

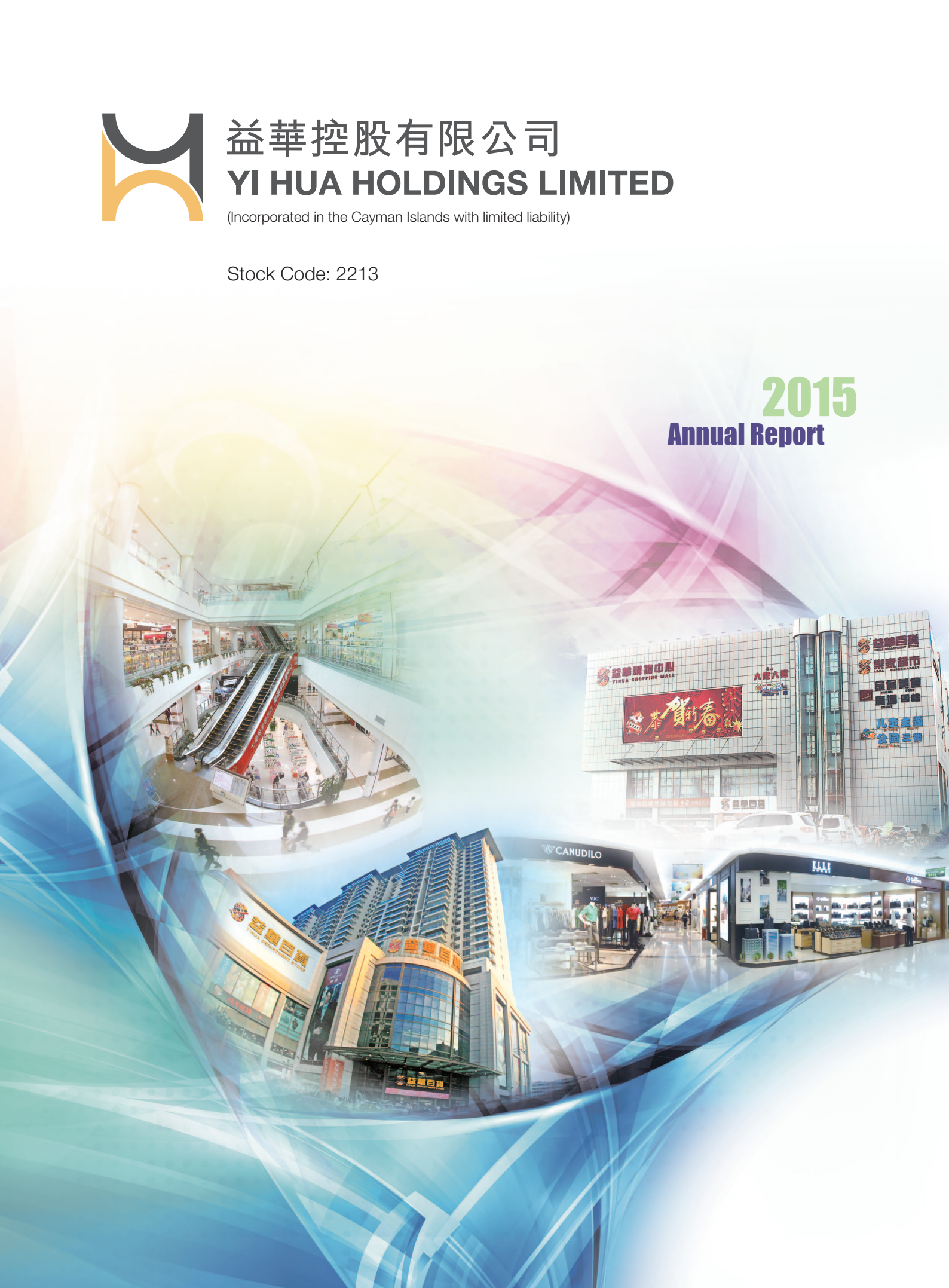


益華控股有限公司 YI HUA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2213

2015
Annual Report



CONTENTS

2	Corporate Information
3	Financial Highlights and Summary
5	Chairman's Statement
11	Management Discussion and Analysis
19	Biographies of Directors and Senior Management
24	Corporate Governance Report
37	Directors' Report
52	Independent Auditor's Report
54	Consolidated Statement of Comprehensive Income
56	Consolidated Balance Sheet
58	Consolidated Statement of Changes in Equity
59	Consolidated Cash Flow Statement
60	Notes to the Consolidated Financial Statements

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Jianren
Mr. Fan Xinpei
Mr. Su Weibing
Mr. Lin Guangzheng
Mr. Chen Zhengtao
(Appointed on 4 May 2015)

Non-executive Directors

Mr. Chen Daren
Mr. Lu Hanxing (Resigned on 4 May 2015)

Independent non-executive Directors

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 8A, 8th Floor
Wah Kit Commercial Centre
300-302 Des Voeux 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

REGISTERED OFFICE

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

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

The PRC:
Industrial and Commercial Bank of China
Ping An Bank

Hong Kong:
The Hongkong and Shanghai Banking Corporation Limited
Industrial And Commercial Bank of China (Asia) Limited
The Bank of East Asia, Limited

AUDITORS

PricewaterhouseCoopers

INTERNAL CONTROL ADVISER

Baker Tilly Hong Kong Business Services Limited

LEGAL ADVISERS TO THE COMPANY

As to the PRC law
JunZeJun Law Offices

COMPANY WEBSITE

www.yihua.com.cn

STOCK CODE

2213

FINANCIAL HIGHLIGHTS AND SUMMARY

	2011	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Revenue	715,086	678,876	713,951	710,146	655,277
Operating profit	68,300	58,686	27,104	45,927	40,145
Profit for the year from continuing operations	50,346	42,519	14,663	29,066	20,531
Profit for the year	49,167	43,643	16,667	29,066	20,531
Total comprehensive income attributable to the equity holders of the Company	49,189	42,565	15,051	27,054	26,478
Total comprehensive income attributable to the equity holders of the Company from continuing operations	49,767	42,014	14,069	27,054	26,478
Earnings per share attributable to the equity holders of the Company (note 1)	0.1822	0.1576	0.0548	0.0601 (restated)	0.0410
Earnings per share attributable to the equity holders of the Company from continuing operations (note 1)	0.1843	0.1556	0.0512	0.0601 (restated)	0.0410
Consolidated balance sheet summary					
Non-current assets	121,332	140,141	234,478	355,584	455,214
Current assets	487,921	514,666	458,702	375,425	360,013
Total assets	609,253	654,807	693,180	731,009	815,227
Non-current liabilities	25,208	9,543	11,677	35,300	54,720
Current liabilities	538,999	556,575	548,478	533,618	516,546
Total liabilities	564,207	566,118	560,155	568,918	571,266
Net assets	45,046	88,689	133,025	162,091	243,961
Equity attributable to equity holders of the Company	49,252	91,817	132,304	159,358	239,867
Non-controlling interest	(4,206)	(3,128)	721	2,733	4,094
Total equity	45,046	88,689	133,025	162,091	243,961

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 completion of the Group 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.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2014 has been retrospectively adjusted for the effect of the bonus shares of the Company issued in the year ended 31 December 2015.

CHAIRMAN'S STATEMENT



INDUSTRY REVIEW

In 2015, economic growth in China continued to slow down. Hit by a weak consumption market and electronic commerce, the department store industry is in the midst of a downturn phase. However, traditional consumption represented by daily consumables has been steady, increasingly showing an upward trend. The traditional department store industry has to adjust its structure in order to adapt to the new market environment. One of the directions of adjustment is making department stores operate more like shopping malls and expanding experience shopping in order to attract shoppers.

BUSINESS REVIEW

Expanding the store network

During the year, the Group opened its fourteenth store and fifteenth store in Nanlang Town, Zhongshan City, Guangdong Province (“**Nanlang Store**”) and Dawang Hi-tech District, Zhaoqing City, Guangdong Province (“**Dawang Store**”) in June and December 2015 respectively. With a gross floor area of approximately 7,400 square metres in total, Nanlang Store is located in a complex in the central business district of Nanlang Town. With a gross floor area of approximately 23,836 square metres in total, Dawang Store is located in a complex in the central business district of Dawang Hi-tech District.

CHAIRMAN'S STATEMENT

Catering to customers' needs in the local market, each of Nanlang Store and Dawang Store positions itself as an integrated store with a supermarket as its core business combined with a portion of its area for electrical appliances and clothes. With a commercial gross floor area of approximately 25,500 square metres in total, the complex where Nanlang Store is located is equipped with a hotel, a cinema, food and beverage outlets, and more. Together with our store operation, it is a leisure shopping centre with elements of shopping, entertainment, accommodation, as well as food and beverage that is specially created for the region.

With a commercial gross floor area of approximately 60,000 square metres in total, the complex where Dawang Store is located is equipped with a cinema, food and beverage outlets, and more. Together with our store operation, it is a leisure shopping centre with elements of shopping, entertainment, as well as food and beverage that is specially created for the region.



CHAIRMAN'S STATEMENT

Adjusting department store business

The traditional department store industry was hit in the face of weak consumption sentiment together with the threat of online shopping. In view of this, the Group has started to adjust the overall arrangement of our department store business, reducing the current operating area of department store business and letting the area to food and beverage and entertainment operators



instead. In this way, our department stores will be more like shopping malls, which will increase rental income and attract more shoppers.

Commencement of cross-border e-commerce business

As disclosed in the Company's announcement dated 10 August 2015, the Company's first global cross-border merchandise direct sales experience store, located at 3rd Floor, Yihua Plaza, Zhongshan City, Guangdong Province, the People's Republic of

China, has officially commenced operation on 9 August 2015. The official opening of the store marks the Company's commencement in full-scale expansion into the cross-border e-commerce sector. Integrating with its physical stores, the Group truly established an online-to-offline (O2O) business model that utilises its full-fledged sales channels and comprehensive online network for the sale of imported goods. Up to the date hereof, the Group has opened four cross-border merchandise direct sales experience stores.

Developing new business by adopting the Yi Hua's business model

In 2014, the Group took the opportunity to establish a new business section to provide planning, design and consulting services to commercial complex operators by adopting our unique Yi Hua Department Store business model. During the year, the Group recorded a total revenue of RMB41.8 million for providing planning, design and consulting services to five commercial complex operators.



CHAIRMAN'S STATEMENT

Purchasing properties at a low cost

Purchasing properties at a low cost in order to alleviate the pressure of rising rents and expand the source of rental income steadily has always been one of the Group's operating strategies. The Group has continued to pay attention to the opportunities brought about by excess commercial properties in China. In 2014, the Group purchased a commercial property in Enping City, Guangdong Province at a special price (below market price) so as to lower the pressure of rising rents and reap the benefit of the capital appreciation of the property. Given that Enping City is rich in tourist resources (especially hot spring resources, as Enping City is a renowned city of hot springs), numerous tourists are attracted to the city every year. In addition, Enping City is also a famous hometown for hundreds of thousands of overseas Chinese, so a large number of them will come back home to visit their relatives during vacation. The



demand for hotel rooms is therefore very keen. Based on this, on 13 January 2016, the Group entered into an equity transfer agreement with the vendors to purchase the entire equity interests in 恩平市康盛酒店管理有限公司 (Enping Kangsheng Hotel Management Company Limited) (the “**Target Company**”). The Target Company mainly holds three building complexes, namely a five-star hotel with a gross floor area of approximately 66,000 square metres, a business hotel with an estimated gross floor area of

approximately 18,100 square metres and an annex building consisting of a shopping arcade with a gross floor area of approximately 5,000 square metres. The acquisition constitutes a major acquisition and a connected transaction. As at the date hereof, the acquisition is still under the clearance process of the Stock Exchange.

CHAIRMAN'S STATEMENT



The directors of the Group intend that should the acquisition be approved, the three building complexes held by the Target Company will be leased to independent third party(ies) for operation to get a steady rental return and reap the benefit of the capital appreciation of the property.

Proposed change of company name

As disclosed in the Company's announcement dated 27 July 2015, the board of Directors of the Company proposed to change the English name of the Company from "Yi Hua Department Store Holdings Limited" to "Yi

Hua Holdings Limited", and to change the Chinese name from "益華百貨控股有限公司" to "益華控股有限公司". As the Company diversifies its business into different sectors, in order to better reflect the Company's corporate image and identity, the Board considers that the change of company name suits the Company's future development direction better.

The special resolution of the proposed change of company name was approved by the shareholders of the Company at the extraordinary general meeting held on 31 August 2015. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 6 October 2015 confirming the registration of the new name of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

OUTLOOK AND PROSPECTS

Looking forward, the market expects that the economic restructuring of the PRC will continue to intensify and economic growth will continue to experience a slowdown. Unfavourable factors such as the slowdown of income growth will continue to restrain consumption growth. Coupled with the challenges arising from e-commerce, shopping centres and branded shops, the traditional department store industry remains under pressure. Therefore, the Group will expand its source of income and control operating costs in the following four directions to seek relief from the difficult operating conditions.

CHAIRMAN'S STATEMENT

Opening more cross-border merchandise direct sales experience stores

The Company strives to open more cross-border merchandise direct sales experience stores in the coming years. Through opening cross-border merchandise direct sales experience stores, three selling channels will be established, namely, offline retail, offline wholesale, and online retail. This will boost sales and speed up inventory turnover, which will reduce purchasing costs. As resolved by the board of Directors of the Company, the Company plans to spur the expansion of cross-border merchandise direct sales experience stores at a low cost through franchising and self-operation in the future.

