SHIRBLE DEPARTMENT STORE

歲寶百貨

Shirble Department Store Holdings (China) Limited

歲寶百貨控股(中國)有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code：312

Annual Report 2018

CONTENTS

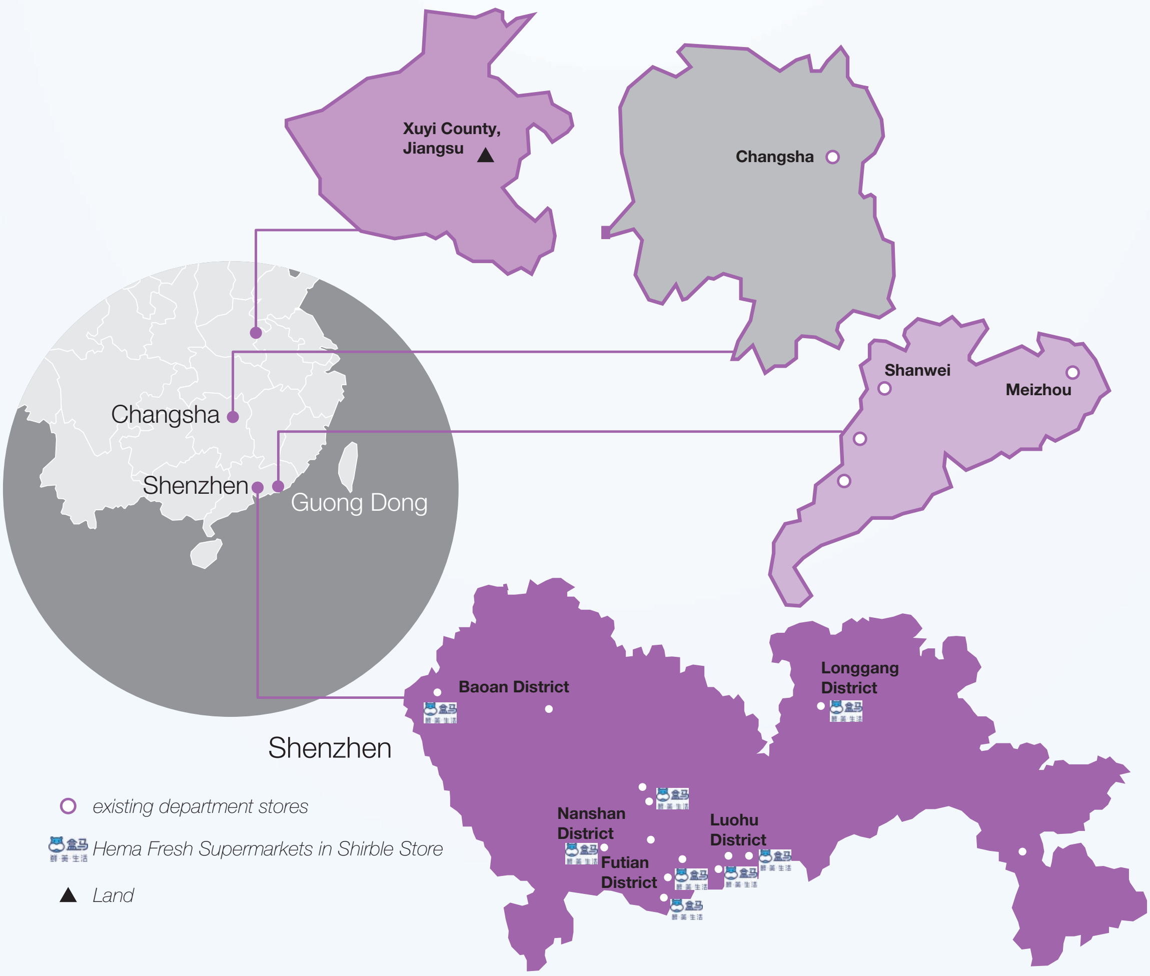
CORPORATE PROFILE

Shirble Department Store Holdings (China) Limited (the "**Company**") was incorporated in the Cayman Islands with limited liability on 5 November 2008. The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in the operation of department stores in the People's Republic of China (the "**PRC**").

The Group is one of the long established Shenzhen-based department store chains. Targeting the mid-market segment, running under the "歲寶百貨" brand and concept stores in "Shirble Plaza". As at 31 December 2018, the Group owned and operated 18 department stores, 13 of which are within Shenzhen, three in Shanwei (a coastal city in the eastern Guangdong Province), one in Meizhou City (Guangdong Province) and one in Changsha (the capital city of Hunan Province), with a total gross floor area ("**GFA**") of 339,443.8 sq.m.

