of VIP cards</b>						
1.	30 December 2012	Jinhui Century Hotel (Note 3)	Grant of agreed discounts by the relevant connected party to holders of VIP cards issued by the Group	1 January 2013 to 31 December 2014	– (Note 4)	– (Note 4)
2.	31 December 2012	Guomao Hotel (Note 5)		1 January 2013 to 31 December 2014	– (Note 4)	– (Note 4)
3.	1 January 2013	Xindu Hotel (Note 6)		1 January 2013 to 31 December 2014	– (Note 4)	– (Note 4)
4.	25 December 2012	Yihao Hotel (Note 7)		1 January 2013 to 31 December 2014	– (Note 4)	– (Note 4)
<b>II. CCTs subject to announcement and annual reporting</b>						
<b>C. Expenditure Transactions: Hotel and Restaurant Agreement</b>						
1.	1 January 2013	Yihua Investment (Note 1)	Provision of services relating to hotel accommodations, restaurant dining and other related services by Yihua Investment and its subsidiaries	1 January 2013 to 31 December 2015	1,085	1,500 (Note 11)
<b>D. Revenue Transactions: Master Supply Agreement</b>						
1	1 January 2013	Yihua Investment (Note 1)	Supply of goods, provision of services and utilities by the Group to Yihua Investment and its subsidiaries	1 January 2013 to 31 December 2015	966	1,400 (Note 11)

## DIRECTORS' REPORT

No.	Date of agreement	Connected party	Subject matter of the transaction	Term	Transaction amount	Annual cap amount
					for the year ended 31 December 2013	for the year ended 31 December 2013
					<i>RMB'000</i>	<i>RMB'000</i>
<b>III. CCTs subject to announcement, annual reporting and independent shareholders' approval</b>						
<b>E. Expenditure Transactions: Tenancy and Management Agreements</b>						
1.	– 12 March 2013 (items i and ii) – 20 March 2013 (item iii) – 12 March 2013, as supplemented by an agreement dated 19 November 2013 (items iv and v respectively)	Guangdong Yihua Management <i>(Note 8)</i>	Lease of properties situated at the following locations of West Wing of Yihua Commercial Center: (i) Levels 1 to 2; (ii) Levels 3 to 4; (iii) 100 sq. m of Level 1; (iv) Level 5; and (v) Unit 901 of Level 9	– 12 March 2013 to 31 May 2017 (items i and ii) – 20 March 2013 to 31 December 2013 (item iii) – 12 March 2013 to 31 December 2014 (items iv and v)	8,664	8,670
2.	(i) 1 September 2012; (ii) 20 March 2013, as supplemented by an agreement dated 19 November 2013	Guangdong Yihua Management <i>(Note 8)</i>	Lease of properties situated at the following locations of East Wing of Yihua Commercial Centre: (i) Levels 1 to 3; (ii) Unit 501	(i) 1 September 2012 to 31 August 2022; (ii) 20 March 2013 to 31 December 2014	3,236	3,240
3.	16 March 2012	Guangdong Yihua Management <i>(Note 8)</i>	Lease of properties located at portion of Level 1 of Guomao Yihao Hotel	1 May 2012 to 31 December 2014	235	360
4.	(i) 10 August 2009; (ii) 1 June 2013	Jinhui Century <i>(Note 3)</i>	Lease of properties located at: (i) Basement 1 and Levels 1 to 3 of Jinhui Century Square; (ii) (a) Basement 1 of Jinhui Century Square; and (b) an open area at 118 Yingbin Avenue	(i) 17 September 2009 to 16 September 2019; (ii) 1 June 2013 to 31 December 2015	19,710	19,710

## DIRECTORS' REPORT

No.	Date of agreement	Connected party	Subject matter of the transaction	Term	Transaction amount	Annual cap amount
					for the year ended 31 December 2013	for the year ended 31 December 2013
					RMB'000	RMB'000
5.	(i) 1 January 2010; (ii) 16 July 2012 and 30 September 2013	Guomao Hotel (Note 5)	Lease of properties located at: (i) Portion of Level 3 of Section B of Zhongshan Guzhen International Hotel; (ii) Area B of 580 sq.m. at 3rd Floor of Guzhen International Hotel	(i) 1 January 2010 to 31 December 2019; (ii) 15 June 2012 to 22 January 2014 and 23 January 2014 to 22 January 2016	1,642	1,730
6.	1 June 2006	Yihua Investment (Note 1)	Lease of properties located at Basement 1, Levels 1 and 2 of podium building, Levels 2 to 4 of annex building, No.118 Yingbin Avenue Road ("JP Area)	16 June 2006 to 25 July 2023	12,177	12,180
	20 September 2008	Yihao Hotel (Note 7)	Lease of an additional area of 238 sq.m. at JP Area	22 September 2008 to 25 July 2023		
	20 June 2009	Yihao Hotel (Note 7)	Provision of property management services for main building and auxiliary building at JP Area	1 July 2009 to 25 July 2025		
7.	14 June 2013	Tai'an Yihua Real Estate (Note 9)	Provision of property management services to Tai'an Store (Longtan)	15 June 2013 to 31 December 2015	0 (Note 12)	1,480
Aggregate amount for Tenancy and Management Agreements (Notes 10 and 11)					45,664	47,370

## DIRECTORS' REPORT

### Notes:

1. Yihua Investment, is owned as to 49.6%, 28.22%, 11.09% and 11.09% by Zhongshan Shunyi Industrial Development Limited 中山市順益實業發展有限公司 (“**Shunyi Industrial**”), Mr. Lu Hanxing (a Director), Mr. Chen Daren (a Director and controlling Shareholder) and Mr. Chen Zhengtao (the nephew of Mr. Chen Daren and the son of Mr. Chen Jianren, a Director). Shunyi Industrial is owned as to 90% by Mr. Chen Daren.
2. Although no annual cap was expressed for the Master License Agreement with Yihua Investment and its subsidiaries as it was an exempt continuing connected transaction under Rule 14A.33(3)(c) of the Listing Rules, it is a term of the agreement that the annual amount should not exceed HK\$1 million (equivalent to approximately RMB782,000).
3. 江門市金匯世紀廣場物業管理有限公司 (“**Jinhui Century**”), is owned as to 90% by Shunyi Industrial, which is in turn owned as to 90% by Mr. Chen Daren (a Director and controlling Shareholder).
4. Under the Cooperation Agreements, the Group is not required to pay any fees to Yihua Investment and its subsidiaries. Therefore, for the year ended 31 December 2013, there were no transaction amounts nor annual caps for the Cooperation Agreements.
5. 中山市古鎮國貿大酒店有限公司 (“**Guomao Hotel**”), a 64% owned subsidiary of Yihua Investment.
6. 中山市新都酒店有限公司 (“**Xindu Hotel**”), a 90% owned subsidiary of Yihua Investment.
7. 江門市逸豪酒店有限公司 (“**Yihao Hotel**”), a 55% owned subsidiary of Yihua Investment.
8. 廣東益華廣場管理有限公司 (Guangdong Yihua Plaza Management Limited) (“**Guangdong Yihua Management**”), is owned as to 60% by Yihua Investment, 10% by Mr. Fan Xinpei (a Director and substantial Shareholder), 10% by Mr. Lu Hanxing (a Director) and 10% by Mr. Chen Zhengtao (陳正陶), nephew of Mr. Chen Daren (a Director and controlling Shareholder) and son of Mr. Chen Jianren (a Director).
9. 泰安益華置業開發有限公司 (“**Tai'an Yihua Real Estate**”), a wholly-owned subsidiary of Yihua Investment.
10. Pursuant to Rule 14A.25 of the Listing Rules, the CCTs constituted by the Tenancy and Management Agreements under items E1 to E7 should be aggregated and treated as if they were one transaction.
11. As disclosed in the Prospectus, the Company has applied to the Stock Exchange, and the Stock Exchange has granted to the Company a waiver from strict compliance with, among others, (i) the announcement requirement in respect of the Hotel and Restaurant Agreement and the Master Supply Agreement; (ii) the announcement and Independent Shareholders' approval requirements in respect of the Tenancy and Management Agreements, pursuant to Rule 14A.42(3) of the Listing Rules on the condition that the aggregate value of the transactions contemplated thereunder for each of the three years ending 31 December 2013, 2014 and 2015 will not exceed their respective annual caps as stated in the Prospectus.
12. During the year ended 31 December 2013, Tai'an Yihua Real Estate did not provide property management service to Tai'an Store. The contract was subsequently terminated by a termination agreement on 1 January 2014.
13. Additional details of the above CCTs were disclosed in the section headed “Connected Transactions” in the Prospectus.

## DIRECTORS' REPORT

The independent non-executive Directors have reviewed the continuing connected transactions mentioned above and have confirmed that the continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the continuing connected transactions during the year and confirmed that these transactions:

- (i) were approved by the Board;
- (ii) were in accordance with the pricing policies of the Company;
- (iii) had been entered into in accordance with the relevant agreements governing the transactions; and
- (iv) have not exceeded the caps stated in the Prospectus.