Purchasing properties at a low cost

The Group will continue to keep track on the development of commercial properties market. With its financial strength, the Group will go on to hold more properties with good potential so as to expand the Group's sources of income.

Providing planning, design and consulting services

During the year, the provision of planning, design and consulting services brought substantial return to the Group. The Group will continue to put more resources in this segment and strive to create more income for the Group.

Making adjustments to loss-making stores

Some of the stores that newly opened in recent years recorded an operating loss in 2015, dragging down net profit for the year. In 2016, the Group will take measures such as making adjustments to the structure of those stores and compressing operating costs in order to reduce loss.

Appreciation

On behalf of the Board, I would like to extend my gratitude to our management team, our customers, our business associates and all of our fellow staff members for their continued support and dedication to the Group. The Group will respond to the future challenges with flexibility so as to maximise the return on investment for shareholders.

Chen Jianren

Chairman

30 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS



FINANCIAL REVIEW

RESULTS OF OPERATION

Revenue

For the year ended 31 December 2015, the Group recorded a revenue of approximately RMB655.3 million, representing a decrease of approximately 7.7% or approximately RMB54.8 million year on year.

The following table sets forth a breakdown of the Group's revenue for the two years ended 31 December 2015.

	Year ended 31 December											
	2015						2014					
	Department		Electrical		Others	Total	Department		Electrical		Others	Total
	store segment	Supermarket segment	appliances segment	Furniture segment			store segment	Supermarket segment	appliances segment	Furniture segment		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Direct sales of goods	2,893	238,192	99,526	420	-	341,031	7,914	256,055	132,074	589	-	396,632
Commission income from concessionaire sales	182,652	11,797	7,751	-	-	202,200	201,365	12,335	12,307	-	-	226,007
Management fee and service income from operations	41,434	8,277	5,589	-	-	55,300	39,107	7,585	6,921	2,562	-	56,175
Rental income	7,078	4,781	1,921	1,196	-	14,976	5,986	5,710	1,851	2,285	-	15,832
Consulting service income	-	-	-	-	41,770	41,770	-	-	-	-	15,500	15,500
	234,057	263,047	114,787	1,616	41,770	655,277	254,372	281,685	153,153	5,436	15,500	710,146

MANAGEMENT DISCUSSION AND ANALYSIS

Direct sales of goods

For the year ended 31 December 2015, our revenue from direct sales was approximately RMB341.0 million, representing a decrease of approximately RMB55.6 million or approximately 14.0%, from approximately RMB396.6 million for the year ended 31 December 2014.

For the year ended 31 December 2015, the revenue from direct sales in department store segment, supermarket segment, electrical appliances segment and furniture segment decreased by approximately 63.4%, 7.0%, 24.6% and 28.7%, respectively.

The decrease in revenue from direct sales of department store segment was mainly attributable to the decrease in sales of gold products and cosmetics products.

The decrease in revenue from direct sales of supermarket segment and electrical appliances segment was mainly attributable to the intensified competition from online retailers.

Commission income from concessionaire sales

For the year ended 31 December 2015, our revenue from concessionaire sales was approximately RMB202.2 million, representing a decrease of approximately RMB23.8 million, or approximately 10.5%, from approximately RMB226.0 million for the year ended 31 December 2014. The decrease was mainly due to the slowdown of the economy which causes a weak consumption atmosphere.



Management fee and service income from operations

For the year ended 31 December 2015, the management fee and service income from operations were approximately RMB55.3 million, representing a slight decrease of approximately RMB0.9 million, or approximately 1.6%, from approximately RMB56.2 million for the year ended 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Rental income

For the year ended 31 December 2015, our revenue from rental income was approximately RMB15.0 million, representing a decrease of approximately RMB0.9 million, or approximately 5.4%, from approximately RMB15.8 million for the year ended 31 December 2014.

Consulting service income

During the year 2015, the Group has entered into five agreements with five independent commercial complex operators and recorded a revenue of RMB41.8 million for the service provided, representing an increase of approximately RMB26.3 million, or approximately 169.5%, from approximately RMB15.5 million for the year ended 31 December 2014.

Gross profit and gross profit margin

For the year ended 31 December 2015, our total gross profit were approximately RMB368.0 million, a decrease of approximately RMB10.0 million, or approximately 2.6%, from approximately RMB378.0 million for the year ended 31 December 2014. The gross profit margin for the years ended 31 December 2015 and 2014 was approximately 56.2% and approximately 53.2%, respectively, represented an increase of approximately 3%. The increase in our gross profit margin was mainly due to the high gross profit margin of our consulting business.

Other income

For the year ended 31 December 2015, our other income was approximately RMB6.0 million, a decrease of approximately RMB3.8 million, from approximately RMB9.8 million for the year ended 31 December 2014. The amount represents the one-off government grant received or receivable and amortisation of government grant related to assets.

Other gains/(losses)-net

Included in other gains was mainly fair value gain on investment property of approximately RMB9.2 million and a property related income of approximately RMB3.7 million. During the year ended 31 December 2014, the Group entered into an agreement (the “**Arranger Agreement**”) with a property developer (“**Property Developer**”) in relation to certain property sales. The responsibility of the Group under the Arranger Agreement mainly included promotion of certain area of properties and negotiation of sales contract terms with individual buyers at the costs of the Group. The Group has the right to select buyers and set selling price for each of the property sales. A gain of approximately RMB3.7 million (2014: RMB23.6 million) from this transaction, which is determined by selling price of properties sold less costs pre-agreed with the Property Developer, has been recognised as other gain.

MANAGEMENT DISCUSSION AND ANALYSIS

Purchases of and changes in inventories

For the year ended 31 December 2015, the purchases of and changes in inventories was approximately RMB287.3 million, representing a decrease of approximately RMB44.8 million, or approximately 13.5%, from approximately RMB332.1 million for the year ended 31 December 2014. The decrease in our purchases of and changes in inventories was in line with the decrease in our revenue from direct sales of goods as compared with the previous year.

Employee benefit expenses

For the year ended 31 December 2015, our employee benefit expenses were approximately RMB103.1 million, an increase of approximately RMB0.1 million, or approximately 0.1%, from approximately RMB103.0 million for the year ended 31 December 2014.

Depreciation and amortisation

For the year ended 31 December 2015, our depreciation and amortisation were approximately RMB27.3 million, an increase of approximately RMB0.5 million, or approximately 1.7%, from approximately RMB26.8 million for the year ended 31 December 2014. This increase was primarily attributable the depreciation and amortisation arising from the new stores opened during the year 2015.

Operating lease rental expenses and property management fee

For the year ended 31 December 2015, our operating lease rental expenses and property management fee was approximately RMB117.8 million, an increase of approximately RMB8.6 million, or approximately 7.9%, from approximately RMB109.2 million for the year ended 31 December 2014.

This increase was primarily due to (i) the organic growth for the mature stores; and (ii) the commencement of new stores during the year 2015.

Other operating expenses

For the year ended 31 December 2015, the other operating expenses were approximately RMB101.5 million, a decrease of approximately RMB25.0 million, or approximately 19.8%, from approximately RMB126.6 million for the year ended 31 December 2014.

The decrease was primarily attributable to the decrease in the utilities expenses; other taxes; bank charges and advertising, promotion and related expenses. Due to the decline in the unit rate of the electricity, which leads to the utilities expenses decreased by 20.4%. Other taxes, bank charges and advertising, promotion and related expenses decreased as a result of the decrease in revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance expenses – net

For the year ended 31 December 2015, our net finance expenses was approximately RMB8.2 million, an increase of approximately RMB7.5 million, or approximately 1,002.1%, from approximately RMB0.7 million for the year ended 31 December 2014. This is mainly due to the interest expenses and exchange losses incurred for the year ended 31 December 2015 was higher than the amount in the year of 2014 as a result of new bank loans and bonds obtained during the year 2015.

Income tax expense

The income tax expense was approximately RMB11.4 million for the year ended 31 December 2015, representing a decrease of approximately RMB4.7 million, or approximately 29.4%, from approximately RMB16.1 million for the year ended 31 December 2014. Our effective income tax rate was approximately 35.7% for the year ended 31 December 2015 and approximately 35.7% for the year ended 31 December 2014.

Net profit for the year

Due to the aforesaid reasons, the net profit for the year decreased by approximately RMB8.6 million or approximately 29.4% from approximately RMB29.1 million for the year ended 31 December 2014 to approximately RMB20.5 million for the year ended 31 December 2015.

Profit attributable to equity holders of the Company

For the year ended 31 December 2015, the profit attributable to equity holders of the company was approximately RMB19.2 million, represented a decrease of approximately RMB7.9 million or 29.1% as compared to approximately RMB27.1 million for the year ended 31 December 2014.

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 RMB145.4 million and approximately RMB145.5 million as at 31 December 2015 and 2014, respectively. The outstanding bank loans and bonds payable of the Group amounted to approximately RMB106.2 million and RMB33.2 million respectively as at 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2015 and 2014, total current assets of the Group amounted to approximately RMB360.0 million and approximately RMB375.4 million, respectively, whereas total current liabilities amounted to approximately RMB516.5 million and approximately RMB533.6 million, respectively, which resulted in a net current liabilities position of approximately RMB156.5 million and approximately RMB158.2 million, respectively as at 31 December 2015 and 2014.

Gearing ratio

As at 31 December 2015 and 2014, the gearing ratios were approximately 57.1% and 59.5%, respectively. The gearing ratio is calculated as total debts (including borrowings) divided by total equity as at the balance sheet dates.

Pledge of assets

As at 31 December 2015 and 2014, no assets of the Group were pledged to any bank or lender.

Employees

As at 31 December 2015, total number of employees for the Group was 1,966 (as at 31 December 2014: 1,854). 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.

Contingent liabilities

The Group has no significant contingent liabilities as at 31 December 2015.

Foreign exchange exposure

The Group conducted its business operations in the PRC and its revenues and expenses were denominated in RMB. Except for certain cash and bank balances, other receivables, other payables and borrowings denominated in Hong Kong dollars, there is limited exposure for the foreign exchange risk.

USE OF IPO PROCEEDS

The net proceeds from the Company's listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (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.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period from 11 December 2013 (the “**Listing Date**”), being the date on which dealings in the shares of the Company (“**Shares**”) first began in the Stock Exchange to 31 December 2015, net proceeds from the listing had been applied as follows:

	Amount of Net proceeds allocated HK\$'000	Amount of net proceeds utilized during the period from Listing Date to 31 December 2015 HK\$'000	Balance as at 31 December 2015 HK\$'000
Yangjiang Store	11,244	11,244	–
Zhenjiang Store	40,291	40,291	–
Enping Store	26,236	5,639	20,597
Upgrading our computer system	6,559	6,559	–
General working capital purposes	9,370	9,370	–
Total	93,700	73,103	20,597

The actual application of the net proceeds for Enping Store was lower as compared to the planned application due to the weak economic momentum.

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend for the year ended 31 December 2015 of HK10 cents per ordinary share (2014 final dividend: HK10 cents per ordinary share). The final dividend will be payable in cash with an option to receive new, fully paid shares in lieu of cash (“**Scrip Dividend Scheme**”).

The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

The proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company on 15 June 2016, and are expected to be paid on or about 15 July 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FUND RAISING ACTIVITIES

On 30 June 2015 and 22 July 2015, the Company entered into the subscription agreements with the subscribers who are independent third parties, pursuant to which the Company issued an aggregate amount of 38,010,000 shares of HK\$0.01 each at a price of HK\$2.72 per share for a total consideration of HK\$103,387,200 (equivalent to RMB82,445,000). The net proceeds of approximately HK\$103,137,200 had been used for the general working capital of the Group.

BONUS ISSUE

Pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 12 June 2015, a total of 90,000,000 bonus shares were issued on the basis of one bonus share for every four existing ordinary shares held. The bonus issue has been completed on 3 July 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14 June 2016 to 15 June 2016, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the proposed final dividend, all completed transfer documents accompanying with the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 13 June 2016.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND EXECUTIVE DIRECTORS

Mr. Chen Jianren (陳健仁), aged 62, is an executive Director, chairman, chairman of the nomination committee of the Company. Mr. Chen is the founder of our Group. 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 general 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 30 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.

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 61, is an executive Director, chief executive officer, member of the remuneration committee of the Company. 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 Limited (“**Guangdong Yihua**”) and was appointed as president of Guangdong Yihua since May 1995. Prior to joining our Group, Mr. Fan worked in Zhongshan Yihua Group Company Limited (中山市怡華集團有限公司) 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Su Weibing (蘇偉兵), aged 57, is an executive Director of the Company. Mr. Su is responsible for the overall operation and planning of the department store section, electronic appliance section and furniture section. He joined our Group in 1995 and was appointed as our vice president of Guangdong Yihua in 2001. 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. Lin Guangzheng (林光正), aged 56, is an executive Director of the Company. Mr. Lin is responsible for the investment and development department which is a newly established department in 2014. He served in Guangdong Yihua 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 in December 2000.