In June 2018, Shirble entered into a strategic partnership with Hema Network Technology Co. Ltd. ("**Hema**") ("盒馬") of Alibaba Group Holdings Ltd. ("**Alibaba**"), to open Hema Fresh Supermarkets ("盒馬鮮生超市") in Shirble stores. A total of 12 Shirble supermarkets will be transformed into Hema Fresh Supermarkets on a stage-by-stage basis in the coming two years, starting from 1 July 2018, and the newly transformed supermarkets will be tenants of Shirble's premises.

Starting from 2018, the Group has also commenced to develop its property business, and has successfully bid the tender upon submission to acquire 10 parcels of land with a gross area of 367,165 sq.m. in Xuyi, Jiangsu Province, the PRC. Such parcels of land are started to be developed into residential property projects.



FINANCIAL HIGHLIGHTS

Operating Results

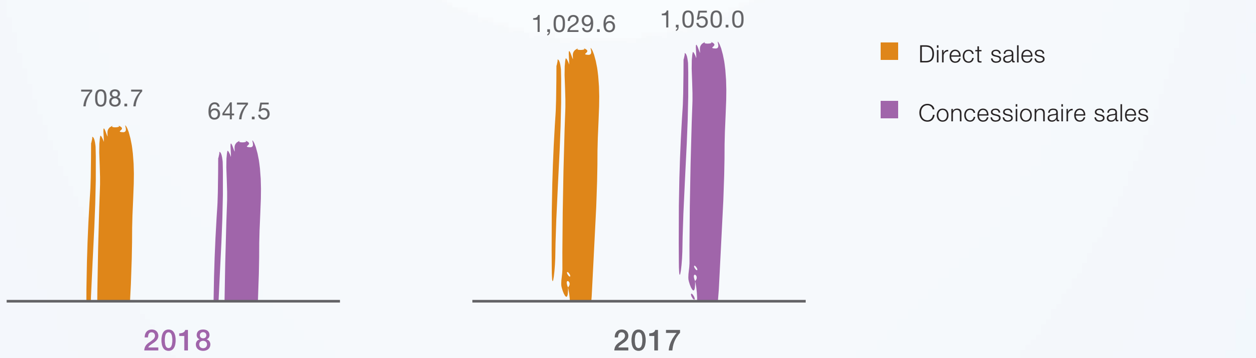
RMB'000	2018	2017	2016	2015	2014
	Year ended 31 December				
Revenue	970,892	1,325,566	1,403,919	1,389,455	1,268,733
Operating profit	131,805	60,130	57,647	46,789	24,773
Profit before income tax	112,833	63,567	84,726	75,048	48,483
Profit attributable to owners of the Company	109,851	45,610	60,494	50,219	32,774
Earnings per share for the profit attributable to owners of the Company during the year (expressed in RMB per share) – Basic and diluted	0.04	0.02	0.02	0.02	0.01

Assets, Liabilities and Equity

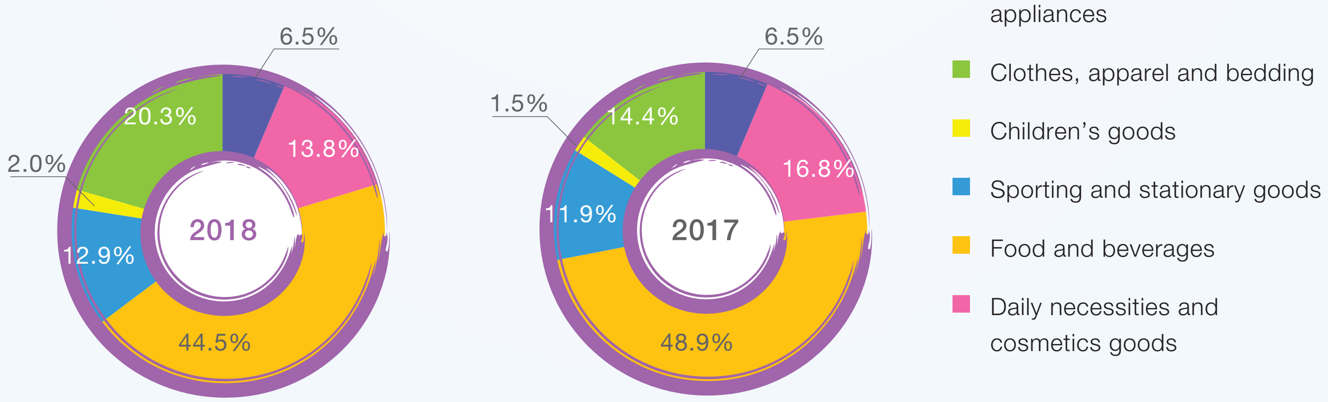
RMB'000	2018	2017	2016	2015	2014
	At 31 December				
Total assets	2,250,812	2,274,547	2,295,398	2,619,974	2,492,924
Total liabilities	684,891	883,070	954,415	1,327,061	1,232,286
Total equity	1,565,921	1,391,477	1,340,983	1,292,913	1,260,638