### SHARE OPTION SCHEME

The Company has conditionally adopted its pre-IPO share option scheme on 12 November 2013 (the “**Scheme**”). The purpose of the Scheme is to attract and retain the best quality personnel for the development of the Group’s businesses; to provide additional incentives to the employees; to provide eligible participants (as defined in the Scheme) (“**Eligible Participants**”) with the opportunity to acquire proprietary interests in the Company; and to promote the long term financial success of the Group by aligning the interests of grantees to the Shareholders. Under the Scheme, the Board shall be entitled at any time (except for the period as defined under the Listing Rules whereby price sensitive event or a price sensitive matter has been the subject of a decision) within 10 years commencing on the date of adoption of the Scheme to make an offer for the grant of an option to any Eligible Participant (including any employee, officer or director, whether executive or non-executive, of the Group), and any consultant, adviser, supplier, customer or subcontractor of the Group or any other person determined by the Board as appropriate.

## DIRECTORS' REPORT

The shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the Shares in issue from time to time. The maximum number of shares available for issue under options which may be granted under the Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue immediately following the commencement of dealings in the Shares on the Stock Exchange, being 36,000,000 shares. The total number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the Shares in issue, such further grant shall be subject to separate approval by the Shareholders in general meeting with the relevant grantee and his associates abstaining from voting.

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the offer date which must be a business day for trading of securities on the Stock Exchange (“**Business Day**”); (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Business Days immediately preceding the offer date; and (iii) the nominal value of a Share. HK\$1.00 is payable by the grantee to the Company on acceptance of the offer of the option. The period within which the Shares must be taken up under an option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

For the year ended 31 December 2013, no option has been granted or agreed to be granted under the Scheme.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders under the Company's Memorandum and Articles of Association and the Companies Laws of the Cayman Islands.

### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers taken together were less than 30% of the Group's total sales for the year. The aggregate purchases attributable to the Group's five largest suppliers taken together were less than 30% of the Group's total purchases for the year.

## DIRECTORS' REPORT

### SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this annual report, to the best knowledge of the directors and based on the information publicly available to the Company, there is sufficient public float as required by the Listing Rules.

### SUBSEQUENT EVENTS

Details of the subsequent events are set out in note 32 to the consolidated financial statements.

### DONATIONS

The Group's charitable and other donations during the year amounted to HK\$1 million.

### AUDITORS

The financial statements for the year ended 31 December 2013 have been audited by PricewaterhouseCoopers. A resolution for their re-appointment as auditors of the Company for the ensuing year will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Mr. Chen Jianren**

*Chairman*

28 March 2014

# INDEPENDENT AUDITOR'S REPORT

## **To the shareholders of Yi Hua Department Store Holdings Limited**

*(Incorporated in Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Yi Hua Department Store Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 49 to 114, which comprise the consolidated and company balance sheets as at 31 December 2013 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **AUDITOR'S RESPONSIBILITY**

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

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



## INDEPENDENT AUDITOR'S REPORT

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

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

Certificated Public Accountants

Hong Kong, 28 March 2014

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013  
(All amounts expressed in RMB unless otherwise stated)

**Year ended 31 December**

	Note	<b>2013</b> <b>RMB'000</b>	2012 RMB'000
<b>Continuing operations</b>			
Revenue	6	<b>713,951</b>	678,876
Other income	7	<b>3,460</b>	816
Other (losses)/gains – net		<b>(183)</b>	589
Purchases of and changes in inventories		<b>(356,883)</b>	(352,190)
Employee benefit expenses	8	<b>(92,764)</b>	(75,910)
Depreciation and amortisation		<b>(20,412)</b>	(17,300)
Operating lease rental expense and property management fee		<b>(96,967)</b>	(72,429)
Other operating expenses	9	<b>(123,098)</b>	(103,766)
<b>Operating profit</b>		<b>27,104</b>	58,686
Finance income		<b>1,640</b>	3,460
Finance costs		<b>(1,183)</b>	(2,602)
Finance income – net	10	<b>457</b>	858
<b>Profit before income tax</b>		<b>27,561</b>	59,544
Income tax expense	11	<b>(12,898)</b>	(17,025)
<b>Profit for the year from continuing operations</b>		<b>14,663</b>	42,519
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	20	<b>2,004</b>	1,124
<b>Profit for the year</b>		<b>16,667</b>	43,643
Other comprehensive income for the year		–	–
<b>Total comprehensive income for the year</b>		<b>16,667</b>	43,643
<b>Profit for the year attributable to:</b>			
Equity holders of the Company		<b>15,051</b>	42,565
Non-controlling interests		<b>1,616</b>	1,078
		<b>16,667</b>	43,643

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

	Note	Year ended 31 December	
		2013 RMB'000	2012 RMB'000
<b>Total comprehensive income for the year attributable to:</b>			
Equity holders of the Company		<b>15,051</b>	42,565
Non-controlling interests		<b>1,616</b>	1,078
		<b>16,667</b>	43,643
<b>Total profit and comprehensive income for the year attributable to equity holders of the Company:</b>			
From continuing operations		<b>14,069</b>	42,014
From discontinued operations	20	<b>982</b>	551
		<b>15,051</b>	42,565
<b>Earnings per share from continuing and discontinued operations attributable to equity holders of the Company for the year</b>	13		
<b>Basic and diluted earnings per share (expressed in RMB per share)</b>			
From continuing operations		<b>0.0512</b>	0.1556
From discontinued operations		<b>0.0036</b>	0.0020
		<b>0.0548</b>	0.1576
Dividends	12	<b>64,238</b>	—

The notes on pages 56 to 114 are an integral part of these consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

as at 31 December 2013  
(All amounts expressed in RMB unless otherwise stated)

		As at 31 December	
	Notes	2013 RMB'000	2012 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	203,364	118,730
Computer software		725	79
Deferred income tax assets	15	1,754	1,676
Deferred assets	16	2,160	953
Long-term receivable, prepaid rent and rental deposits	19	26,475	18,703
		<b>234,478</b>	140,141
<b>Current assets</b>			
Inventories	18	98,076	93,778
Trade receivables, prepayments and other receivables	19	61,296	71,979
Amounts due from related parties	31(b)	45,801	142,002
Restricted cash	21	25,310	15,097
Cash and cash equivalents	22	228,219	186,435
		<b>458,702</b>	509,291
Assets of disposal group classified as held for sale	20	–	5,375
		<b>458,702</b>	514,666
<b>Total assets</b>		<b>693,180</b>	654,807
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	23	2,830	–
Other reserves	24	113,820	22,773
Retained earnings		15,654	69,044
		<b>132,304</b>	91,817
Non-controlling interests		721	(3,128)
<b>Total equity</b>		<b>133,025</b>	88,689

## CONSOLIDATED BALANCE SHEET

as at 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

	Notes	As at 31 December	
		2013 RMB'000	2012 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	15	6,208	7,041
Other payables	25	5,469	2,502
		<b>11,677</b>	9,543
<b>Current liabilities</b>			
Trade and other payables	25	324,134	287,119
Amounts due to related parties	31(b)	1,990	12,655
Deferred revenue		4,744	3,576
Advances from customers		208,352	231,238
Current income tax liabilities		9,258	4,356
Borrowings	26	–	15,000
		<b>548,478</b>	553,944
Liabilities of disposal group classified as held for sale	20	–	2,631
		<b>548,478</b>	556,575
<b>Total liabilities</b>		<b>560,155</b>	566,118
<b>Total equity and liabilities</b>		<b>693,180</b>	654,807
<b>Net current liabilities</b>		<b>(89,776)</b>	(41,909)
<b>Total assets less current liabilities</b>		<b>144,702</b>	98,232

The notes on pages 56 to 114 are an integral part of these consolidated financial statements.

The consolidated financial statements on page 49 to 114 were authorised for issue by the Board of Directors on 28 March 2014 and were signed on its behalf.

**Fan Xinpei**  
Executive Director

**Su Weibing**  
Executive Director

## BALANCE SHEET

as at 31 December 2013  
(All amounts expressed in RMB unless otherwise stated)

	Note	As at 31 December	
		2013 RMB'000	2012 RMB'000
<b>Non-current assets</b>			
Investment in a subsidiary	17	28,000	–
<b>Current assets</b>			
Prepayments and other receivables	19	4,280	616
Cash and cash equivalent	22	86,245	–
		90,525	616
<b>Total assets</b>		<b>118,525</b>	<b>616</b>
<b>Equity attributable to equity holders of the Company</b>			
Share capital	23	2,830	–
Other reserves	24	113,499	–
Accumulated losses	24(c)	(1,125)	(1,845)
<b>Total equity</b>		<b>115,204</b>	<b>(1,845)</b>
<b>Current liabilities</b>			
Amounts due to a related party	31(b)	–	2,461
Other payables	25	3,321	–
		3,321	2,461
<b>Total equity and liabilities</b>		<b>118,525</b>	<b>616</b>
<b>Net current assets/(liabilities)</b>		<b>87,204</b>	<b>(1,845)</b>
<b>Total assets less current liabilities</b>		<b>115,204</b>	<b>(1,845)</b>

The notes on pages 56 to 114 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