Mr. Chen Zhentao (陳正陶), aged 32, is an executive Director of the Company. Mr. Chen is responsible for the overall operation and planning of the supermarket section and finance of the Group. Before joining to our company, Mr. Chen has more than 4 years of hands-on experience in international finance. Mr. Chen is currently the vice president of Guangdong Yihua Group Investment Company Limited (廣東益華集團投資有限公司) and was the vice-president, the assistant to the general manager and the manager of administrative department of Zhenjiang Hualong Plaza Properties Company Limited (鎮江華龍廣場置業有限公司) from May 2012 to May 2014, from May 2011 to May 2012 and from January 2010 to April 2011 respectively. He graduated from Aston University with a bachelor degree in Managerial and Administrative Studies in 2007.

Mr. Chen Zhentao is the son of Mr. Chen Jiaren, the chairman of the Board and an executive Director, and the nephew of Mr. Chen Daren, the controlling shareholder of the Company and a non-executive Director.

NON-EXECUTIVE DIRECTORS

Mr. Chen Daren (陳達仁), aged 60, is a non-executive Director of the Company. 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 extensive 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.

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sun Hong (孫洪), aged 67, is an independent non-executive Director, member of the audit committee, member of the remuneration committee and member of the nomination committee of the Company. 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. On 19 August 2015, he was appointed as and is currently an independent non-executive director of China Shun Ke Long Holdings Limited, a company listed on the Stock Exchange (stock code: 974).

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 69, is an independent non-executive Director, chairman of the remuneration committee, member of the nomination committee and member of the audit committee of the Company. He was the assistant dean in Guangdong University of Business Studies (廣東商學院副院長) between 2001 and 2007. 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) with effective from March 2010.

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 Commerce School of Jinan University (暨南大學廣東商學院) in December 2003. He was also appointed as the vice president of the Guangdong Economic Society (廣東經濟學會副會長) in December 2005.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung Wai Kwan (梁維君), aged 52, is an independent non-executive Director, chairman of the audit committee, member of the nomination committee and member of the remuneration committee of the Company. 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 Ding He Mining Holdings Limited (previously named as “**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 50, was appointed as our assistant president of Guangdong Yihua in February 2003 and she is also the deputy general manager of the investment and development department since January 2014. She is responsible for internal control management of our Group and a member of the internal control committee.

Ms. Zhang Rong (張蓉), aged 43, was appointed as our deputy general manager of Guangdong Yihua in January 2014. Ms. Zhang is responsible for the overall administration management and operation and planning of the electronic appliance section of our Group.

Mr. Luo Chengwen (羅成文), aged 58, was appointed as the assistant president of Guangdong Yihua and the deputy general manager of Qingyuan Yihua Department Store from August 2005 to February 2008. From March 2008 to December 2013, he was the assistant president of Guangdong Yihua and the general manager of Shaoguan Yihua Department Store. Since January 2014, Mr. Luo was appointed as the deputy general manager of Guangdong Yihua. Mr. Luo is responsible for formulating and implementing plans for department store section.

Ms. Pan Zhihong (潘志紅), aged 49, was appointed as the general manager of Qingyuan Yihua Department Store from June 2012 to December 2013. Since January 2014, she was redesignated as the general manager of Shaoguan Yihua Department Store. She is responsible for the overall operation and strategic planning of Shaoguan Yihua Department Store.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Sun Shaobin (孫紹斌), aged 48, was appointed as the deputy general manager of Yihua Lejia Supermarket of Guangdong Yihua Department Store since November 2011. He is responsible for the management and future development of the supermarket business.

Ms. Wu Bintao (吳彬濤), aged 49, was appointed as the general manager of Guzhen Yihua Department Store from June 2012 to December 2013. Since January 2014, she was redesignated as the general manager of Jiangmen Yihua Department Store. She is responsible for the overall operation and strategic planning of Jiangmen Yihua Department Store.

Mr. Zhou Zhijian (周智堅), aged 58, was appointed as the general manager of the infrastructure and engineering department of Guangdong Yihua Department Store since October 2012. He is responsible for the overall infrastructure planning and technical support of the venues and expansion on the new venues of our Group.

COMPANY SECRETARY

Mr. Tse Wing York (謝永鏞), aged 36, 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 for the year ended 31 December 2015.

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 throughout the year.

BOARD OF DIRECTORS

The Board currently comprises nine Directors, of which five are executive Directors, one is non-executive Director, and three are independent non-executive Directors. During the year ended 31 December 2015 and up to the date of this report, the composition of the Board and its changes are as follows:

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	–
Mr. Chen Zhengtao <i>(Appointed on 4 May 2015)</i>	–

Non-executive Directors

Name	Other positions in the Company
Mr. Chen Daren	–
Mr. Lu Hanxing <i>(Resigned on 4 May 2015)</i>	–

CORPORATE GOVERNANCE REPORT

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

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.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2015, the Company had held four Board meetings and the attendance records are set out below:

Name	Meetings attended/ Number of meetings held
Mr. Chen Jianren	4/4
Mr. Fan Xinpei	4/4
Mr. Su Weibing	4/4
Mr. Lin Guangzheng	4/4
Mr. Chen Zhengtao (<i>Appointed on 4 May 2015</i>)	3/4
Mr. Chen Daren	4/4
Mr. Lu Hanxing (<i>Resigned on 4 May 2015</i>)	1/4
Mr. Sun Hong	4/4
Mr. Xu Yinzhou	4/4
Mr. Leung Wai Kwan	4/4

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, and Mr. Chen Zhengtao is the son of Mr. Chen Jianren and the nephew of Mr. Chen Daren.

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.

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.

CORPORATE GOVERNANCE REPORT

Directors' continuing professional development

To ensure Directors' contribution to the Board remains informed and relevant, the Company encourages Directors to participate in continuous professional development to develop and refresh their knowledge and skills and understanding of the business and markets in which the Group operates. The Company would provide a comprehensive induction package covering the summary of the responsibilities and obligations of a director of a Hong Kong listed company, the Company's constitutional documents and the Guides on Directors' Duties issued by the Hong Kong Companies Registry to each newly appointed director to ensure he/she to have sufficient awareness of good corporate governance practices.

Directors are also provided with monthly performance updates of the Group, and information such as performance and key operational highlights to enable the Board as a whole as well as each Director to discharge their duties. For the financial year ended 31 December 2015, all Directors have participated in appropriate continuous professional development and provided the Company with their records of training. A summary of training records provided by the current Directors is as follows:

Name of Directors	Reading articles, newspaper, journal and/or updates	Attending trainings and/or seminars
<i>Executive Directors</i>		
Mr. Chen Jianren	✓	✓
Mr. Fan Xinpei	✓	✓
Mr. Su Weibing	✓	✓
Mr. Lin Guangzheng	✓	✓
Mr. Chen Zhengtao (<i>Appointed on 4 May 2015</i>)	✓	✓
<i>Non-executive Director</i>		
Mr. Chen Daren	✓	✓
<i>Independent non-executive Directors</i>		
Mr. Sun Hong	✓	✓
Mr. Xu Yinzhou	✓	✓
Mr. Leung Wai Kwan	✓	✓

During the year, the Company secretary had received no less than 15 hours of relevant professional training.

CORPORATE GOVERNANCE REPORT

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.

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 year ended 31 December 2015, the Remuneration Committee had held one Remuneration Committee meeting and the attendance records are set out below:

Name	Meetings attended/ Number of meetings held
Mr. Xu Yinzhou (<i>Chairman</i>)	1/1
Mr. Fan Xinpei	1/1
Mr. Sun Hong	1/1
Mr. Leung Wai Kwan	1/1

Set out below is the summary of work of the Remuneration Committee in the financial year ended 31 December 2015:

- reviewed the remuneration policy of the Directors and the senior management for 2015; and
- reviewed the remuneration of the executive Directors, non-executive Directors and the independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

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 year ended 31 December 2015, 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 2015 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.

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 nonaudit 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

CORPORATE GOVERNANCE REPORT

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).

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 year ended 31 December 2015, 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

CORPORATE GOVERNANCE REPORT

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 2015 is approximately RMB2.3 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 year ended 31 December 2015, 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;
- 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.

CORPORATE GOVERNANCE REPORT

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 Audit Committee has reviewed our compliance records and internal control measures and confirmed that they are satisfied with our internal control performance.

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.

On going compliance of non-compliance incidents

As stated in the Prospectus, the Company shall disclose the compliance status of certain noncompliance 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, financial management (including cash) cycle in a field work visit conducted from 4 January 2016 to 15 January 2016. 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*

During the year ended 31 December 2015, the Group continues to enforce the policies on prevent bribery and anti-money laundering activities in connection with the issuance of Consumption Cards. After considering the compliance records and review results of the internal control committee, the Audit Committee is satisfied that, those measures continued to be effectively implemented.

CORPORATE GOVERNANCE REPORT

(iii) Update on registration status of existing leases without building ownership certificates

As set out in the Prospectus, our Jiangnan 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 30 March 2016, 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. 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 relevant portion of 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.

CORPORATE GOVERNANCE REPORT

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 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 year 2015, 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.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare financial statements 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.

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 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.

CORPORATE GOVERNANCE REPORT

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 principal place of business in Hong Kong of the Company at unit 8A, 8/F Wah Kit Commercial Centre, 300-302 Des Voeux Road Central, Hong Kong.

CHANGES IN CONSTITUTION DOCUMENTS

There is no change in the constitutional documents of the Company during the year 2015.

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 2015.

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

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of comprehensive income on pages 54 and 55.

BUSINESS REVIEW

The business review for the year and discussions on the future business development of the Group together with the description of the possible risks and uncertainties of the Group are contained in “Chairman’s Statement” on pages 5 to 10 and “Management Discussion and Analysis” on pages 11 to 18 respectively. The “Financial Review” on pages 11 to 15 also includes an analysis of the Group’s financial key performance indicators during the year. The descriptions of the financial risk management of the Group are set out in note 3 to the consolidated financial statements.

FINANCIAL HIGHLIGHTS AND SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on pages 3 to 4 of the annual report.

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities. The Group has complied with PRC environmental protection laws and other relevant laws and regulations regarding environmental protection, health and safety, workplace conditions and employment and has adopted effective measures to achieve efficient use of resources, energy saving and waste reduction. The Group has taken several implementations including implementing energy-saving policies that reduce its electricity consumption, clearing of cooling towers to minimise the risk of health and installing sound insulation in cooling machines for reducing sound pollution.

Compliance with the Relevant Laws and Regulations

There was no incident of non-compliance with the relevant laws and regulations that had or would have significant impact by the Group for the year ended 31 December 2015.

DIRECTORS' REPORT

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. During the year ended 31 December 2015, there were no material and significant dispute between the Group and its key stakeholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

DIVIDENDS

For the year ended 31 December 2015, the board has resolved to recommend the payment of a final dividend of HK10 cents per ordinary share for the year. The final dividend will be payable in cash with an option to receive new, fully paid shares in lieu of cash. Subject to approval by the shareholders of the Company at the upcoming annual general meeting, the final dividend will be distributed on or about 15 July 2016 whose names appear on the register of members of the Company on 15 June 2016.

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.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTY

During the year ended 31 December 2015, an owner-occupied property was transferred to investment property, details of the movement in investment property are set out in note 15 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.

BONUS ISSUE OF SHARES

During the year, the Company issued bonus issue of shares on the basis of one bonus share for every four existing ordinary shares held by the shareholders of the Company, details of which are set out in note 23 to the consolidated financial statements.

DIRECTORS' REPORT

EVENTS AFTER THE BALANCE SHEET DATE

Details of the events after the balance sheet date of the Group are set out in note 36 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

Under the Cayman Islands law, the Company may pay dividends out of profit or its share premium account of the Company in accordance with the provisions of the Company's Articles of Association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be able to pay its debts as and when they fall due in the ordinary course of business.

As at 31 December 2015, the Company's share premium available for distribution amounted to approximately RMB138,520,000 of which approximately RMB40,885,000 (equivalent to HK\$48,801,000) has been proposed as final dividend for the year. Details of which are set out in note 34 to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 December 2015 and up to the date of this report were:

Executive Directors

Mr. Chen Jianren (*Chairman*)
Mr. Fan Xinpei (*Chief Executive Officer*)
Mr. Su Weibing
Mr. Lin Guangzheng
Mr. Chen Zhengtao (*Appointed on 4 May 2015*)

Non-executive Directors

Mr. Chen Daren
Mr. Lu Hanxing (*Resigned on 4 May 2015*)

Independent Non-executive Directors

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

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

DIRECTORS' REPORT

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.

BORROWINGS

Borrowings of the Group as at 31 December 2015 amounted to approximately RMB139,396,000, details of which are set out in note 26 to the consolidated financial statements.

COMMITMENTS

Details of the commitments of the Group are set out in note 31 to the consolidated financial statements.

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 32 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.

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director is entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution and/or discharge of his duties and/or the exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office, to the extent as permitted by laws.

DIRECTORS' REPORT

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

As of 31 December 2015, 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	260,145,000 (L) (Note 2)	53.31%
Mr. Fan Xinpei	The Company	Beneficial owner/ Interest in controlled corporation	43,142,915 (L) (Note 3)	8.84%
Mr. Lin Guangzheng	The Company	Beneficial owner	5,362,916	1.1%
Mr. Su Weibing	The Company	Beneficial owner	4,320,416	0.89%
Mr. Chen Daren	JAGUAR ASIAN LIMITED (“Jaguar Asian”)	Beneficial Owner	1 (L) (Note 2)	100%

Notes:

- 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 260,145,000 Shares held by Jaguar Asian under the SFO.
- 43,130,415 Shares and 12,500 Shares were held directly by Mr. Fan Xinpei and EAGLEPASS DEVELOPMENTS LIMITED (“Eaglepass Developments”) respectively. Eaglepass Developments is owned as to 15.66% and 84.34% by Mr. Lu Hanxing (a former Director who resigned on 4 May 2015) and Gain Profit Management Limited (“Gain Profit”), respectively. Gain Profit is wholly-owned by Zhongshan Yinglifeng Trading Developments Limited which is in turn owned as to 66.33%, 9.62%, 9.62%, 4.81%, 4.81% and 4.81% by Mr. Fan Xinpei, Mr. Lin Guangzheng (an executive Director), Mr. Su Weibing (an executive Director), Ms. Wang Guping, Ms. Zhang Rong and Mr. Luo Chengwen respectively. As such Mr. Fan Xinpei is deemed to be interested in the 12,500 Shares held by Eaglepass Developments under the SFO.

DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2015, 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.

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

So far as is known to the Directors, as at 31 December 2015, 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:

Name of Shareholder	Nature of interests	Number of Shares held (Note 1)	Approximate percentage of shareholding (Note 2)
Jaguar Asian Limited	Beneficial owner	260,145,000 (L)	53.31%
Gold-Face Finance Limited (Note 3)	Person having a security interest in shares	114,574,500 (L)	23.48%
Good Profit Development Ltd (Note 3)	Interest in controlled corporation/ Person having a security interest in shares	114,574,500 (L)	23.48%
Good Foundation Co. Ltd. (Note 3)	Interest in controlled corporation/ Person having a security interest in shares	114,574,500 (L)	23.48%

DIRECTORS' REPORT

Name of Shareholder	Nature of interests	Number of Shares held (Note 1)	Approximate percentage of shareholding (Note 2)
Upbest Strategic Co. Ltd. (Note 3)	Interest in controlled corporation/ Person having a security interest in shares	114,574,500 (L)	23.48%
Upbest Financial Holdings Limited (Note 3)	Interest in controlled corporation/ Person having a security interest in shares	114,574,500 (L)	23.48%
Upbest Group Limited (Note 3)	Interest in controlled corporation/ Person having a security interest in shares	114,574,500 (L)	23.48%
CCAA Group Limited (Note 3)	Interest in controlled corporation/ Person having a security interest in shares	114,574,500 (L)	23.48%
Cheng Kai Ming, Charles (Note 3)	Beneficiary of a trust (other than a discretionary interest)	114,574,500 (L)	23.48%
Cheng Wai Ling, Annie (Note 3)	Beneficiary of a trust (other than a discretionary interest)	114,574,500 (L)	23.48%
Cheng Wai Lun, Andrew (Note 3)	Beneficiary of a trust (other than a discretionary interest)	114,574,500 (L)	23.48%

DIRECTORS' REPORT

Notes:

1. The letter "L" denotes long position in the Shares.
2. The approximate percentage of shareholding is calculated based on 488,010,000 Shares in issue as at 31 December 2015.
3. According to the disclosure of interests forms of substantial Shareholders filed on 18 December 2015, Gold-Face Finance Limited is wholly-owned by Good Profit Development Ltd., which is in turn owned as to 50% and 50% by Good Foundation Co. Ltd. and Upbest Strategic Co. Ltd., respectively. Each of Good Foundation Co. Ltd. and Upbest Strategic Co. Ltd. is wholly-owned by Upbest Financial Holdings Limited, which is in turn wholly-owned by Upbest Group Limited. Upbest Group Limited is owned as to 73.65% by CCAA Group Limited, a trust of which Cheng Kai Ming, Charles, Cheng Wai Ling, Annie and Cheng Wai Lun, Andrew are beneficiaries.

Save as disclosed above, so far as is known to the Directors, as at 31 December 2015, no other persons had, or were deemed to have, interests or short positions in the Shares or underlying Shares 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.

Mr. Chen Daren is the sole director of Jaguar Asian Limited. Save as disclosed above, as at 31 December 2015, none of the Directors held any directorship or had any employment in a company which has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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 2015 RMB'000	Annual cap amount for the year ended 31 December 2015 RMB'000
I. CCTs exempt from announcement, reporting and independent shareholders' approval						
A. Master Licence Agreement						
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	313	813 (Note 2)
II. CCTs subject to announcement and annual reporting						
B. Expenditure Transactions: Hotel and Restaurant Agreement						
1.	1 January 2013	Yihua Investment	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	1,021	2,500 (Note 10)
C. Revenue Transactions: Master Supply Agreement						
1.	1 January 2013	Yihua Investment	Supply of goods, provision of services and utilities by the Group to Yihua Investment and its subsidiaries	1 January 2013 to 31 December 2015	2,811	3,000 (Note 10)

DIRECTORS' REPORT

No.	Date of agreement	Connected party	Subject matter of the transaction	Term	Transaction amount for the year ended 31 December 2015 RMB'000	Annual cap amount for the year ended 31 December 2015 RMB'000
D. Expenditure Transactions: Tenancy and Management Agreements						
1.	1 July 2013	Yangjiang Honggao (note 11)	Lease of a portion of Block 1 and 2 of a construction, No 318 Dongfeng 4th Road	1 July 2013 to 30 June 2028	1,416	2,855
2.	1 July 2013	Yangjiang Hongtu (note 12)	Provision of property management services for a portion of Block 1 and 2 of a construction, No 318 Dongfeng 4th Road	1 July 2013 to 30 June 2028 19 October 2013 to 18 October 2015	3,189	5,876
III. CCTs subject to announcement, annual reporting and independent shareholders' approval						
E. Expenditure Transactions: Tenancy and Management Agreements						
1.	(1) 12 March 2013, (item i and ii) (2) 19 November 2013 (item iii) (3) 16 December 2014 (item iv and v)	Guangdong Yihua Management (Note 6) (item i, ii and iii) Jinghua Century (Note 14) (item iv and v)	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 (item i and ii) 1 January 2014 to 31 December 2015 (item iii) 1 January 2015 to 31 December 2017 (item iv and v)	10,073	10,080
2.	(1) 1 September 2012, as supplemented by an agreement dated 19 November 2013 (item i) (2) 16 December 2014 (item ii and iii) (3) 16 December 2014 (item iv)	Guangdong Yihua Management (item i) Jinghua Century (item ii and iii) Guangdong Yihua Management (item iv)	Lease of properties situated at the following locations of East Wing of Yihua Commercial Centre: (i) Levels 1 to 3; (ii) Unit 201 of Level 2; and (iii) Unit 501 of Level 5 (iv) 150 car park lots situated at Level B2, Century Plaza	(1) 1 September 2012 to 31 August 2022 (item i) (2) 1 January 2015 to 31 December 2017 (item ii and iii) (3) 1 January 2015 to 31 December 2015 (item iv)	4,053	4,060
3.	16 December 2014	Yihua Plaza Corporation (Note 13)	No. 3 Chuangye Road, Zhongshan City	1 January 2015 to 31 December 2017	896	896

DIRECTORS' REPORT

No.	Date of agreement	Connected party	Subject matter of the transaction	Term	Transaction amount for the year ended 31 December 2015 RMB'000	Annual cap amount for the year ended 31 December 2015 RMB'000
4.	(i) 10 August 2009; (ii) 1 June 2013	Jinhui Century (Note 3)	Lease of properties located at: (i) Basement 1 and Levels 1 to 3 of Jinhui Century Square; (ii) Basement 1 of Jinhui Century Square; and an open area at 118 Yingbin Avenue	(i) 17 September 2009 to 16 September 2019; (ii) 1 June 2013 to 31 December 2015	22,307	22,810
5.	(i) 1 January 2010; (ii) 16 July 2012 and 30 September 2013	Guomao Hotel (Note 4)	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	1,586	1,760
6.	1 June 2006	Yihua Investment	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	12,845	12,910
	20 September 2008	Yihao Hotel (Note 5)	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 5)	Provision of property management services for main building and auxiliary building at JP Area	1 July 2009 to 25 July 2023		
7.	(i) 31 March 2014, as supplemented by the first supplemental agreement dated 13 May 2014 and the second supplemental agreement dated 20 May 2014 (ii) 31 March 2014	Zhenjiang Hualong (Note 7) Jiangsu Yihua Plaza (Note 8) Guangdong Yihua Management (Note 6)	Lease of properties located at Levels 1 to 3 of Zhenjiang Yihua Plaza Provision of property management services for level 1 to 3 of Zhenjiang Yihua Plaza Lease of properties located at Units 907 and 916, East Wing of Yihua Commercial Center	20 June 2014 to 19 June 2017 20 June 2014 to 31 May 2017 11 June 2014 to 31 December 2015	165 406	5,827 471
Aggregate amount for Tenancy and Management Agreements (Note 9 and 10)					60,970	71,863

DIRECTORS' REPORT

Notes:

1. Yihua Investment, is owned as to 49.6%, 28.22%, 11.09% and 11.09% by 中山市順益實業發展有限公司(Zhongshan Shunyi Industrial Development Limited*) (“**Shunyi Industrial**”), Mr. Lu Hanxing (a former 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, and the remaining 10% by Mr. Chen Zhengtao
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 RMB813,000).
3. 江門市金匯世紀廣場物業管理有限公司(Jiangmen Jinhui Century Century Square Property Management Company Limited*) (“**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. 中山市古鎮國貿大酒店有限公司(Zhongshan Guzhen Gumao Hotel Company Limited*) (“**Guomao Hotel**”), a 64% owned subsidiary of Yihua Investment.
5. 江門市逸豪酒店有限公司(Jiangmen Yihao Hotel Company Limited*) (“**Yihao Hotel**”), a 55% owned subsidiary of Yihua Investment and as to 45% by Mr. Chen Daren.
6. 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 former Director) and 10% by Mr. Chen Zhengtao a Director, nephew of Mr. Chen Daren (a Director and controlling Shareholder) and son of Mr. Chen Jianren (a Director).
7. 鎮江華龍廣場置業有限公司(Zhenjiang Hualong Plaza Properties Co. Ltd.) (“**Zhenjiang Hualong**”), a company established in the PRC with limited liability, which is owned as to 63.47% by Yihua Investment and as to 36.53% by China Land International Investments Limited (“**China Land International**”). China Land International, a company incorporated in Hong Kong with limited liability, which is owned as to 65% by Mr. Chan Kuong Ian (陳廣仁), a brother of Mr. Chen Daren and Mr. Chen Jianren, as to 35% to two individuals.
8. 江蘇益華廣場管理有限公司(“**Jiangsu Yihua Plaza**”), a company established in the PRC with limited liability, is owned as to 22.78% by Yihua Investment and as to 77.22% by China Land International.
9. 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.

DIRECTORS' REPORT

10. 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.
11. 陽江宏高房地產發展有限公司(Yangjiang Honggao Real Estate Development Limited*) (“**Yangjiang Honggao**”), a company established in the PRC with limited liability, which is owned as to 50% by Yihua Investment and 50% by two independent third parties.
12. 陽江市宏圖物業管理有限公司(Yangjiang City Hongtu Property Management Limited Company*) (“**Yangjiang Hongtu**”), a company established in the PRC with limited liability, which is owned as to 50% by Yihua Investment and 50% by two independent third parties.
13. 中山市益華廣場實業有限公司(Zhongshan Yihua Plaza Industrial Corporation Limited*) (“**Yihua Plaza Corporation**”), which is owned as to 46.5% by Shunyi Industrial and 53.5% by Canton Concord Enterprises Limited (“**Canton Concord**”). Canton Concord is owned as to 2% by Mr. Chen Zhengtao and 98% by Higson Holdings Limited, a company wholly-owned by Mr. Chan Kuong lan, brother of Mr. Chen and Mr. Chen Jianren.
14. 中山市京華世紀酒店有限公司(Zhongshan Jinghua Century Hotel Company Limited*) (“**Jinghua Century**”), a 80% owned subsidiary of Yihua Investment.

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 respective Prospectus and announcements.

DIRECTORS' REPORT

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.

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 2015, no option has been granted or agreed to be granted under the Scheme.

DIRECTORS' REPORT

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.

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.