	Attributable to the equity holders of the Company					Total equity RMB'000
	Share Capital	Other Reserves	Retained earnings	Total	Non- controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance as at 1 January 2012</b>	–	18,511	30,741	49,252	(4,206)	45,046
<b>Profit and total comprehensive income for the year</b>	–	–	42,565	42,565	1,078	43,643
Appropriation to statutory reserve	–	4,262	(4,262)	–	–	–
<b>Total transactions with owners</b>	–	4,262	(4,262)	–	–	–
<b>Balance as at 31 December 2012</b>	–	22,773	69,044	91,817	(3,128)	88,689
<b>Balance at 1 January 2013</b>	–	22,773	69,044	91,817	(3,128)	88,689
<b>Profit and total comprehensive income for the year</b>	–	–	15,051	15,051	1,616	16,667
Dividend distributed (Note 12)	–	–	(64,238)	(64,238)	–	(64,238)
Reorganisation and capital contribution from shareholders	–	1,345	–	1,345	–	1,345
Shares issued pursuant to the Placing and Public Offer (Note 23(b))	707	87,622	–	88,329	–	88,329
Shares issued under the capitalisation issue (Note 23(c))	2,123	(2,123)	–	–	–	–
Appropriation to statutory reserve	–	4,203	(4,203)	–	–	–
<b>Total transactions with owners</b>	2,830	91,047	(68,441)	25,436	–	25,436
Disposal of a subsidiary (Note 20)	–	–	–	–	2,233	2,233
<b>Balance as at 31 December 2013</b>	2,830	113,820	15,654	132,304	721	133,025

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2013  
(All amounts expressed in RMB unless otherwise stated)

	Note	Year ended 31 December	
		2013 RMB'000	2012 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	27	20,273	126,150
Interest received		1,120	5,026
Interest paid		(1,184)	(2,602)
Income tax paid		(10,389)	(24,276)
<b>Net cash generated from operating activities</b>		<b>9,820</b>	<b>104,298</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment	27	618	–
Purchases of property, plant and equipment and computer software		(78,508)	(20,038)
Disposal of a subsidiary	20(e)	(10,322)	–
Loans granted to related companies	31(a)(v)	(92,255)	(110,011)
Loan repayments received from related companies	31(a)(v)	194,466	81,000
Loan repayments received from a disposed subsidiary		10,000	–
<b>Net cash generated from/(used in) investing activities</b>		<b>23,999</b>	<b>(49,049)</b>
<b>Cash flows from financing activities</b>			
Capital injection from shareholders		3,430	–
Proceeds from borrowings		20,000	–
Repayments of borrowings		(35,000)	(55,000)
Loans repayments to related companies	31(a)(vi)	(4,546)	(1,000)
Loans and advances received from third parties		–	5,000
Loans and advances repayments to third parties and non-controlling interest		–	(1,000)
Proceed from the Placing and Public Offer		94,945	–
Professional expenses paid in connection with the Placing and Public Offer		(6,626)	(220)
Dividend distribution		(64,238)	–
<b>Net cash generated from/(used in) financing activities</b>		<b>7,965</b>	<b>(52,220)</b>
<b>Net increase in cash and cash equivalents</b>		<b>41,784</b>	<b>3,029</b>
Cash and cash equivalents at beginning of the year		186,435	184,458
Less: cash and cash equivalents included in assets of disposal group classified as held for sale		–	(1,052)
<b>Cash and cash equivalents at end of the year</b>		<b>228,219</b>	<b>186,435</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 1 GENERAL INFORMATION OF THE GROUP

Yi Hua Department Store Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 20 April 2012 as an exempted company with limited liability under the Cayman Islands Companies Law. The address of the Company’s registered office is at the Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The Company and its subsidiaries are collectively referred to as “the Group”.

The Company is an investing holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in the operations of department stores (the “Listing Business”) in the People’s Republic of China (the “PRC”). During the year ended 31 December 2013, the Group was also engaged in property rental management business in the PRC (the “Discontinued Operations”, see Note 20).

The Company has its primarily listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “HKEX”) (the “Placing and Public Offer”) on 11 December 2013.

## 2 THE REORGANISATION

In preparation for the Placing and Public Offer of the Company’s shares on the Main Board of HKEX, a group reorganisation (the “Reorganisation”) was undertaken pursuant to which the group companies engaged in the Listing Businesses were transferred to the Company. The Reorganisation was completed on 20 November 2013. Details of the Reorganisation are set out under the section headed “History and development” in the prospectus (the “Prospectus”) of the Company dated 26 November 2013.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 3.1 Basis of preparation

Immediately prior to and after the Reorganisation, the Listing Business is controlled by Mr. Chen Daren. The Listing Business is conducted through Guangdong Yihua Department Store Limited (“Guangdong Yihua”) and its subsidiaries, which are ultimately controlled by Mr. Chen Daren and are the only operating entities of the Group. Pursuant to the Reorganisation, the Listing Business is transferred to and held by the Company. The Company and intermediate holding entities do not have any other business at the time of the Reorganisation and the Reorganisation transactions as described in the Prospectus are merely a reorganisation of the Listing Business with no change in management and the controlling shareholder of the Listing Business, Mr. Chen Daren. Accordingly, the consolidated financial statements of the Group has been prepared on a consolidation basis and is presented using the carrying values of the Listing Business under the Group for both of years presented.

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Basis of preparation (continued)

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

As at 31 December 2013, the current liabilities of the Group exceeded its current assets by approximately RMB89,776,000 (2012: RMB41,909,000). This is mainly because the Group has applied a portion of its cash generated from operating activities to finance the renovation of its new department stores. Included in the current liabilities were advances from customers, primarily relating to consumption cards issued, amounting to approximately RMB208,352,000 (2012: RMB231,238,000). The Group has monitored its liquidity position by maintaining good relationship with bankers for sufficient facilities available to finance its daily operations whenever necessary and generating continuously positive cash inflows from operations. The Directors have prepared cash flow projection of the Group for the coming twelve months. Based on the Directors' review of the Group's cash flow projection, taking into account the reasonably possible changes in the operational performance and the banking facilities available, there are sufficient financial resources available to the Group at least in the coming twelve months to meet its liabilities as and when they fall due. Accordingly, the Directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

(a) *The following new standards, amendments and interpretations have been issued and effective for the annual accounting period beginning 1 January 2013.*

Standards/ Interpretation	Subject of amendment	Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (revised 2011)	Investment in associates and joint ventures	1 January 2013
HKFRS 1 (Amendment)	First time adoption- Government loans	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures-Offsetting financial assets and financial liabilities	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Basis of preparation (continued)

(a) *The following new standards, amendments and interpretations have been issued and effective for the annual accounting period beginning 1 January 2013 (continued).*

Standards/ Interpretation	Subject of amendment	Effective for accounting periods beginning on or after
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 10 and HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements, disclosures of interest in other entities: transitional guidance	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
Annual Improvement Project	Annual improvements 2009-2011 cycle	1 January 2013

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group's results of operations or financial position.

As a result, the adoption of above new standards, amendments and interpretation to existing standards does not have material impact on the results and financial position of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Basis of preparation (continued)

(b) *The following new standards, amendments and interpretations to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:*

Standards/ Interpretation	Subject of amendment	Effective for accounting periods beginning on or after
HKFRS 9	Financial instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (revised 2011)	Consolidated financial statements, Disclosure of interests in other entities and Separate financial statements	1 January 2014
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets	1 January 2014
HK(IFRIC) Interpretation 21	Levies	1 January 2014

Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

### 3.2 Consolidation

#### (a) *Subsidiaries*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Consolidation (continued)

#### (a) *Subsidiaries (continued)*

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

#### (b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### (c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### 3.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Directors and senior management of the Group that makes strategic decisions.

### 3.5 Foreign currency translation

#### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's and the Group's presentation currency.

#### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### (c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.5 Foreign currency translation (continued)

#### (c) Group companies (continued)

- (iii) all resulting exchange differences are recognised in other comprehensive income.

### 3.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of items.

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Leasehold improvements	10 years
– Buildings	20 years
– Office equipment	3 years
– Vehicles	6 years
– Other equipment	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains – net" in the consolidated statements of comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.7 Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing, if any. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

### 3.8 Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software and is carried at cost less accumulated amortisation. These costs are amortised over their estimated useful lives of 3 years.

### 3.9 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### 3.10 Non-current assets (or disposal groups) held for sale and discounted operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 3.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.10 Non-current assets (or disposal groups) held for sale and discounted operations (continued)

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

### 3.11 Financial assets

#### (a) *Classification*

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amount that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "restricted cash" and "cash and cash equivalents" in the consolidated balance sheet (Note 3.15 and 3.16).

#### (b) *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 3.13 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in consolidated statement of comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.14 Inventories

Inventories comprise merchandise held for direct sales and low value consumables and are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (“FIFO”) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 3.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### 3.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### 3.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### 3.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.19 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 3.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in consolidated statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### (a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.20 Current and deferred income tax (continued)

#### (b) *Deferred income tax*

##### *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects, neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the consolidated balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

##### *Outside basis differences*

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

#### (c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.21 Employee benefits

#### (a) Pension obligations

Pursuant to the relevant regulations of the PRC Government, all the subsidiaries of the Group that were established in the PRC (the “PRC Subsidiaries”) have participated in a local municipal government retirement benefits scheme (the “Scheme”), whereby the PRC Subsidiaries are required to contribute a certain percentage of the salaries of their employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits of those employees of the Group. Contributions under the Scheme are charged to profit or loss as incurred.