AUDITORS

The financial statements for the year ended 31 December 2015 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

30 March 2016

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the shareholders of Yi Hua Holdings Limited
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Yi Hua Holdings Limited (the “Company”) and its subsidiaries set out on pages 54 to 128 respectively, which comprise the consolidated balance sheet as at 31 December 2015, 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 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.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts expressed in RMB thousands unless otherwise stated)

	Notes	Year ended 31 December	
		2015	2014
Revenue	5	655,277	710,146
Other income	6	5,964	9,785
Other gains – net	7	15,907	23,739
Purchases of and changes in inventories		(287,274)	(332,123)
Employee benefit expenses	8	(103,079)	(103,011)
Depreciation and amortisation		(27,305)	(26,840)
Operating lease rental expense and property management fee		(117,800)	(109,185)
Other operating expenses	9	(101,545)	(126,584)
Operating profit		40,145	45,927
Finance income		2,134	1,622
Finance expenses		(10,367)	(2,369)
Finance expenses – net	10	(8,233)	(747)
Profit before income tax		31,912	45,180
Income tax expense	11	(11,381)	(16,114)
Profit for the year		20,531	29,066
Other comprehensive income:			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Revaluation gains arising from transfer of property, plant and equipment to investment property		6,058	–
<i>Items that may be reclassified to profit or loss</i>			
Change in value of available-for-sale financial assets		1,250	–
Other comprehensive income for the year, net of tax		7,308	–
Total comprehensive income for the year		27,839	29,066

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts expressed in RMB thousands unless otherwise stated)

	Notes	Year ended 31 December	
		2015	2014
Profit Attributable to:			
– Owners of the Company		19,170	27,054
– Non-controlling interests		1,361	2,012
		20,531	29,066
Total comprehensive income attributable to:			
– Owners of the Company		26,478	27,054
– Non-controlling interests		1,361	2,012
		27,839	29,066

	Notes	Year ended 31 December	
		2015	2014 Restated
Basic and diluted earnings per share (expressed in RMB per share)	13	0.0410	0.0601

The notes on pages 54 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

(All amounts expressed in RMB thousands unless otherwise stated)

	Notes	As at 31 December	
		2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment	14	242,934	288,608
Investment property	15	58,840	–
Computer software		908	793
Deferred income tax assets	16	1,879	1,413
Deferred assets	17	726	1,626
Available-for-sale financial assets	18	15,000	–
Prepayments and other receivables	20	66,501	59,718
Amounts due from related parties	32(b)	68,426	3,426
		455,214	355,584
Current assets			
Inventories	19	90,942	92,115
Trade receivables, prepayments and other receivables	20	93,571	81,632
Amounts due from related parties	32(b)	30,120	56,223
Restricted cash	21	24,921	25,191
Cash and cash equivalents	22	120,459	120,264
		360,013	375,425
Total assets		815,227	731,009
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	3,840	2,830
Other reserves	24	174,863	114,083
Retained earnings		61,164	42,445
		239,867	159,358
Non-controlling interests		4,094	2,733
Total equity		243,961	162,091

CONSOLIDATED BALANCE SHEET

(All amounts expressed in RMB thousands unless otherwise stated)

	Notes	As at 31 December	
		2015	2014
LIABILITIES			
Non-current liabilities			
Borrowings	26	33,154	19,412
Deferred income tax liabilities	16	11,398	6,490
Deferred revenue	27	1,419	–
Other payables	25	8,749	9,398
		54,720	35,300
Current liabilities			
Trade and other payables	25	289,923	338,053
Amounts due to related parties	32(b)	2,504	1,613
Deferred revenue	27	6,059	6,359
Advances from customers		108,062	106,349
Current income tax liabilities		3,756	4,244
Borrowings	26	106,242	77,000
		516,546	533,618
Total liabilities		571,266	568,918
Total equity and liabilities		815,227	731,009

The notes on pages 60 to 128 are an integral part of these consolidated financial statements.

The financial statements on pages 54 to 128 were approved by the Board of Directors on 30 March 2016 and were signed on its behalf.

Fan Xinpei
Executive Director

Su Weibing
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts expressed in RMB thousands unless otherwise stated)

	Attributable to the owners of the Company				Non- controlling interests	Total equity
	Share Capital	Other Reserves	Retained earnings	Total		
Balance as at 1 January 2014	2,830	113,820	15,654	132,304	721	133,025
Comprehensive income						
Profit for the year	–	–	27,054	27,054	2,012	29,066
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	–	–	27,054	27,054	2,012	29,066
Transactions with owners in their capacity as owners						
Appropriation to statutory reserve	–	373	(373)	–	–	–
Liquidation of a subsidiary	–	(110)	110	–	–	–
Transactions with owners in their capacity as owners	–	263	(263)	–	–	–
Balance as at 31 December 2014	2,830	114,083	42,445	159,358	2,733	162,091
Balance at 1 January 2015	2,830	114,083	42,445	159,358	2,733	162,091
Comprehensive income						
Profit for the year	–	–	19,170	19,170	1,361	20,531
Other comprehensive income						
Change in value of available-for-sale financial assets, net of tax	–	1,250	–	1,250	–	1,250
Revaluation gains of investment property	–	6,058	–	6,058	–	6,058
Total other comprehensive income, net of tax	–	7,308	–	7,308	–	7,308
Total comprehensive income	–	7,308	19,170	26,478	1,361	27,839
Transactions with owners in their capacity as owners						
Appropriation to statutory reserve	–	451	(451)	–	–	–
Issue of bonus shares (Note23(a))	710	(710)	–	–	–	–
Issue of new shares (Note23(b))	300	82,142	–	82,442	–	82,442
Dividend distributed	–	(28,411)	–	(28,411)	–	(28,411)
Transactions with owners in their capacity as owners	1,010	53,472	(451)	54,031	–	54,031
Balance as at 31 December 2015	3,840	174,863	61,164	239,867	4,094	243,961

CONSOLIDATED CASH FLOW STATEMENT

(All amounts expressed in RMB thousands unless otherwise stated)

	Notes	Year ended 31 December	
		2015	2014
Cash flows from operating activities			
Cash used in operations	28	(168)	(44,109)
Interest received		1,207	1,047
Interest paid		(7,731)	(3,545)
Income tax paid		(9,863)	(20,505)
Net cash used in operating activities		(16,555)	(67,112)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		157	187
Proceeds from property related income		–	10,971
Receipt of government grants		1,800	–
Purchases of property, plant and equipment and computer software		(32,736)	(145,929)
Purchase of available-for-sale financial assets		(13,333)	–
Increase in amounts due from related parties		(53,000)	–
Advance to a third party		–	(3,000)
Net cash used in investing activities		(97,112)	(137,771)
Cash flows from financing activities			
Proceeds from borrowings		117,922	96,412
Repayments of borrowings		(77,000)	–
Proceeds from the placing and public offer		–	794
Proceeds from issue of new shares		82,442	–
Dividend distribution		(10,955)	–
Net cash generated from financing activities		112,409	97,206
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		120,264	228,219
Exchange gains/(losses) on cash and cash equivalents		1,453	(278)
Cash and cash equivalents at end of the year		120,459	120,264

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

1 GENERAL INFORMATION OF THE GROUP

Yi Hua Holdings Limited (the “**Company**”, formerly known as Yi Hua Department Store Holdings Limited) 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 in the People’s Republic of China (the “**PRC**”).

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.

These consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the HKICPA are set out below. The consolidated financial statements of the Group have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, investment property, which are carried at fair value.

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 judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the combined financial statements are disclosed in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 *Going concern*

During the year ended 31 December 2015, the Group recorded a net operating cash outflow of RMB16,555,000. As at 31 December 2015, the current liabilities of the Group exceeded its current assets by approximately RMB156,533,000. This is mainly because the Group applied a portion of its cash generated from operating activities and short-term borrowings to finance the acquisition and renovation of new department stores. Included in the current liabilities were advances from customers, primarily relating to consumption cards issued, amounting to approximately RMB108,062,000 (31 December 2014: RMB106,349,000). As at 31 December 2015, total borrowings of the Group amounted to RMB139,396,000 (31 December 2014: RMB96,412,000), of which RMB106,242,000 (31 December 2014: RMB77,000,000) are due for repayment in the coming twelve months; while the Group's cash and cash equivalents amounted to RMB120,459,000 (31 December 2014: RMB120,264,000).

On 13 January 2016, a wholly-owned subsidiary of the Company has entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) with the existing shareholders of Enping Kangsheng Hotel Management Company Limited (the “**Target Company**”) to acquire the entire equity interests in the Target Company (the “**Transaction**”). The consideration of the Transaction is RMB110,000,000 which is subject to adjustment pursuant to the Equity Transfer Agreement. An amount of RMB65,000,000 has already been paid by the Group to the existing shareholders of the Target Company as acquisition deposit as at 31 December 2015. Pursuant to the Equity Transfer Agreement, certain conditions and procedures have to be fulfilled before the completion of the Transaction which include, amongst other things, obtaining approval by the shareholders of the Company in the extraordinary general meeting. The Equity Transfer Agreement will expire should the Transaction not be completed before 13 May 2016, unless agreed by both parties to extend the deadline (Note 36 (a)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Going concern (continued)

As at the date of the approval of these consolidated financial statements, the Transaction has not yet been completed. Upon the completion of the Transaction, the Group will need to obtain additional cash inflows to fulfill (i) the remaining estimated consideration payable of RMB45,000,000, of which RMB20,732,000 is required to be settled within 30 business days after the completion of the Transaction (the “**First Settlement**”) and with the remaining amounts of RMB24,268,000 to be settled in the next 12 to 24 months after the First Settlement is made; and (ii) the financial obligations and the committed capital expenditures of the Target Company.

In view of these circumstances, the directors of the Company (the “**Directors**”) have given due and careful consideration to the liquidity of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to fulfil its financial obligations. A number of measures have been put in place by the Directors to improve the financial position, including:

- (i) In March 2016, the Group obtained long-term bank loans uncommitted facilities of RMB220,794,000 from a bank to finance the Transaction, of which up to RMB95,000,000 could be drawn within one year. Such facilities are secured by the corporate guarantees provided by certain group companies within the Group and are pledged by certain properties of the Target Company. Such bank loans will be available for draw down only when the Transaction is completed (Note 36(a)).
- (ii) The Group maintains continuous communication with its bankers for the renewal of its existing banking facilities. The Directors are of the opinion that the bank loans and banking facilities will be renewed when their current terms expire. In March 2016, the Group has successfully renewed bank loans of RMB45,000,000 for another one year when they matured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Going concern (continued)

- (iii) On 2 March 2016, the Group issued seven-year bonds of HK\$10,000,000 (equivalent to RMB8,424,000) and obtained net proceeds of approximately RMB8,256,000 (Note 36(b)).

The Directors have reviewed the Group's cash flow projection which covers a period of twelve months from 31 December 2015. The Directors are of the opinion that, taking into account the additional bank loans to be obtained for the Transaction, continuous availability of the banking facilities; and the Group's operating performance, the Group will have sufficient financial resources to meet its financial liabilities as and when they fall due in the coming twelve months from 31 December 2015. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2.1.2 Changes in accounting policy and disclosures

- (a) The following amended standards have been issued and effective for the annual accounting period beginning on 1 January 2015.

Standards/Interpretations	Subject of amendment
Amendment to HKAS19	Defined benefit plans: employee contributions
Annual improvements 2012	Annual improvements 2010-2012 cycle
Annual improvements 2013	Annual improvements 2011-2013 cycle

The adoption of amended standards has no material impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policy and disclosures (continued)

- (b) The following new and amended standards have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted.

Standards/ Interpretations	Subject of amendment	Effective for annual accounting periods beginning on or after
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to HKFRS11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	Annual improvements 2012	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policy and disclosures (continued)

(c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2.2 Subsidiaries

(a) *Consolidation*

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.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. 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 a 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 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.

2.4 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 executive directors and senior management of the Group that makes strategic decisions.

2.5 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 RMB, which is the Company's functional 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 the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "Finance costs". All other foreign exchange gains and losses are presented in statement of comprehensive income within "Other gains – net".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 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.

2.8 Investment property

Investment property, principally comprising leasehold buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated statement of comprehensive income as part of a valuation gain or loss in “other gains – net”.

When an owner-occupied property becomes an investment property carried at fair value, the Group applies HKAS 16 up to the date of change in use. The Group treats any difference at that date between the carrying amount of the property in accordance with HKAS 16 and its fair value in the same way as a revaluation in accordance with HKAS 16. In other words, any resulting increase in the carrying amount is treated as follows:

- (i) to the extent that the increase reverses a previous impairment loss for that property, the increase is recognised in profit or loss.
- (ii) any remaining part of the increase is recognised in other comprehensive income and increases the revaluation surplus within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 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 10 years.

2.10 Impairment of non-financial assets

Assets that are subject to amortisation or depreciation 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.

2.11 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories: loans and receivables, and available for sale. 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

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 "deferred assets", "trade and other receivables", "amount due from related parties", "restricted cash" and "cash and cash equivalents" in the consolidated balance sheet.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(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. Loans and receivables are initially recognised at fair value plus transaction costs. Loans and receivables 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. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

2.12 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.13 Impairment of financial assets

(a) *Assets carried at amortised cost*

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of financial assets (continued)

(a) *Assets carried at amortised cost (continued)*

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 profit or loss.

(b) *Assets carried at available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other 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 and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Borrowings

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 statement 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.

2.20 Borrowing costs

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

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

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

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Current and deferred income tax (continued)

(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 and its 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.

(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 liabilities are provided on taxable temporary differences arising from 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.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Current and deferred income tax (continued)

(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.

2.22 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits (continued)

(c) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.23 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.

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 consultation service income are recognised when the service is rendered and right to receive payment is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (continued)

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.

2.24 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.

2.25 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.

2.26 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including market risk (including currency risk and 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) Market risk

(i) Foreign exchange risk

The Group operates in the PRC with most of the transactions denominated in RMB, except for certain cash and cash equivalents, other receivables, other payables and borrowings are denominated in Hong Kong dollar ("HK\$"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. The Group has not hedged its foreign exchange rate risk. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2015, if HK\$ had weakened/strengthened by 6% against the RMB with all other variables held constant, post-tax profit for the year would have been RMB1,098,000 (31 December 2014: RMB56,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of HK\$ denominated cash and cash equivalent, other receivables, other payables and borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) 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 2015, the Group's long-term borrowings of RMB33,154,000 were held at fixed rates (31 December 2014: RMB19,412,000).