#### (b) Bonus plans

Provisions for bonus plan due wholly within twelve months after the end of the reporting period. Provision is recognised where contractually obliged or where there is a past practice that has created a constructive obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### 3.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognised revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group’s activities, as described below.

Commission income from concessionaire sales is recognised upon sales of goods by the relevant stores.

Revenue from direct sales of goods is recognised when a group entity sells a product to the customer. Retail sales are usually settled in cash, by credit cards or by using consumption cards.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.22 Revenue recognition (continued)

Operating lease rental income is recognised on a straight-line basis over the period of the lease. When the Group provides incentives to its tenants, the cost of incentives will be recognised over the lease term, on a straight-line basis, as a reduction of rental income. The difference between the gross receipt of rental and operating lease rental recognised over the lease term is recognised as deferred assets.

Management fee and service income from operations and management consulting service income are recognised when the service is rendered and right to receive payment is established.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Payments received in advance that are related to sales of goods not yet delivered and sales of consumption cards are deferred in consolidated balance sheets and recorded as advances from customers. Advances from customers are recognised at fair value of consideration received. It is recognised as revenue when the revenue recognition criteria are met.

### 3.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts or payments made under operating leases (net of any incentives received from the lessor) are recognised as income or expenses in consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

### 3.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.25 Bonus points liabilities

The Group operates a loyalty points program, which allows customers to accumulate points when they purchase products in the Group's department stores. The points can then be redeemed for gifts and consumption cards, subject to a minimum number of points being obtained. The consumption cards are cash-equivalent when customers use them to purchase products in the Group's department stores.

The award points are recognised as a separate identifiable component of the initial sale transaction, by allocating the fair value of consideration received between the award points and the other components of the sale such that the award points are recognised as a liability under "deferred revenue" at their fair value. Deferred revenue is recognised as revenue when the points are redeemed for gifts and is classified as advances from customers when the points are redeemed for consumption cards.

### 3.26 Government grants

Government grants are recognised at their fair values where there is a reasonable assurance that grant will be received and all attaching conditions will be complied with. Government grants relating to costs are recognised and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

## 4 FINANCIAL RISK MANAGEMENT

### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including interest rate risk, credit risk and liquidity risk. The Group manages and monitors the exposures to ensure appropriate measures are implemented in a timely and effective manner.

#### (a) *Interest rate risk*

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

As at 31 December 2013, the Group does not have any long-term borrowings.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 4.1 Financial risk factors (continued)

#### (b) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents and restricted cash, trade and other receivables as well as amounts due from related parties. The carrying amounts or the undiscounted nominal amounts, where applicable, of each class of these financial assets represent our Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

The Group's measures to manage the credit risk are to control potential exposures to recoverability problem. To manage this risk, deposits are mainly placed with reputable financial institutions or with financial institutions which are controlled by the government. Sales to retail customers are settled in cash, or by using credit cards or consumption cards. As for trade receivables related to management fee and service income and receivables from sales of consumption cards, our Group carries out regular review on these balances and follow-up actions on any overdue amounts to minimise exposures to credit risk.

Amounts due from related parties are continuously monitored by assessing the credit quality of the counterparties, taking into account their financial positions, past experience and other factors. The amounts due from related parties have no history of default. Management perceives that the credit risk of receivables from related parties is low after considering the creditworthiness and financial capability of these counterparties.

The table below shows the bank deposit balances of the major counterparties with or without external credit ratings as at 31 December 2013 and 2012 as follows:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts expressed in RMB unless otherwise stated)

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 4.1 Financial risk factors (continued)

#### (b) Credit risk (continued)

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Counterparties with external credit rating*		
Aa1	303	269
A1	144,270	98,856
A2	8,045	–
A3	2,004	19,765
Baa2	226	8
Baa3	49	–
Ba1	46,305	52,020
Ba2	21,715	11,642
	<b>222,917</b>	182,560
Counterparties without external credit rating*		
Commercial banks in rural areas	24,212	13,978
Restricted bank deposits and cash at banks	<b>247,129</b>	196,538

\* The credit rating is from Moody's.

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of undrawn committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group's treasury function aims to maintain flexibility in funding by keeping committed credit lines available.

Except for the Group's borrowings and certain trade and other payables, all of the Group's financial liabilities mature within 1 year from the end of the reporting period. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 4.1 Financial risk factors (continued)

#### (c) Liquidity risk (continued)

The Group	Less than	Between	Between	Over	Total
	1 year	1 and 2	2 and 5	5 years	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 31 December 2013</b>					
Trade and other payables (excluding other taxes and surcharges payable)	311,521	–	790	4,679	316,990
Amounts due to related parties	1,990	–	–	–	1,990
	313,511	–	790	4,679	318,980

The Group	Less than	Between	Between	Over	Total
	1 year	1 and 2	2 and 5	5 years	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 31 December 2012</b>					
Trade and other payables (excluding other taxes and surcharges payable)	278,244	–	830	1,672	280,746
Amounts due to related parties	12,655	–	–	–	12,655
Borrowings	15,011	–	–	–	15,011
	305,910	–	830	1,672	308,412

As at 31 December 2013, the current liabilities of the Group exceeded its current assets by approximately RMB89,776,000 (Refer to Note 3.1 for details).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of borrowings and equity. Capital is managed so as to maximise the return to shareholders while maintaining a capital base to allow the Group to operate effectively in the market place and sustain future development of the business. The Group monitors capital on the basis of gearing ratio. This ratio is calculated as total debts (including borrowings, amounts due to related companies and other payables) divided by total equity as shown in the financial statements.

The Group's gearing ratio at 31 December 2013 was as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Total debts	25,387	47,064
Total equity	133,025	88,689
Gearing ratio	19.1%	53.1%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

### (a) Current income taxes and deferred tax

The Group is primarily subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

### (b) Useful lives of property, plant and equipment

The Group determines the estimated useful lives for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charges where useful lives are different from previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

### (c) Bonus points liabilities

The amount of revenue attributable to the credit award earned by the customers of the Group's loyalty points program is estimated based on the fair value of the credits awarded and the expected redemption rate. The expected redemption rate is estimated considering the number of the credits that will be available for redemption in the future after allowing for credits which are not expected to be redeemed. Revenue from the loyalty points is recognised when the points are redeemed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 6 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) has been identified as Directors and senior management of the Company. Management determines the operating segments based on the Group’s internal reports, which are then submitted to Directors and senior management for performance assessment and resources allocation.

The CODM considered the nature of the Group’s business and determined that the Group has four reportable operating segments as follows:

- (i) Department store;
- (ii) Supermarket;
- (iii) Electrical appliances; and
- (iv) Furniture.

The CODM assesses the performance of the operating segments based on a measure of revenue and gross profit (revenue less purchase of and changes in inventories, when appropriate). This measurement basis excludes Discontinued Operations. Assets and liabilities for the operating segments are not regularly reported to the CODM.

All revenue is generated in the PRC and all significant operating assets of the Group are in the PRC. No single external customer contributes 10 per cent or more of the Group’s revenues.

### Revenue

The revenue reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income.

The segment results for the year ended 31 December 2013:

	Department store	Supermarket	Electrical appliances	Furniture (Note a)	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Segment revenue	251,260	295,994	162,442	4,255	713,951
Segment result – gross profit	243,704	75,203	34,060	4,101	357,068
Unallocated income – other income and other gains, net					3,277
Unallocated cost					(333,241)
Operating profit					27,104
Finance income					1,640
Finance costs					(1,183)
Profit before income tax					27,561
Income tax expense					(12,898)
Profit for the year from continuing operations					14,663
Depreciation and amortisation					20,412

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

### 6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2012:

	Department store RMB'000	Supermarket RMB'000	Electrical appliances RMB'000	Total RMB'000
Segment revenue	223,767	290,350	164,759	678,876
Segment result – gross profit	218,958	69,005	38,723	326,686
Unallocated income				
– other income and other gains, net				1,405
Unallocated cost				(269,405)
Operating profit				58,686
Finance income				3,460
Finance costs				(2,602)
Profit before income tax				59,544
Income tax expense				(17,025)
Profit for the year from continuing operations				42,519
Depreciation and amortisation				17,300

- (a) “Furniture” is a new reportable segment operated by the Group starting from the year ended 31 December 2013.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Entity-wide information

The turnover of the Group for the year ended 31 December 2013 is set out as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Direct sales of goods	425,432	419,333
Commission income from concessionaire sales	223,080	208,855
Management fee and service income from operations	49,441	38,907
Rental income	15,998	11,781
	<b>713,951</b>	678,876

## 7 OTHER INCOME

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Management consulting service fee	–	375
Government grants	3,460	441
	<b>3,460</b>	816

## 8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Wages and salaries	77,207	63,729
Social security costs	9,957	8,094
Welfare and other benefits	5,600	4,087
	<b>92,764</b>	75,910



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

### (a) Directors' emoluments

Directors' emoluments for the year ended 31 December 2013 are as follows:

	Fees RMB'000	Basic salaries and Discretionary allowances RMB'000	bonuses RMB'000	Other benefits including retirement benefit contribution RMB'000	Total RMB'000
<b>Year ended</b>					
<b>31 December 2013</b>					
Executive directors					
Mr. Fan Xinpei*	–	1,653	80	39	1,772
Mr. Lin Guangzheng	–	948	50	39	1,037
Mr. Su Weibing	–	950	50	39	1,039
Mr. Chen Jianren*	–	163	–	–	163
Non-executive directors					
Mr. Chen Daren	–	8	–	–	8
Mr. Lu Hanxing	–	8	–	–	8
Independent non-executive directors					
Mr. Sun Hong	11	–	–	–	11
Mr. Xu Yinzhou	11	–	–	–	11
Mr. Leung Wai Kwan	13	–	–	–	13
	<b>35</b>	<b>3,730</b>	<b>180</b>	<b>117</b>	<b>4,062</b>
<b>Year ended</b>					
<b>31 December 2012</b>					
Executive directors					
Mr. Fan Xinpei*	–	1,217	80	17	1,314
Mr. Lin Guangzheng	–	714	50	17	781
Mr. Su Weibing	–	714	50	17	781
Mr. Chen Jianren*	–	–	–	–	–
Non-executive directors					
Mr. Chen Daren	–	–	–	–	–
Mr. Lu Hanxing	–	–	–	–	–
	–	2,645	180	51	2,876

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

### (a) Directors' emoluments (continued)

\* Mr. Fan Xinpei is the chief executive officer of the Group, and Mr. Chen Jianren is the chairman of the Group. No directors have waived or agreed to waive any emoluments for the year ended 31 December 2013 (2012: Nil).

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 3 directors for the year ended 31 December 2013 (2012: 3). Their emolument is reflected in the analysis presented above. The emoluments payable to the remaining 2 (2012: 2) individuals are as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Basic salaries and allowances	1,139	901
Discretionary bonuses	60	60
Other benefits including retirement benefit contribution	78	35
	1,277	996

The emoluments of the above 2 individuals fell within the following bands:

	Year ended 31 December	
	2013	2012
Emolument bands Nil – HK\$1,000,000	2	2

During the year ended 31 December 2013, no emoluments were paid by the Group to any of the Directors or other members of the five highest paid individuals as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office (2012: Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

### 9 OTHER OPERATING EXPENSES

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Utilities	41,779	38,172
Other taxes	18,240	17,123
Advertising, promotion and related expenses	15,572	12,884
Professional service expenses	10,951	996
Repairs and maintenances	6,540	5,271
Consumables	5,095	3,591
Travelling and transportation expenses	4,093	3,310
Office expenses	3,504	3,403
Bank charges	3,395	4,259
Entertainment expense	3,039	2,734
Consumption cards related expenses	1,275	3,364
Insurance expense	787	399
Auditor's remuneration	165	48
Other expenses	8,663	8,212
	<b>123,098</b>	103,766

### 10 FINANCIAL INCOME AND COSTS

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Finance income		
– Interest income derived from cash in banks and other deposits	1,640	2,478
– Interest income derived from loan to a related party	–	982
Finance costs		
– Interest expense on bank borrowings	(1,183)	(2,414)
– Interest expense on borrowings from employees and a third party	–	(188)
Finance income – net	<b>457</b>	858

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 11 INCOME TAX EXPENSE

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Current income tax – PRC corporate income tax	13,809	13,042
Deferred income tax	(911)	3,983
Income tax expense	12,898	17,025

Taxation has been provided at the appropriate tax rates prevailing in the territories in which the Group operates. Corporate Income Tax (“CIT”) is provided on the assessable income of entities within the Group incorporated in the PRC.

Pursuant to the PRC Corporate Income Tax Law, the CIT is unified at 25% for all types of entities, effective from 1 January 2008.

According to the new CIT law, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies established outside PRC when their PRC subsidiaries declare dividends out of their profits earned after 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies.

The taxation of the Group’s profit before income tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Profit before income tax	27,561	59,544
Tax calculated at rates applicable to profits of the consolidated entities in the respective jurisdictions	6,890	14,886
Expenses not deductible for tax purposes	130	1,864
Tax losses for which no deferred income tax asset was recognised	5,878	275
Income tax expense	12,898	17,025

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 12 DIVIDEND

According to a board resolution dated 15 November 2013, Guangdong Yihua distributed RMB64,238,000 to its then shareholders before the Reorganisation and such amount was fully settled.

No dividend per share is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the year ended 31 December 2013.

## 13 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

The weighted average number of ordinary shares in issue during the year ended 31 December 2013 used in the basic earnings per share calculation is determined on the assumption that an aggregate 270,000,000 shares with par value of HK\$0.01 each issued upon the Reorganisation and the capitalisation issue had been in issue prior to the incorporation of the Company, which is the same assumption for the basic earnings per share calculation for the year ended 31 December 2012.

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Profit from continuing operations attributable to equity holders of the Company	14,069	42,014
Profit from discontinued operations attributable to equity holders of the Company	982	551
	15,051	42,565
Weighted average number of ordinary shares in issue (thousand shares)	274,500	270,000
Basic earnings per share (expressed in RMB per share)		
From continuing operations	0.0512	0.1556
From discontinued operations	0.0036	0.0020
	0.0548	0.1576

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

(All amounts expressed in RMB unless otherwise stated)

## 13 EARNINGS PER SHARE (CONTINUED)

### (b) Diluted

As there were no potential dilutive ordinary shares during the year ended 31 December 2013 and 2012, diluted earnings per share was equal to basic earnings per share.

## 14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Buildings RMB'000	Office equipment RMB'000	Vehicles RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>As at 1 January 2012</b>							
Cost	146,460	210	12,158	2,875	12,267	–	173,970
Accumulated depreciation	(43,759)	(86)	(8,548)	(1,414)	(7,519)	–	(61,326)
Net book amount	102,701	124	3,610	1,461	4,748	–	112,644
<b>Year ended</b>							
<b>31 December 2012</b>							
Opening net book amount	102,701	124	3,610	1,461	4,748	–	112,644
Additions	16,992	134	735	–	1,707	3,745	23,313
Disposals	–	–	(4)	–	(1)	–	(5)
Depreciation	(14,358)	(5)	(384)	(424)	(2,051)	–	(17,222)
Closing net book amount	105,335	253	3,957	1,037	4,403	3,745	118,730
<b>As at 31 December 2012</b>							
Cost	163,452	344	12,824	2,875	13,950	3,745	197,190
Accumulated depreciation	(58,117)	(91)	(8,867)	(1,838)	(9,547)	–	(78,460)
Net book amount	105,335	253	3,957	1,037	4,403	3,745	118,730
<b>Year ended</b>							
<b>31 December 2013</b>							
Opening net book amount	105,335	253	3,957	1,037	4,403	3,745	118,730
Additions	80,546	–	2,120	389	6,083	16,519	105,657
Disposals	–	–	(16)	(7)	(612)	–	(635)
Depreciation	(16,993)	(11)	(1,495)	(317)	(1,572)	–	(20,388)
Closing net book amount	168,888	242	4,566	1,102	8,302	20,264	203,364
<b>As at 31 December 2013</b>							
Cost	243,998	344	14,928	3,257	19,421	20,264	302,212
Accumulated depreciation	(75,110)	(102)	(10,362)	(2,155)	(11,119)	–	(98,848)
Net book amount	168,888	242	4,566	1,102	8,302	20,264	203,364

(a) No property, plant and equipment were pledged as collaterals for the Group's borrowings as at 31 December 2013 (31 December 2012: Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 december 2013

(All amounts expressed in RMB unless otherwise stated)

### 15 DEFERRED INCOME TAX

- (a) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes relate to the same tax authority. The analysis of deferred income tax assets and liabilities after offsetting is as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Deferred income tax assets:		
– to be recovered after 12 months	1,440	635
– to be recovered within 12 months	314	1,041
	1,754	1,676
Deferred income tax liabilities:		
– to be settled after 12 months	(5,242)	(6,323)
– to be settled within 12 months	(966)	(718)
	(6,208)	(7,041)
	(4,454)	(5,365)

- (b) The net movements on the deferred income tax account is as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
At the beginning of the year	(5,365)	(1,382)
Recognised in the consolidated statement of comprehensive income (Note 11)	911	(3,983)
At the end of the year	(4,454)	(5,365)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 december 2013

(All amounts expressed in RMB unless otherwise stated)

## 15 DEFERRED INCOME TAX (CONTINUED)

- (c) Movement in deferred income tax assets during the year ended 31 December 2013, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	<b>Accrued expenses and deferred revenue</b>	<b>Tax losses</b>	<b>Others</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Deferred income tax assets</b>				
As at 1 January 2012	4,252	2,390	–	6,642
Recognised in the consolidated statement of comprehensive income	(2,008)	(967)	216	(2,759)
As at 31 December 2012	2,244	1,423	216	3,883
Recognised in the consolidated statement of comprehensive income	3,341	(1,423)	164	2,082
As at 31 December 2013	5,585	–	380	5,965



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 december 2013

(All amounts expressed in RMB unless otherwise stated)

### 15 DEFERRED INCOME TAX (CONTINUED)

- (d) Movement in deferred income tax liabilities during the year ended 31 December 2013, without taking into consideration the offsetting of balances within the same tax jurisdiction, as follows:

	<b>Accelerated tax depreciation</b>	<b>Deferred assets</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000
<b>Deferred income tax liabilities</b>			
As at 1 January 2012	7,871	153	8,024
Recognised in the consolidated statement of comprehensive income	1,119	105	1,224
As at 31 December 2012	8,990	258	9,248
Recognised in the consolidated statement of comprehensive income	889	282	1,171
As at 31 December 2013	9,879	540	10,419

In accordance with the PRC tax law, tax losses may be carried forward to offset against future taxable income for a period of five years. As at 31 December 2013, the Group did not recognise deferred tax assets in respect of losses amounting to approximately RMB26,456,000 (2012: RMB2,944,000), as it is uncertain that future taxable profit will be available against which the tax losses can be utilised. These tax losses will expire between 2014 and 2018.