(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, service income, receivables from sales of consumption cards and receivables from consulting service, 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.

As at 31 December 2015 and 2014, the bank balances are deposited with creditworthy banks with no recent history of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(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 long-term 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.

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
As at 31 December 2015					
Trade and other payables (excluding other taxes and surcharges payable)	276,466	67	5,109	3,308	284,950
Amounts due to related parties	2,504	–	–	–	2,504
Borrowings	108,541	23,527	–	17,752	149,820
	387,511	23,594	5,109	21,060	437,274

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
As at 31 December 2014					
Trade and other payables (excluding other taxes and surcharges payable)	322,816	174	522	8,702	332,214
Amounts due to related parties	1,613	–	–	–	1,613
Borrowings	82,298	1,965	21,152	–	105,415
	406,727	2,139	21,674	8,702	439,242

3.2 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 borrowings divided by total equity as shown in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (continued)

The Group's gearing ratio at 31 December 2015 and 2014 was as follows:

	As at 31 December	
	2015	2014
Total borrowings	139,396	96,412
Total equity	243,961	162,091
Gearing ratio	57.1%	59.5%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2015, the Group's financial assets that are measured at fair value are available-for-sale financial assets. See Note 18 for disclosures of the investment properties that are measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

	As at 31 December	
	2015	2014
Level 2		
Available-for-sale financial assets (Note 18)	15,000	–

The valuation is performed based on the market approach by reference to inputs for identical or similar assets or liabilities in markets that are not active. This is categorised as level 2 as the valuation involves the inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly in an active market as such inputs are less subjective than unobservable inputs classified within Level 3.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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

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.

(d) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in Note 15.

(e) Fair value of available-for-sale financial assets

The fair value of the Group's major available-for-sale financial assets that are not quoted in active markets is determined by using valuation techniques. Changes in assumptions about the factors used in the valuation could affect reported fair value of available-for-sale financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(f) Provision for trade and other receivables

The Group assesses at the end of each reporting period whether there is objective evidence that trade and other receivables is impaired. Trade and other receivables 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 trade and other receivables (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the trade and other receivables 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.

5 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) has been identified as executive directors and senior management of the Company. Management determines the operating segments based on the Group’s internal reports, which are then submitted to executive 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 five reportable operating segments as follows:

- (i) Department store;
- (ii) Supermarket;
- (iii) Electrical appliances;
- (iv) Furniture;
- (v) Consulting service.

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). Assets and liabilities for the operating segments are not regularly reported to the CODM.

The Group has identified a new reportable operating segment – “consulting service” during the year.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 2015:

	Department		Electrical		Consulting	
	store	Supermarket	appliances	Furniture	service	Total
Segment revenue	234,057	263,047	114,787	1,616	41,770	655,277
Segment result – gross profit	232,207	67,821	25,034	1,171	41,770	368,003
Unallocated income – other income and other gains, net						21,871
Unallocated cost						(349,729)
Operating profit						40,145
Finance income						2,134
Finance expenses						(10,367)
Profit before income tax						31,912
Income tax expense						(11,381)
Profit for the year						20,531
Depreciation and amortisation						27,305

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2014:

	Department		Electrical		Consulting	
	store	Supermarket	appliances	Furniture	service	Total
Segment revenue	254,372	281,685	153,153	5,436	15,500	710,146
Segment result – gross profit	247,833	76,212	33,474	5,004	15,500	378,023
Unallocated income – other income and other gains, net						33,524
Unallocated cost						(365,620)
Operating profit						45,927
Finance income						1,622
Finance expenses						(2,369)
Profit before income tax						45,180
Income tax expense						(16,114)
Profit for the year						29,066
Depreciation and amortisation						26,840

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Entity-wide information

The turnover of the Group is set out as follows:

	Year ended 31 December	
	2015	2014
Direct sales of goods	341,031	396,632
Commission income from concessionaire sales	202,200	226,007
Management fee and service income from operations	55,300	56,175
Rental income	14,976	15,832
Consulting service income (Note (a))	41,770	15,500
	655,277	710,146

- (a) During the year ended 31 December 2015, the Group has entered into agreements with five (2014: two) independent shopping mall property developers to provide certain consulting services, mainly including market research and provision of advice on design, decoration and layout for the shopping malls.

6 OTHER INCOME

	Year ended 31 December	
	2015	2014
Government grants	5,964	3,120
Compensation from cancellation of contract	–	6,665
	5,964	9,785

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

7 OTHER GAINS – NET

	Year ended 31 December	
	2015	2014
Fair value gain on investment property (Note 15)	9,240	–
Property related income (Note (a))	3,726	23,592
Gain from written-off payables as a result of liquidation of certain creditors	1,019	–
Net foreign exchange gains/(losses)	1,453	(278)
Others	469	425
	15,907	23,739

- (a) In 2014, the Group entered into an agreement (the “**Agreement**”) with a property developer (“**Property Developer**”) for certain property sales. Under the Agreement, the Group’s responsibility is to promote certain area of properties and negotiate sales contract terms with individual buyers at costs to the Group. The Group has the right to select buyers and set selling price for each of the property sales. The unsold properties will be sold to the Group. A gain of approximately RMB3,726,000 (2014: RMB23,592,000) from this transaction, which is determined by selling price of properties sold less pre-agreed costs with the Property Developer, has been recognised as other gains upon delivery of related properties to individual buyers.

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS’ EMOLUMENTS)

	Year ended 31 December	
	2015	2014
Wages and salaries	84,364	83,928
Social security costs	12,837	12,232
Welfare and other benefits	5,878	6,851
	103,079	103,011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

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

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included four directors for the year ended 31 December 2015 (2014: four). Their emolument is reflected in the analysis presented above. The emoluments payable to the remaining individual is as follows:

	Year ended 31 December	
	2015	2014
Basic salaries and allowances	607	618
Discretionary bonuses	15	33
Other benefits including retirement benefit contribution	67	64
	689	715

The emoluments fell within the following bands:

	Year ended 31 December	
	2015	2014
Emolument bands Nil – HK\$1,000,000	1	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

9 OTHER OPERATING EXPENSES

	Year ended 31 December	
	2015	2014
Utilities	34,955	43,904
Other taxes	15,705	19,807
Advertising, promotion and related expenses	12,414	18,920
Bank charges	6,133	7,235
Repairs and maintenances	4,266	5,305
Travelling and transportation expenses	4,790	5,099
Professional service expenses	1,746	1,225
Consumables	3,713	4,093
Office expenses	2,938	3,856
Entertainment expense	2,278	3,050
Consumption cards related expenses	621	1,355
Insurance expense	605	564
Auditor's remuneration – audit services	2,271	2,309
Other expenses	9,110	9,862
	101,545	126,584

10 FINANCIAL INCOME AND EXPENSES

	Year ended 31 December	
	2015	2014
Finance income		
– Interest income derived from cash in banks and other deposits	2,134	1,622
Finance expenses		
– Interest expense on bank borrowings	(5,528)	(3,375)
– Interest expense on bonds	(2,325)	(170)
– Foreign exchange losses on borrowings	(2,514)	–
Less: amounts capitalised on qualifying assets	–	1,176
Finance expenses – net	(8,233)	(747)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

11 INCOME TAX EXPENSE

	Year ended 31 December	
	2015	2014
Current income tax – PRC corporate income tax	9,375	15,491
Deferred income tax	2,006	623
Income tax expense	11,381	16,114

Taxation has been provided at the appropriate tax rates prevailing in the territories in which the Group operates.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profit.

Corporate Income Tax (“CIT”) is provided on the assessable income of entities within the Group incorporated in the PRC. Pursuant to PRC Corporate Income Tax Law, the CIT is unified at 25% for all types of entities.

According to the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

11 INCOME TAX EXPENSE (CONTINUED)

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	
	2015	2014
Profit before income tax	31,912	45,180
Tax effects of:		
Tax calculated at rates applicable to profits of the consolidated entities in the respective jurisdictions	9,741	12,566
Expenses not deductible for tax purposes	572	639
Utilisation of previously unrecognised tax losses	(792)	(292)
Tax losses for which no deferred income tax asset was recognised	1,860	3,201
Income tax expense	11,381	16,114

The tax charge relating to components of other comprehensive income is as follows:

	Year ended 31 December					
	2015			2014		
	Before tax	Tax charge	After tax	Before tax	Tax charge	After tax
Fair value gains on available-for-sale financial assets	1,667	(417)	1,250	-	-	-
Revaluation gains arising from transfer of property, plant and equipment to investment property	8,077	(2,019)	6,058	-	-	-
Other comprehensive income	9,744	(2,436)	7,308	-	-	-
Deferred tax (Note 16)	-	(2,436)	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

12 DIVIDEND

The dividend paid in 2015 were HK\$36,000,000 (HK\$0.1 per share, equivalent to RMB 28,411,000 in total). No dividend paid in 2014. A dividend in respect of the year ended 31 December 2015 of HK\$ 0.1 per share, amounting to a total dividend of HK\$48,801,000 (equivalent to RMB40,885,000), is to be proposed at the annual general meeting on. Such dividend will be distributed from the Company's share premium in accordance with the Companies Law of the Cayman Islands in cash with an option to receive new fully paid shares in lieu of cash. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2015	2014
Proposed final dividend of HK\$0.1 (2014:HK\$0.1) per ordinary share	40,885	28,411

13 EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2015	2014 (Restated)
Profit attributable to owners of the Company	19,170	27,054
Weighted average number of ordinary shares in issue (thousand shares) *	467,024	450,000
Basic earnings per share (expressed in RMB per share)	0.0410	0.0601

* The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2015 and 2014 has been retrospectively adjusted for the effect of the bonus shares of the Company as disclosed in Note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

13 EARNINGS PER SHARE (CONTINUED)

(b) Diluted

As there were no potential dilutive ordinary shares during the year ended 31 December 2015 and 2014, diluted earnings per share was equal to basic earnings per share.

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Buildings	Office equipment	Vehicles	Other equipment	Construction in progress	Total
Year ended 31 December 2014							
Opening net book amount	168,888	242	4,566	1,102	8,302	20,264	203,364
Additions	9,760	–	2,587	168	2,103	97,533	112,151
Disposals	–	–	(66)	(5)	(78)	–	(149)
Transfer	3,514	–	–	–	–	(3,514)	–
Depreciation	(22,983)	(13)	(1,088)	(739)	(1,935)	–	(26,758)
Closing net book amount	159,179	229	5,999	526	8,392	114,283	288,608
As at 31 December 2014							
Cost	257,272	344	15,691	2,867	22,528	114,283	412,985
Accumulated depreciation	(98,093)	(115)	(9,692)	(2,341)	(14,136)	–	(124,377)
Net book amount	159,179	229	5,999	526	8,392	114,283	288,608
Year ended 31 December 2015							
Opening net book amount	159,179	229	5,999	526	8,392	114,283	288,608
Additions	–	–	1,210	928	5,670	15,412	23,220
Disposals	–	–	(17)	(28)	(112)	–	(157)
Transfer	9,372	–	–	–	–	(9,372)	–
Transfer to investment property	–	–	–	–	–	(41,523)	(41,523)
Depreciation	(22,708)	(12)	(1,962)	(411)	(2,121)	–	(27,214)
Closing net book amount	145,843	217	5,230	1,015	11,829	78,800	242,934
As at 31 December 2015							
Cost	266,644	344	16,884	3,767	28,086	78,800	394,525
Accumulated depreciation	(120,801)	(127)	(11,654)	(2,752)	(16,257)	–	(151,591)
Net book amount	145,843	217	5,230	1,015	11,829	78,800	242,934

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

15 INVESTMENT PROPERTY

	Investment property under construction
	RMB'000
At fair value	
Opening net book amount as at 1 January 2015 and 2014	–
Transfer from property, plant and equipment	41,523
Revaluation gains recognised as other comprehensive income	8,077
Revaluation gains recognised in profit or loss	9,240
Closing net book amount as at 31 December 2015	58,840

(a) Fair value hierarchy

An independent valuation of the Group's investment property was performed by independent, professionally qualified valuers to determine the fair values of the investment property at the day when owner-occupied property became an investment property and as at 31 December 2015.

As at 31 December 2015, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuations were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year.

(b) Valuation processes of the Group

The Group's investment property was revalued on 31 December 2015 by independent and professionally qualified valuers not related to the Group, who hold a relevant recognised professional qualification and have recent experience in the locations and segments of the investment properties valued.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer ("CFO") and the audit committee. Discussions of valuation processes and results are held between the CFO, the valuation team and the independent valuers at least once every six months, in line with the Group's interim and annual reporting dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

15 INVESTMENT PROPERTY (CONTINUED)

(b) Valuation processes of the Group (continued)

At each reporting date the finance department:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports;
- Holds discussion with the independent valuers.

(c) Valuation techniques

For investment properties under construction, valuation are carried out on the basis that they will be developed and completed in accordance with the Group's latest development plans. Valuations are based on residual method, which is essentially a means of valuing an investment property under construction by reference to its development potential by deducting development costs associated with the estimated capital value of the proposed development assuming completed as at the date of valuation.