### 16 DEFERRED ASSETS

Rental income is recognised on an accruals basis by averaging out the impact of rent-free periods, contracted rental escalations and such other terms affecting the cash received from rental income under each tenancy agreement. Thus, rental income is recognised on a straight-line basis for the entire lease term of each tenancy agreement, which effectively amortises the impact of rent-free periods, contracted rental escalations and other relevant terms on the rental income over the relevant lease periods. The difference between the rental income as set out in the lease agreements and accounting rental income is reflected as deferred assets.

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## 17 INVESTMENT IN A SUBSIDIARY

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Investment, at cost – unlisted shares	28,000	–

The following is a list of the principal subsidiaries as at 31 December 2013:

Name of the company	Country/date of incorporation/ establishment and kind of legal entity	Issued/ registered and paid up capital	Principal activities and place of operations	Interest held
Subsidiaries – Incorporated in the British Virgin Islands (the “BVI”) and directly owned				
Mentor Asia Limited	BVI, 15 June 2000 limited liability company	US\$10,000	Investment holding, BVI	100%
Subsidiaries – Incorporated in the Hong Kong and indirectly owned				
Intelligence Link Limited	Hong Kong, 3 May 1994 limited liability company	HK\$10,000	Investment holding, Hong Kong	100%
Subsidiaries – Incorporated in the PRC and indirectly owned				
中山市朗華模具塑料有限公司 Zhongshan Lonwalk Mould Plastic Co. Ltd.*	PRC, 16 October 2000 limited liability company	RMB40,000,000	Investment holding, PRC	100%
廣東益華百貨有限公司 Guangdong Yihua*	PRC, 24 October 1994 limited liability company	RMB10,000,000	Department store operation PRC	100%
中山市古鎮益華百貨有限公司 Zhongshan Guzhen Yihua Department Store Limited*	PRC, 29 March 2006 limited liability company	RMB5,000,000	Department store operations, PRC	100%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 17 INVESTMENT IN A SUBSIDIARY (CONTINUED)

Name of the company	Country/date of incorporation/ establishment and kind of legal entity	Issued/ registered and paid up capital	Principal activities and place of operations	Interest held
Subsidiaries – Incorporated in the PRC and indirectly owned (continued)				
江門市益華百貨有限公司 Jiangmen Yihua Department Store Limited*	PRC, 24 August 2004 limited liability company	RMB5,000,000	Department store operations, PRC	100%
江門市益華世家家居有限公司 Jiangmen Yihua Shijia Jiaju Limited*	PRC, 11 September 2013 limited liability company	RMB5,000,000	Furniture store operations, PRC	100%
清遠城市廣場益華百貨有限公司 Qingyuan City Plaza Yihua Department Store Limited*	PRC, 3 August 2007 limited liability company	RMB5,000,000	Department store operations, PRC	100%
韶關市益華百貨有限公司 Shaoguan Yihua Department Store Limited*	PRC, 3 August 2007 limited liability company	RMB5,000,000	Department store operations, PRC	59%
中山市益華廣場管理有限公司 Zhongshan Yihua Plaza Management Company Limited*	PRC, 1 April 2003 limited liability company	RMB5,000,000	Investment holding, PRC	100%
鎮江市益華百貨有限公司 Zhengjiang Yihua Department Store Limited*	PRC, 5 June 2013 limited liability company	RMB5,000,000	Department store operations, PRC	100%
中山市古鎮益華商業管理有限公司 Zhongshan Guzhen Yihua Trading Management Limited*	PRC, 26 March 2006 limited liability company	RMB500,000	Department store operations, PRC	60%

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## 17 INVESTMENT IN A SUBSIDIARY (CONTINUED)

Name of the company	Country/date of incorporation/ establishment and kind of legal entity	Issued/ registered and paid up capital	Principal activities and place of operations	Interest held
Subsidiaries – Incorporated in the PRC and indirectly owned (continued)				
中山市益華世家家居有限公司 Zhongshan Yihua Shijia Jiaju Limited*	PRC, 11 September 2012 limited liability company	RMB5,000,000	Furniture store operations, PRC	100%
陽春市益華百貨有限公司 Yangchun Yihua Department Store Limited*	PRC, 28 September 2012 limited liability company	RMB1,000,000	Department store operations, PRC	100%
中山市太陽城益華有限公司 Zhongshan Taiyangcheng Yihua Department Store Limited*	PRC, 9 November 2012 limited liability company	RMB1,000,000	Department store operations, PRC	100%
泰安益華商業有限公司 Tai'an Yihua Commercial Limited*	PRC, 10 December 2012 limited liability company	RMB1,000,000	Department store operations, PRC	100%
英德市益華百貨有限公司 Yingde Yihua Department Store Limited*	PRC, 9 March 2011 limited liability company	RMB1,000,000	Department store operations, PRC	100%
陽江益華百貨有限公司 Yangjiang Yihua Department Store Limited*	PRC, 1 April 2013 limited liability company	RMB5,000,000	Department store operations, PRC	100%
陽江益華世家家居有限公司 Yangjiang Yihua Shijia Jiaju Limited*	PRC, 6 May 2013 limited liability company	RMB5,000,000	Furniture store operations, PRC	100%

\* The English name of the subsidiaries represents the best effort by the management of the Group in translating their Chinese name as they do not have an official English name.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 18 INVENTORIES

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Merchandise held for direct sales	97,002	93,098
Low value consumables	1,074	680
	<b>98,076</b>	93,778

The cost of inventories recognised as purchase and changes in inventories amounted to approximately RMB356,883,000 for the year ended 31 December 2013 (2012: RMB352,190,000).

## 19 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

### The Group

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Trade receivables	18,111	14,294
Receivables from sales of consumption cards and arrangements with mobile telecommunications service provider	3,010	3,680
Other receivables	11,401	3,161
Prepayments	40,754	58,042
Rental and other deposits	14,495	11,505
	<b>87,771</b>	90,682
Less: long-term receivable, prepaid rent and rental deposits	(26,475)	(18,703)
	<b>61,296</b>	71,979

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts expressed in RMB unless otherwise stated)

## 19 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

### The Company

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Other receivables	4,280	–
Prepayments	–	616
	<b>4,280</b>	616

- (a) The carrying amounts of the Group's and the Company's trade and other receivables as at 31 December 2013 and 2012 approximate their fair values.
- (b) The Group's and the Company's trade and other receivables were denominated in following currencies:

	The Group As at 31 December		The Company As at 31 December	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
RMB	42,737	32,640	–	–
HK\$	4,280	–	4,280	–
	<b>47,017</b>	32,640	<b>4,280</b>	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts expressed in RMB unless otherwise stated)

### 19 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

- (c) As at 31 December 2013 and 2012, the aging analysis of trade receivables were as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Trade receivables, gross		
– Within 2 months	17,374	13,632
– Over 2 months	737	662
	<b>18,111</b>	14,294

- (d) The balance of trade receivables mainly included management fee and service income from concessionaires and other lessees, the credit terms of which are generally within 30 to 60 days.
- (e) As at 31 December 2013, trade receivables of approximately RMB737,000 (2012: RMB662,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The credit quality of trade receivables neither past due nor impaired has been assessed by reference to historical default rates of the counterparties.
- (f) The maximum exposure to credit risk as at the balance sheet date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.
- (g) None of these trade and other receivables was impaired as at 31 December 2013 and 2012.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 december 2013

(All amounts expressed in RMB unless otherwise stated)

### 20 ASSETS/LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

	<b>For the period from 1 January 2013 to 18 November 2013 RMB'000</b>	Year ended 31 December 2012 RMB'000
Profit for the period/year from discontinued operations:		
Attributable to:		
– Equity holders of the Company	<b>982</b>	551
– Non-controlling interests	<b>1,022</b>	573
	<b>2,004</b>	1,124

The assets and liabilities related to Shao Guan Central Plaza Management Limited (“Shaoguan Central Management”), a 49% owned subsidiary, have been presented as held for sale since 31 December 2011 following the approval by the board in 2011. On 18 November 2013, the Group disposed of its entire equity interest in Shaoguan Central Management to a third party.

- (a) The operating results of Shaoguan Central Management, which have been included in the consolidated statements of comprehensive income, are as follows:

	<b>For the period from 1 January 2013 to 18 November 2013 RMB'000</b>	Year ended 31 December 2012 RMB'000
Revenue	<b>4,212</b>	4,311
Expenses	<b>(2,208)</b>	(3,187)
Total profit before tax	<b>2,004</b>	1,124
Income tax expenses	–	–
Net profit for the period/year	<b>2,004</b>	1,124



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts expressed in RMB unless otherwise stated)

### 20 ASSETS/LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

(b) The cash flows of Shaoguan Central Management for the period/year are as follows:

	<b>For the period from 1 January 2013 to 18 November 2013 RMB'000</b>	Year ended 31 December 2012 RMB'000
Cash and cash equivalents at beginning of the period/year	<b>1,052</b>	1,258
Net cash (used in)/generated from operating activities	<b>(517)</b>	1,485
Net cash used in investing activities	<b>(113)</b>	(4)
Net cash generated from/(used in) financing activities	<b>9,900</b>	(1,687)
Cash and cash equivalents at end of the period/year	<b>10,322</b>	1,052

(c) Assets of Shaoguan Central Management as at 31 December 2012 were classified as held for sale.

	As at 31 December 2012 RMB'000
Property, plant and equipment	3,896
Trade and other receivables	427
Cash and cash equivalents	1,052
	<b>5,375</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts expressed in RMB unless otherwise stated)

## 20 ASSETS/LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

- (d) Liabilities of Shaoguan Central Management as at 31 December 2012 were classified as held for sale.

	As at 31 December 2012 RMB'000
Trade and other payables	2,631

- (e) The details of assets and liabilities disposed of and the disposal consideration were as follows:

	<b>As at 18 November 2013 RMB'000</b>
Property, plant and equipment	12
Trade and other receivables	1,019
Cash and cash equivalents	10,322
Trade and other payables	(15,731)
Net liabilities	(4,378)
Less: share of non-controlling shareholders	2,233
Net liabilities attributable to equity holders of the Company	(2,145)
Disposal consideration:	
– Cash consideration receivable	245
– Liabilities assumed	(2,728)
	(2,483)
Loss from disposal of a subsidiary recorded in profit or loss	(338)
Net cash outflow arising from disposal	10,322

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(All amounts expressed in RMB unless otherwise stated)

### 21 RESTRICTED CASH

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Restricted cash	25,310	15,097

All restricted cash was denominated in RMB. As at 31 December 2013 and 2012, all the restricted cash was deposited in a designated bank account for the pledge of notes payable issued by a bank.

### 22 CASH AND CASH EQUIVALENTS

	The Group As at 31 December		The Company As at 31 December	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Cash at bank	196,892	147,781	86,245	–
Short-term bank deposits	24,927	33,660	–	–
Cash on hand	6,400	4,994	–	–
	228,219	186,435	86,245	–

The Group's and the Company's cash and cash equivalents were denominated in following currencies:

	The Group As at 31 December		The Company As at 31 December	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
RMB	220,173	186,435	78,199	–
HK\$	8,046	–	8,046	–
	228,219	186,435	86,245	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 december 2013

(All amounts expressed in RMB unless otherwise stated)

## 23 SHARE CAPITAL

### Authorised share capital

	Number of ordinary shares	Nominal value of ordinary shares HK\$	Equivalent nominal value of ordinary shares RMB
As at 20 April 2012 (date of incorporation) and 31 December 2012	38,000,000	380,000	308,636
Increase in authorised share capital (Note (a))	740,000,000	7,400,000	5,817,880
As at 31 December 2013	778,000,000	7,780,000	6,126,516

### Issued share capital

	Number of ordinary shares	Nominal value of ordinary shares HK\$	Equivalent nominal value of ordinary shares RMB'000
As at 20 April 2012 (date of incorporation) and 31 December 2012	3	0.03	–
Allotment of shares pursuant to the Reorganisation	9,997	99.97	–
Shares issued pursuant to the Placing and Public Offer (Note (b))	90,000,000	900,000	707
Shares issued under capitalisation issue (Note (c))	269,990,000	2,699,900	2,123
As at 31 December 2013	360,000,000	3,600,000	2,830

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for the year ended 31 december 2013

(All amounts expressed in RMB unless otherwise stated)

## 23 SHARE CAPITAL

- (a) Pursuant to a written board resolution on 12 November 2013, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of par value HK\$0.01 each to HK\$7,780,000 divided into 778,000,000 share of par value HK\$0.01 each by the creation of an additional 740,000,000 shares.
- (b) In connection with the initial public offering of the shares of the Company, 90,000,000 shares of HK\$0.01 each were issued at a price of HK\$1.4 per share for a total cash consideration, before listing expenses, of HK\$126,000,000 (equivalent to RMB99,061,000).
- (c) Pursuant to a written board resolution on 12 November 2013, an aggregate of 269,990,000 shares of HK\$0.01 each were issued, credited as fully paid at par, by way of capitalisation of the sum of HK\$2,699,900 (equivalent to RMB2,123,000) from the share premium account.

## 24 OTHER RESERVES

### The Group

	Share premium RMB'000	Statutory reserve RMB'000 (Note a)	Capital reserve RMB'000 (Note b)	Total RMB'000
<b>Balance as at 1 January 2012</b>	–	3,606	14,905	18,511
Appropriation to reserve fund	–	4,262	–	4,262
<b>Balance as at 31 December 2012</b>	–	7,868	14,905	22,773
<b>Balance as at 1 January 2013</b>	–	7,868	14,905	22,773
Reorganisation and capital contribution from shareholders	–	–	1,345	1,345
Shares issued pursuant to the Placing and Public Offer (Note 23(b))	87,622	–	–	87,622
Shares issued under capitalisation issue (Note 23(c))	(2,123)	–	–	(2,123)
Appropriation to statutory reserve	–	4,203	–	4,203
<b>Balance as at 31 December 2013</b>	85,499	12,071	16,250	113,820

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 december 2013

(All amounts expressed in RMB unless otherwise stated)

## 24 OTHER RESERVES (CONTINUED)

### The Company

	Share premium RMB'000	Capital reserve RMB'000 (Note b)	Total RMB'000
<b>Balance as at 20 April 2012 (date of incorporation) and 31 December 2012</b>	–	–	–
Reorganisation and capital contribution from shareholders	–	28,000	28,000
Shares issued pursuant to the Placing and Public Offer (Note 23(b))	87,622	–	87,622
Shares issued under the capitalisation issue (Note 23(c))	(2,123)	–	(2,123)
<b>Balance as at 31 December 2013</b>	85,499	28,000	113,499

#### (a) Appropriation to reserve fund

In accordance with relevant rules and regulations in the PRC, except for sino-foreign equity joint venture enterprises, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of respective companies.

#### (b) Capital reserve

This balance mainly represented accumulated capital contribution from shareholders of the Group.

#### (c) Accumulated losses of the Company

	Year ended 31 December 2013 RMB'000	From 20 April 2012 (date of incorporation) to 31 December 2012 RMB'000
<b>At beginning of the year/period</b>	(1,845)	–
Profit/(loss) for the year/period	720	(1,845)
<b>As end of the year/period</b>	(1,125)	(1,845)

For the year ended 31 December 2013, the profit attributable to the equity holders of the Company is dealt with in the Financial Statements of the Company to the extent of RMB720,000 (From 20 April 2012 (date of incorporation) to 31 December 2012: loss of RMB1,845,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 december 2013

(All amounts expressed in RMB unless otherwise stated)

## 25 TRADE AND OTHER PAYABLES

### The Group

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Trade payables	65,161	69,812
Notes payable	37,700	50,300
Staff salaries, bonuses and welfare payables	8,302	7,966
Payables to concessionaires and lessees	144,718	122,828
Other taxes and surcharges payable	12,613	8,875
Rental and other deposits	13,156	10,431
Payables for construction costs	24,556	–
Others	23,397	19,409
	<b>329,603</b>	289,621
Less: non-current portion of other payables	(5,469)	(2,502)
	<b>324,134</b>	287,119

### The Company

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Other payables	3,321	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 december 2013

(All amounts expressed in RMB unless otherwise stated)

## 25 TRADE AND OTHER PAYABLES (CONTINUED)

The Group's and the Company's trade and other payables were denominated in following currencies:

	The Group As at 31 December		The Company As at 31 December	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
RMB	313,669	280,746	–	–
HK\$	3,321	–	3,321	–
	<b>316,990</b>	280,746	<b>3,321</b>	–

- (a) The fair value approximated their carrying amounts due to their short maturities.
- (b) As at 31 December 2013 and 2012, the aging analysis of trade payables were as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Trade payables		
– Within 3 months	59,820	57,309
– Over 3 months	5,341	12,503
	<b>65,161</b>	69,812



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 december 2013

(All amounts expressed in RMB unless otherwise stated)

### 26 BORROWINGS

	As at 31 December	
	2013 RMB'000	2012 RMB'000
<b>Current</b>		
Long-term bank borrowings due within 1 year – unsecured	–	15,000

The effective interest rate of the Group's total borrowings was as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Long-term bank borrowings due within 1 year, unsecured	–	7.32%

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of each reporting period was as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
– Within 1 year	–	15,000

The maturity of the Group's borrowings at balance sheet date was set out as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
– Within 1 year	–	15,000

The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant.