As at 31 December 2015, the fair value of the investment property has been determined by LCH (Asia-Pacific) Surveyors Limited.

(d) Information about fair value measurements using significant unobservable inputs (level 2)

Description	Fair value at 31 December 2015	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Shopping mall	RMB58,840,000	Income approach	Market rents (RMB/square metre/month)	Yidong Restaurant: 21~26RMB/sqm/mth KTV: 25~31RMB/sqm/mth Gym: 28~37RMB/sqm/mth	The higher the market rents, the higher the fair value
		Market approach	Market rates (RMB/square metre)	Second Floor: 5,521RMB/sqm Third Floor: 4,969RMB/sqm	The higher the market rates, the higher the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

15 INVESTMENT PROPERTY (CONTINUED)

(d) Information about fair value measurements using significant unobservable inputs (level 2) (continued)

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. For an investment property under construction, increases in construction costs that enhance the property's features may result in an increase of future rental values. An increase in future rental income may be linked with higher costs.

16 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	
	2015	2014
Deferred income tax assets:		
– to be recovered after 12 months	1,640	1,172
– to be recovered within 12 months	239	241
	1,879	1,413
Deferred income tax liabilities:		
– to be settled after 12 months	(11,037)	(6,461)
– to be settled within 12 months	(361)	(29)
	(11,398)	(6,490)
Deferred tax liabilities, net	(9,519)	(5,077)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

16 DEFERRED INCOME TAX (CONTINUED)

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

	Year ended 31 December	
	2015	2014
At the beginning of the year	(5,077)	(4,454)
Charge to other comprehensive income	(2,436)	–
Charge to profit or loss	(2,006)	(623)
At the end of the year	(9,519)	(5,077)

(c) Movement in deferred income tax assets during the year ended 31 December 2015, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accrued expenses and deferred revenue			Total
	Accrued revenue	Tax losses	Others	
Deferred income tax assets				
As at 1 January 2014	5,585	–	380	5,965
(Charge)/credit to profit or loss	(1,946)	354	1,833	241
As at 31 December 2014	3,639	354	2,213	6,206
Credit/(charge) to profit or loss	30	(354)	(35)	(359)
As at 31 December 2015	3,669	–	2,178	5,847

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

16 DEFERRED INCOME TAX (CONTINUED)

- (d) Movement in deferred income tax liabilities during the year ended 31 December 2015, without taking into consideration the offsetting of balances within the same tax jurisdiction, as follows:

	Accelerated tax depreciation	Fair value of investment over the tax bases	Revaluation of available-for-sale financial assets	Deferred assets	Total
Deferred income tax liabilities					
As at 1 January 2014	9,879	–	–	540	10,419
Charge/(credit) to profit or loss	997	–	–	(133)	864
As at 31 December 2014	10,876	–	–	407	11,283
(Credit)/charge to profit or loss	(400)	2,310	–	(263)	1,647
Charge to other comprehensive income	–	2,019	417	–	2,436
As at 31 December 2015	10,476	4,329	417	144	15,366

As at 31 December 2015, the Group did not recognise deferred income tax assets of RMB9,598,000 (31 December 2014: RMB8,530,000) in respect of losses amounting to approximately RMB38,393,000 (31 December 2014: RMB34,118,000), as it is uncertain that future taxable profit will be available against which the tax losses can be utilised. 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. For PRC companies, these tax losses will expire between 2016 and 2020.

Deferred income tax liabilities of RMB12,086,000 (31 December 2014: RMB8,881,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain PRC subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled RMB120,862,000 at 31 December 2015 (31 December 2014: RMB88,881,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

17 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.

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December	
	2015	2014
At 1 January	–	–
Additions	13,333	–
Revaluation gains recognised as other comprehensive income	1,667	–
At 31 December	15,000	–
Less: non-current portion	(15,000)	–
Current portion	–	–

During the year, the Group injected capital of RMB13,333,000 into Guangzhou Jinyang Aquaculture Company Limited (the “**Aquaculture Company**”), a company incorporated in PRC, to obtain 10% equity interests. The Group’s equity interest in Aquaculture Company was subsequently diluted to 9% as of 31 December 2015 following other investors’ additional capital injection.

The Group accounts for the investment in Aquaculture Company as available-for-sale financial assets. The fair value of the investment was revalued on 31 December 2015 by an independent and professionally qualified valuer – LCH (Asia-Pacific) Surveyors Limited. The fair value gain was included in “other comprehensive income”.

The valuation of the equity instruments was derived using the market approach. Sales price of comparable equity interests in close proximity are adjusted for differences in key attributes such as share scale. The most significant input into this valuation approach is price per 1% equity interest. The higher the price, the higher of the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

19 INVENTORIES

	As at 31 December	
	2015	2014
Merchandise held for direct sales	89,813	91,015
Low value consumables	1,129	1,100
	90,942	92,115

The cost of inventories recognised as purchase and changes in inventories amounted to approximately RMB287,274,000 for the year ended 31 December 2015 (31 December 2014: RMB332,123,000).

20 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
Trade receivables	23,957	17,466
Receivables from sales of consumption cards and arrangements with mobile telecommunications service provider	632	5,403
Other receivables	60,454	37,998
Prepayments	64,872	70,409
Rental and other deposits	10,157	10,074
	160,072	141,350
Less: non-current portion of prepayments and other receivables	(66,501)	(59,718)
	93,571	81,632

- (a) The carrying amounts of the Group's trade and other receivables as at 31 December 2015 and 2014 approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

20 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

- (b) The Group's trade and other receivables (excluding prepayments) are denominated in following currencies:

	As at 31 December	
	2015	2014
RMB	94,128	70,674
HK\$	1,072	267
	95,200	70,941

- (c) As at 31 December 2015 and 2014, the aging analysis of trade receivables are as follows:

	As at 31 December	
	2015	2014
Trade receivables, gross		
– Within 2 months	18,221	16,436
– Over 2 months	5,736	1,030
	23,957	17,466

- (d) The balance of trade receivables mainly including 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 2015, trade receivables of approximately RMB5,736,000 (2014: RMB1,030,000) 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 2015 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

21 RESTRICTED CASH

	As at 31 December	
	2015	2014
Restricted cash	24,921	25,191

All restricted cash was denominated in RMB. As at 31 December 2015 and 2014, the restricted cash was deposited in a designated bank account for the pledge of notes payable, certain consumption cards issued and certain borrowings.

22 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2015	2014
Cash at bank	108,331	114,695
Short-term bank deposits	7,122	–
Cash on hand	5,006	5,569
	120,459	120,264

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

	As at 31 December	
	2015	2014
RMB	97,837	98,951
HK\$	22,622	21,312
USD	–	1
	120,459	120,264

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands 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 31 December 2014 and 2015	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 1 January 2014 and 31 December 2014	360,000,000	3,600,000	2,830
Bonus shares distributed (Note(a))	90,000,000	900,000	710
Issue of new shares (Note (b))	38,010,000	380,100	300
As at 31 December 2015	488,010,000	4,880,100	3,840

- (a) Pursuant to an annual general meeting resolution on 12 June 2015, an aggregate of 90,000,000 shares of HK\$0.01 each were allotted and distributed among members of the Company whose names appear on the register of members of the Company on 19 June 2015 in the proportion of one new share (“**Bonus Shares**”) for every four existing shares then held.
- (b) In July 2015, an aggregate of 38,010,000 shares of HK\$0.01 each were issued by the Company at a price of HK\$2.72 per share for a total cash consideration of approximately HK\$103,387,000 (equivalent to RMB82,445,000). The transaction cost incurred for issue of new shares amounted to RMB3,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

24 OTHER RESERVES

	Share premium	Statutory reserve (Note(a))	Capital reserve (Note (b))	Other reserves	Total
Balance as at 1 January 2014	85,499	12,071	16,250	–	113,820
Appropriation to statutory reserve	–	373	–	–	373
Liquidation of a subsidiary	–	(110)	–	–	(110)
Balance as at 31 December 2014	85,499	12,334	16,250	–	114,083
Balance as at 1 January 2015	85,499	12,334	16,250	–	114,083
Appropriation to statutory reserve	–	451	–	–	451
Issue of Bonus Shares	(710)	–	–	–	(710)
Issue of new shares	82,142	–	–	–	82,142
Dividend distributed	(28,411)	–	–	–	(28,411)
Available-for-sale financial assets	–	–	–	1,250	1,250
Revaluation gains from investment property	–	–	–	6,058	6,058
Balance as at 31 December 2015	138,520	12,785	16,250	7,308	174,863

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

25 TRADE AND OTHER PAYABLES

	As at 31 December	
	2015	2014
Trade payables	63,979	68,469
Notes payable	30,350	44,750
Staff salaries, bonuses and welfare payables	11,508	9,995
Payables to concessionaires and lessees	127,128	157,263
Other taxes and surcharges payable	13,722	15,237
Rental and other deposits	17,040	14,125
Payables for construction costs	15,546	12,848
Others	19,399	24,764
	298,672	347,451
Less: non-current portion of other payables	(8,749)	(9,398)
	289,923	338,053

- (a) The Group's trade and other payables (excluding other taxes and surcharges payable) are denominated in following currencies:

	As at 31 December	
	2015	2014
RMB	284,869	331,928
HK\$	81	286
	284,950	332,214

- (b) The fair value of trade and other payables approximated their carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

25 TRADE AND OTHER PAYABLES (CONTINUED)

(c) As at 31 December 2015 and 2014, the aging analysis of trade payables is as follows:

	As at 31 December	
	2015	2014
Trade payables		
– Within 3 months	58,417	61,466
– Over 3 months	5,562	7,003
	63,979	68,469

26 BORROWINGS

	As at 31 December	
	2015	2014
Non-current		
Bonds – unsecured (Note (a))	33,154	19,412
Current		
Short-term bank borrowings – secured (Note (b))	106,242	77,000
Total borrowings	139,396	96,412

(a) On 19 January 2015, 5 February 2015 and 12 February 2015, the Company issued 7.0% bonds (the “**2015 Bonds**”) which will be due for payment on 19 January 2022, 5 February 2022 and 12 February 2022 respectively. The nominal value of the 2015 Bonds amounted to HK\$15,000,000 (equivalent to RMB11,870,000). The net proceeds of the 2015 Bonds, after deducting the transaction costs, amounted to RMB11,680,000.

On 17 November 2014, the Company issued 7% bond (the “**2014 Bonds**”) which will be due for payment on 17 November 2017 in the nominal value of HK\$25,000,000 (equivalent to RMB19,758,000). The net proceeds of the 2014 Bonds, after deducting the transaction costs, amounted to RMB19,412,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

26 BORROWINGS (CONTINUED)

- (b) The short-term bank borrowings are secured by guarantees given by the Company and subsidiaries within the Group. As at 31 December 2015, the bank borrowings of RMB14,165,000 are secured by the restricted cash of RMB6,917,000 (2014: Nil).
- (c) The carrying amount of the Group's current borrowings was denominated in RMB. The carrying amount of the Group's long-term bonds was denominated in HK\$.
- (d) The effective interest rate of the Group's total borrowings is as follows:

	As at 31 December	
	2015	2014
Bonds, unsecured	7.49%	7.83%
Short-term bank borrowings, secured	6.54%	6.92%

- (e) The maturities of the Group's borrowings at balance sheet date are set out as follows:

	As at 31 December	
	2015	2014
Within 1 year	106,242	77,000
Between 1 and 5 years	20,767	19,412
Over 5 years	12,387	–
	139,396	96,412

- (f) The fair value of the Group's borrowings approximates to their carrying amounts.

27 DEFERRED REVENUE

	As at 31 December	
	2015	2014
Government grants classified as non-current liabilities	1,419	–
Bonus points liabilities classified current liabilities	6,059	6,359
	7,478	6,359

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

28 CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2015	2014
Profit before income tax	31,912	45,180
Adjustments for:		
Depreciation of property, plant and equipment	27,214	26,758
Amortisation of computer software	91	82
Amortisation of government grant relating to assets	(381)	–
Finance income	(2,134)	(1,622)
Finance expenses	10,367	2,369
Gain from sale of property, plant and equipment	–	(38)
Gain from property related income	(3,726)	(23,592)
Fair value gains from investment properties	(9,240)	–
Changes in working capital:		
Trade receivables, prepayment and other receivables, amounts due from related parties	(10,811)	(33,427)
Inventories	1,173	5,961
Deferred assets	900	534
Trade and other payables, amounts due to related parties, deferred revenue and advances from customers	(45,803)	(66,433)
Restricted cash	270	119
Cash generated used in operations	(168)	(44,109)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

28 CASH GENERATED FROM OPERATIONS (CONTINUED)

Major non-operating non-cash transactions during the year (2014: Nil) mainly include:

- (a) According to a non-legally binding memorandum of understanding dated 25 September 2015 (the “**MOU**”) entered into among Guangdong Yihua Group Investment Company Limited (“**Yihua Investment**”), Guangdong Kangsheng Investment Company Limited (“**Guangdong Kangsheng**”) (collectively the “**Vendors**”) and Enping Yihua Department Store Limited (the “**Purchaser**”, a wholly-owned subsidiary of the Group), the Group is required to pay a deposit of RMB65,000,000 (the “**Acquisition Deposit**”) to the Vendors in relation to a proposed acquisition as detailed in Note 36(a). According to the MOU, Yihua Investment is authorised by Guangdong Kangsheng to receive all the Acquisition Deposit on its behalf.