The carrying amount of the Group's borrowings was denominated in RMB.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 december 2013

(All amounts expressed in RMB unless otherwise stated)

## 27 CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
<b>Continuing operations</b>		
Profit before income tax	27,561	59,544
Adjustments for:		
Depreciation of property, plant and equipment	20,388	17,222
Amortisation of computer software	24	78
Finance income	(1,640)	(3,460)
Finance costs	1,183	2,602
Loss from sale of property, plant and equipment	17	5
Loss from disposal of a subsidiary	338	–
Changes in working capital:		
Trade and other receivables, amounts due from related parties, long-term prepaid rent and rental deposits	3,938	(19,088)
Inventories	(4,298)	6,337
Deferred assets	(1,207)	498
Trade and other payables, amounts due to related parties, deferred revenue and advances from customers	(15,301)	61,864
Restricted cash	(10,213)	(937)
Cash generated from continuing operations	20,790	124,665
<b>Discontinued operations</b>		
Profit before income tax	2,004	1,124
Adjustments for:		
Finance income	(3)	(2)
Financial costs	1	1
Changes in working capital:		
Trade and other receivables	(592)	491
Trade and other payables	(1,927)	(129)
Cash (used in)/generated from discontinued operations	(517)	1,485
Cash generated from operations	20,273	126,150

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 december 2013

(All amounts expressed in RMB unless otherwise stated)

### 27 CASH GENERATED FROM OPERATIONS (CONTINUED)

In the consolidated cash flow statements, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Net book amount	635	5
Loss from sale of property, plant and equipment	(17)	(5)
Proceeds from sale of property, plant and equipment received	618	–

### 28 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Loans and receivables		
– Deferred assets	2,160	953
– Trade and other receivables excluding prepayments	47,017	32,640
– Amounts due from related parties	45,801	142,002
– Restricted cash	25,310	15,097
– Cash and cash equivalents	228,219	186,435
	348,507	377,127

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Financial liabilities at amortised cost		
– Trade and other payables excluding non-financial liabilities	316,990	280,746
– Amounts due to related parties	1,990	12,655
– Borrowings	–	15,000
	318,980	308,401

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 december 2013

(All amounts expressed in RMB unless otherwise stated)

## 29 CONTINGENCIES

As at 31 December 2013, the Group and the Company did not have any significant contingent liabilities (31 December 2012: Nil).

## 30 COMMITMENTS

### The Group

#### (a) Capital commitments

Capital expenditure of the Group contracted for at each consolidated balance sheet date, but not yet incurred is as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Property, plant and equipment	10,208	10,669

#### (b) Operating lease commitments

The Group leases various buildings for operations under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
– Within 1 year	24,131	1,205
– 1 to 5 years	24,227	8,630
– Over 5 years	34,171	56,772
	82,529	66,607

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 december 2013

(All amounts expressed in RMB unless otherwise stated)

## 30 COMMITMENTS (CONTINUED)

### The Group (continued)

#### (b) Operating lease commitments (continued)

The future minimum lease income under non-cancellable operating leases is as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
– Within 1 year	11,866	2,982
– 1 to 5 years	15,646	10,616
– Over 5 years	–	669
	27,512	14,267

The above lease commitments only include commitments for basic rentals or fixed rentals, and do not include commitments for additional rental payable (contingent rents), if any, which are to be determined generally by applying predetermined percentages to future sales as it is not possible to determine in advance the amount of such additional rentals.

### The Company

As at 31 December 2013, the Company did not have any significant capital commitments and operating lease commitments (31 December 2012: Nil).

## 31 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS

The ultimate controlling individual of the Company is Mr. Chen Daren.

The Directors of the Company are of the view that the following companies were related parties that had significant transactions or balances with the Group.

Name	Relationship with the Group
廣東益華集團投資有限公司 Guangdong Yihua Group Investment Company Limited (“Yihua Investment”) *	A company controlled by Mr. Chen Daren
廣東益華廣場管理有限公司 Guangdong Yihua Plaza Management Limited *	A company controlled by Mr. Chen Daren
中山市京華世紀酒店有限公司 Zhongshan King Century Hotel Limited *	A company controlled by Mr. Chen Daren
中山市古鎮國貿大酒店有限公司 Zhongshan Guzhen International Hotel Limited *	A company controlled by Mr. Chen Daren

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 december 2013

(All amounts expressed in RMB unless otherwise stated)

## 31 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Name	Relationship with the Group
中山市新都酒店有限公司 Zhongshan Xindu Hotel Limited *	A company controlled by Mr. Chen Daren
江門市金匯世紀廣場物業管理有限公司 Jiangmen Jinhui Century Plaza Property Management Limited *	A company controlled by Mr. Chen Daren
江門市逸豪酒店有限公司 Jiangmen Yihao Hotel Limited *	A company controlled by Mr. Chen Daren
中山威信置業有限公司 Zhongshan Weixin Investment Co. Limited *	A company controlled by Mr. Chen Daren
中山市怡華集團有限公司 Zhongshan Yihua Group Company Limited *	A company controlled by Mr. Chen Daren
中山市阜沙國貿逸豪酒店有限公司 Zhongshan Fusha International Trade Yucca Hotel Company Limited	A company controlled by Mr. Chen Daren
中山市朗華物業管理有限公司 Zhongshan Lonwalk Property Management Co., Limited	A company controlled by Mr. Chen Daren
泰安益華置業開發有限公司 Tai'an Yihua Property Development Company Limited	A company controlled by Mr. Chen Daren
江門市國金餐飲服務有限公司 Jiangmen Guojin Restaurant Catering Limited	A company controlled by Mr. Chen Daren
泰安市逸豪金倫餐飲管理有限公司 Tai'an Yihao Jinlun Catering Management Limited	A company controlled by Mr. Chen Daren
陽江市宏圖物業管理有限公司 Yangjiang Hongtu Property Management Co., Limited	A company jointly controlled by Mr. Chen Daren and third parties
陽江宏高房地產發展有限公司 Yangjiang Honggao Real-Estate Development Co., Limited	A company jointly controlled by Mr. Chen Daren and third parties

\* The English names of certain companies referred to above represented the best efforts by management of the Company in translating their Chinese names as they do not have official English names.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 december 2013

(All amounts expressed in RMB unless otherwise stated)

### 31 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

#### (a) Significant transactions with related parties

During the year ended 31 December 2013, the Group had the following significant transactions with related parties:

#### (i) Rental expenses and property management fee

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Companies controlled by Mr. Chen Daren	45,906	30,510
Companies jointly controlled by Mr. Chen Daren and third parties	1,274	–
	47,180	30,510

- (a) Guangdong Yihua entered into an agreement with Guangdong Yihua Plaza Management Limited whereby Guangdong Yihua Plaza Management Limited provided certain business premises to Guangdong Yihua for free in the year ended 31 December 2012. Starting from 1 January 2013, Guangdong Yihua Plaza Management Limited charged rental expenses and property management fee to Guangdong Yihua basing on contracted amount.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 december 2013

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## 31 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Significant transactions with related parties (continued)

#### (ii) Purchases of service

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Companies controlled by Mr. Chen Daren	1,320	1,341

#### (iii) Sales of goods

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Companies controlled by Mr. Chen Daren	941	2,236

#### (iv) Interest income

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
A company controlled by Mr. Chen Daren	–	982



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 31 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

#### (a) Significant transactions with related parties (continued)

##### (v) Loans to related parties

During the year ended 31 December 2013, the movement of loans provided to Yihua Investment and other companies controlled by Mr. Chen Daren is as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
At beginning of the year	102,211	74,897
Loans advanced	92,255	110,011
Loan repayments received	(194,466)	(81,000)
Interest income recognised	–	982
Interest received	–	(2,679)
At end of the year	–	102,211

##### (vi) Loans from related parties

During the year ended 31 December 2013, the movement of loans obtained from Yihua Investment and other companies controlled by Mr. Chen Daren is as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
At beginning of the year	4,546	4,219
Loan repayments	(4,546)	(1,000)
Payment on behalf of the Company	–	1,327
At end of the year	–	4,546

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## 31 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Significant transactions with related parties (continued)

#### (vii) Sales of consumption cards

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
A company controlled by Mr. Chen Daren	25	154

### (b) Balances with related parties

#### The Group

#### Amounts due from related parties

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Companies controlled by Mr. Chen Daren	42,838	142,002
Companies jointly controlled by Mr. Chen Daren and third parties	2,963	–
	45,801	142,002

#### Amounts due to related parties

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Companies controlled by Mr. Chen Daren	1,990	12,655

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### 31 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

#### (b) Balances with related parties (continued)

##### The Company

	As at 31 December	
	2013 RMB'000	2012 RMB'000
<b>Amount due to a related party</b>		
A Company controlled by Mr. Chen Daren	–	2,461

#### (c) Key management compensation

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Basic salaries and allowances	8,515	5,767
Discretionary bonuses	411	366
Other benefits including retirement benefit contribution	370	176
	<b>9,296</b>	<b>6,309</b>

### 32 SUBSEQUENT EVENTS

A framework agreement was entered into on 24 January 2014, pursuant to which the Group will acquire certain land use rights of a property at a consideration of approximately RMB99,200,000 from Guangdong Kangsheng Investment Company Limited, a third party. Such consideration is subject to further negotiations and to be finalised in the formal agreement.