During the year, the Group has paid the Acquisition Deposit in cash amounting to RMB53,000,000. The remaining deposit of RMB12,000,000 was settled by offset amounts due from other related parties pursuant to certain debt restructuring agreements signed among the Group, the Group’s certain related parties and Yihua Investment, the Group reclassified amounts due from related parties as amounts due from Yihua Investment for the remaining Acquisition Deposit of RMB12,000,000.

- (b) According to an agreement signed on 30 September 2015 among the Company, certain shareholders of the Company, including Eaglepass Developments Limited and Jaguar Asian Limited (collectively the “**Relative Shareholders**”) and the Group’s certain other related parties, the Company has offset 2014 final dividend due to the Relative Shareholders and amounts due from the Group’s related parties amounting to RMB17,456,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

29 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2015	2014
Financial assets		
– Loans and receivables		
– Deferred assets	726	1,626
– Trade and other receivables excluding prepayments	95,200	70,941
– Amounts due from related parties	98,546	59,649
– Restricted cash	24,921	25,191
– Cash and cash equivalents	120,459	120,264
– Available-for-sale financial assets	15,000	–
	354,852	277,671
Financial liabilities at amortised cost		
– Trade and other payables excluding other taxes and surcharges payable	284,950	332,214
– Amounts due to related parties	2,504	1,613
– Borrowings	139,396	96,412
	426,850	430,239

30 CONTINGENCIES

As at 31 December 2015, the Group did not have any significant contingent liabilities (31 December 2014: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

31 COMMITMENTS

(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	
	2015	2014
Property, plant and equipment	3,101	1,706

(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	
	2015	2014
– Within 1 year	71,238	67,316
– Between 1 and 5 years	80,368	30,117
– Over 5 years	50,042	55,481
	201,648	152,914

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 Group also entered several long-term lease agreements with lessors, lease period of which varied from 3 years to 19 years. According to these agreements, the Group shall negotiate and agree rental with lessors annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

31 COMMITMENTS (CONTINUED)

(b) Operating lease commitments (continued)

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

	As at 31 December	
	2015	2014
– Within 1 year	8,432	10,060
– Between 1 and 5 years	12,903	11,467
– Over 5 years	190	233
	21,525	21,760

32 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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

32 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Name	Relationship with the Group
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
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
鎮江逸豪置業有限公司 Zhenjiang Yihao Estate Limited	A company controlled by Mr. Chen Daren
鎮江華龍廣場置業有限公司 Zhenjiang Hualong Plaza Properties Company Limited	A company controlled by Mr. Chen Daren
鎮江逸豪京華美食城有限公司 Zhenjiang Yihao King Food Company Limited	A company controlled by Mr. Chen Daren
江蘇益華廣場管理有限公司 Jiangsu Yihua Plaza Management Limited	A company controlled by Mr. Chen Daren

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

32 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties

The following is a summary of significant related party transactions which, in the opinion of the directors, are entered into in the ordinary course of business between the Company and its related parties, and the balances arising from related party transactions in addition to the related party information shown elsewhere in these financial statements.

During the year ended 31 December 2015, the Group had the following significant transactions with related parties:

(i) Rental expenses and property management fee

	Year ended 31 December	
	2015	2014
Companies controlled by Mr. Chen Daren	56,365	53,183
Companies jointly controlled by Mr. Chen Daren and third parties	4,605	4,527
	60,970	57,710

(ii) Purchases of service

	Year ended 31 December	
	2015	2014
Companies controlled by Mr. Chen Daren	1,334	1,365

(iii) Sales of goods

	Year ended 31 December	
	2015	2014
Companies controlled by Mr. Chen Daren	2,811	2,139

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

32 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

Amounts due from related parties

	As at 31 December	
	2015	2014
Companies controlled by Mr. Chen Daren	94,372	54,087
Companies jointly controlled by Mr. Chen Daren and third parties	4,174	5,562
	98,546	59,649

The amounts due from related parties as at 31 December 2015 included the Acquisition Deposit, trade receivables, prepaid rental and prepaid deposits, which were all denominated in RMB. The Acquisition Deposit paid to Yihua Investment amounting to RMB65,000,000 was classified as amounts due from related parties under non-current assets. According to the MOU and the Equity Transfer Agreement, the Acquisition Deposit shall be refunded to the Group if the Transaction is not successful.

The aging of trade receivables due from related parties as at 31 December 2015, amounting to RMB1,200,000 (2014: RMB922,000), are as follows:

	As at 31 December	
	2015	2014
Trade receivable due from related parties		
– Within 2 months	144	518
– Over 2 months	1,056	404
	1,200	922

The balance of trade receivables mainly represents sales of goods from related parties, the credit terms of which are generally within 30 to 60 days. As at 31 December 2015, trade receivables due from related parties of approximately RMB1,056,000 (2014: RMB404,000) were past due but not impaired. The fair value of such trade receivables approximated to their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

32 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties (continued)

Amounts due to related parties

	As at 31 December	
	2015	2014
Companies controlled by Mr. Chen Daren	2,203	1,613
Companies jointly controlled by Mr. Chen Daren and third parties	301	–
	2,504	1,613

(c) Key management compensation

	Year ended 31 December	
	2015	2014
Basic salaries and allowances	9,072	8,716
Discretionary bonuses	173	322
Other benefits including retirement benefit contribution	511	599
	9,756	9,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

33 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2015:

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				
Billion Profit Trading Limited (Original: Mentor Asia Limited)	BVI, 15 June 2000 limited liability company	US\$10,000	Investment holding, BVI	100%
卓融環球有限公司 Ace Fusion Global Limited	BVI, 1 July 2015 limited liability company	US\$1	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%
益華投資發展(香港)有限公司 Yihua Investment Development(HK) Limited	Hong Kong, 30 October 2015 limited liability company	HK\$1	Investment holding, Hong Kong	100%
益華萬果商業科技有限公司 Yihua Wanguo Commercial Technology Limited	Hong Kong, 30 October 2015 limited liability company	HK\$10,000,000	Investment holding, Hong Kong	100%
香港益華新天地置業有限公司 Yihua Hong Kong New Sky Properties Limited	Hong Kong, 18 August 2015 limited liability company	HK\$1	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 Yihua Department Store Limited*	PRC, 24 October 1994 limited liability company	RMB57,000,000	Department store Operations, PRC	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

33 SUBSIDIARIES (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%
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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

33 SUBSIDIARIES (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)				
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%
恩平益華百貨有限公司 Enping Yihua Department Store Limited*	PRC, 16 April 2014 limited liability company	RMB5,000,000	Department store operations, PRC	100%
肇慶市益華購物廣場有限公司 Zhaoping Yihua Plaza Limited*	RRC, 3 April 2015 limited liability company	RMB 1,000,000	Department store operations, PRC	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

33 SUBSIDIARIES (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)				
廣東益華跨電商業有限公司 Guangdong Yihua Cross-Border Commerce Limited*	PRC, 26 May 2015 limited liability company	RMB10,000,000	E-commerce, PRC	100%
廣東益華跨電商業中山有限公司 Guangdong Yihua Zhongshan Cross-Border Commerce Limited*	PRC, 10 June 2015 limited liability company	RMB10,000,000	E-commerce, PRC	100%
江門市益華跨電商業有限公司 Jiangmen Yihua Cross-Border Commerce Limited*	PRC, 17 July 2015 limited liability company	RMB100,000,000	E-commerce, PRC	100%
廣東益華商業發展有限公司 Guangdong Yihua Commerce Limited*	PRC, 15 December 2015 limited liability company	RMB10,000,000	Department store operations, PRC	100%
中山益華萬果商貿有限公司 Yihua Wanguo Commerce Limited*	PRC, 27 July 2015 limited liability company	RMB5,000,000	Department store operations, PRC	100%
中山市南朗益華購物廣場有限公司 Zhongshan Nanlang Yihua Plaza Limited*	PRC, 1 June 2015 limited liability company	RMB1,000,000	Department 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

(All amounts expressed in RMB thousands unless otherwise stated)

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December	
		2015	2014
Non-current assets			
Investment in a subsidiary		28,000	28,000
Amounts due from a subsidiary		97,511	79,813
		125,511	107,813
Current assets			
Prepayments and other receivables		3,471	983
Amounts due from subsidiaries		42,346	–
Cash and cash equivalents		22,082	21,701
		67,899	22,684
Total assets		193,410	130,497
Equity attributable to equity holders of the Company			
Share capital		3,840	2,830
Other reserves	(Note (a))	166,520	113,499
Accumulated losses	(Note (b))	(10,355)	(5,530)
Total equity		160,005	110,799
Current liabilities			
Other payables		251	286
Non-current liabilities			
Borrowings		33,154	19,412
Total liabilities		33,405	19,698
Total equity and liabilities		193,410	130,497

The balance sheet of the Company was approved by the Board of Directors on 30 March 2016 and was signed on its behalf.

Fan Xinpei
Executive Director

Su Weibing
Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Movement of other reserves

	Share premium	Capital reserve	Total
At 1 January 2014 and 31 December 2014	85,499	28,000	113,499
Issue of Bonus Shares	(710)	–	(710)
Issue of new shares	82,142	–	82,142
Dividend distributed	(28,411)	–	(28,411)
At 31 December 2015	138,520	28,000	166,520

(b) Movement of accumulated losses

	Year ended 31 December	
	2015	2014
At the beginning of the year	(5,530)	(1,125)
Loss for the year	(4,825)	(4,405)
At the end of the year	(10,355)	(5,530)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

35 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2015:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

	Fees	Basic salaries	Housing funds	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Employer's contribution to other social insurance schemes	Total
<i>Executive directors</i>							
Mr. Fan Xinpei (Note (i))	-	1,417	3	55	4	1	1,480
Mr. Lin Guangzheng	-	788	12	25	19	42	886
Mr. Su Weibing	-	1,050	12	25	19	42	1,148
Mr. Chen Jianren (Note (i))	-	1,300	-	-	-	-	1,300
Mr. Chen Zhengtao (Note (ii))	-	516	-	-	-	-	516
<i>Non-executive directors</i>							
Mr. Chen Daren	-	60	-	-	-	-	60
Mr. Lu Hanxing (Note (iii))	-	20	-	-	-	-	20
<i>Independent non-executive directors</i>							
Mr. Sun Hong	81	-	-	-	-	-	81
Mr. Xu Yinzhou	81	-	-	-	-	-	81
Mr. Leung Wai Kwan	96	-	-	-	-	-	96
	258	5,151	27	105	42	85	5,668

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

35 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (continued)

For the year ended 31 December 2014:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

	Fees	Basic salaries	Housing funds	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Employer's contribution to other social insurance schemes	Total
<i>Executive directors</i>							
Mr. Fan Xinpei (Note (i))	-	1,526	13	68	15	5	1,627
Mr. Lin Guangzheng	-	836	13	33	15	41	939
Mr. Su Weibing	-	1,054	13	33	15	41	1,157
Mr. Chen Jianren (Note (i))	-	1,373	-	-	-	-	1,373
<i>Non-executive directors</i>							
Mr. Chen Daren	-	61	-	-	-	-	61
Mr. Lu Hanxing	-	61	-	-	-	-	61
<i>Independent non-executive directors</i>							
Mr. Sun Hong	81	-	-	-	-	-	81
Mr. Xu Yinzhou	81	-	-	-	-	-	81
Mr. Leung Wai Kwan	81	-	-	-	-	-	81
	243	4,911	39	134	45	87	5,476

Note i: Mr. Fan Xinpei is the chief executive officer of the Group and Mr. Chen Jianren is the chairman of the Group.

Note ii: Mr. Chen Zhengtao was appointed as executive director on 4 May 2015. This figures presented above represented the emoluments to this person from 4 May 2015 to 31 December 2015.

Note iii: Mr. Lu Hanxing retired from non-executive director from 4 May 2015. This figures presented above represented the emoluments to this person from 1 January 2015 to 4 May 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

35 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Director's retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2014: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year, the Company did not pay consideration to any third parties for making available directors' services (2014: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2015, there is no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors.

(e) Directors' material interests in transactions, arrangements or contracts.

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

36 EVENTS AFTER THE BALANCE SHEET DATE

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 31 December 2015:

- (a) Following the signing of the MOU as detailed in Note 28(a), the Purchaser entered into the Equity Transfer Agreement with the Vendors and the Target Company, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the entire equity interests in the Target Company for a consideration in the initial amount of RMB110,000,000 (the “**Aggregate Consideration**”). Subject to the terms and condition as stipulated in the Equity Transfer Agreement, the Aggregate Consideration is subject to further adjustment.

On 28 March 2016, the Group signed an eight-year uncommitted bank loan facility agreement with a bank to finance the Transaction, according to which up to RMB95,000,000 could be drawn upon the Transaction is completed. Such facilities are secured by the corporate guarantees provided by certain group companies within the Group and are pledged by certain properties of the Target Company.

As at the date of the approval of these consolidated financial statements, the Transaction has not yet been completed.

- (b) On 2 March 2016, the Company successfully issued 7.0% bond due on 2 March 2023 in the nominal value of HK\$10,000,000 (equivalent to RMB8,424,000). The net proceeds were approximately RMB8,256,000.