Gross sales proceeds – By Category

RMB (million)



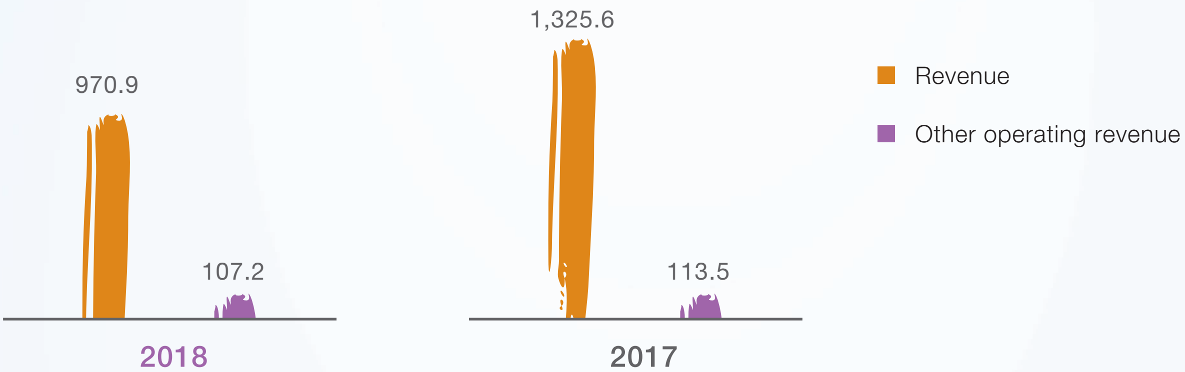
Gross sales proceeds – By Product Category



FINANCIAL HIGHLIGHTS

Revenue and Other Operating Revenue

RMB (million)



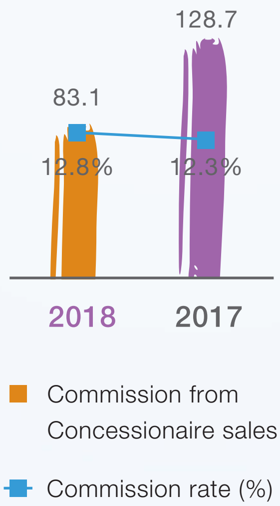
Revenue by Category

Direct Sales – Gross Profit and Margin

RMB (million)

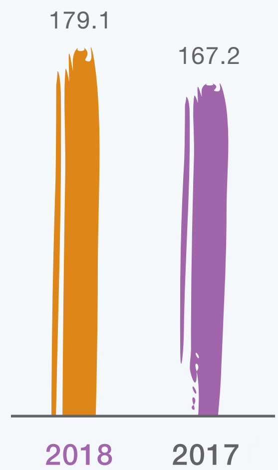
Concessionaire Sales – Commission and Commission Rate

RMB (million)



Rental Income –

RMB (million)



CHAIRMAN'S STATEMENT

Review of the Retail Business in the PRC and Group Overview

According to the National Bureau of Statistics in the PRC, the gross domestic product (GDP) of the PRC in 2018 increased by 6.6% to RMB 90.03 trillion[1] as compared with the previous year. The national consumer price index (CPI) in December 2018 rose by 1.9% as compared with the corresponding period of the previous year. Plagued by the Sino-US trade tension and issues escalating global political tensions, there are uncertainties in the global economic environment. In addition, due to factors such as the changes in consumer spending patterns and the rapid development of e-commerce, the overall retail sector in the PRC continues to be very competitive.

The Group has been operating in the department store and supermarket businesses for many years with its own competitive edge. The Group has improved the quality of services and products to cope with the market demand in past years. The growth momentum, however, faces a lot of challenges in light of the rapidly-growing and ever-changing PRC retail market environment. It is crucial for the Group to continue to be innovative. Thanks to the new business opportunities brought by the rising consumption power of the middle class in China, the Group has been actively modifying its business model, developing new business segments, cooperating with new business partners, recruiting talents and repositioning its brand since last year, so as to meet the demands from the middle class and young generation in the PRC for high quality food and products.

In order to further strengthen its leading position in the department store business and revamp the "Shirble" brand, the Group continued to enhance its department store business under the "Shirble Department Store" brand and started its strategic cooperation with Hema Network Technology Co. Ltd. ("**Hema**", an indirectly wholly-owned subsidiary of Alibaba Group Holdings Ltd. ("**Alibaba**")) to transform and refurbish most of the Group's supermarkets into "Hema Fresh Supermarkets" during the year. The Group intends to promote the online-to-offline "new retail" concept and to secure its income stream through subleasing. Using information technology to realise a new community retail solutions, the Group can attract high consumption groups and increase the visits by the middle class and young generation to Shirble premises and strengthening the Group's leading position in the department store business in Southern China region.

The current business of the Group is focused on consumers' needs in "apparel and clothing" and "food", and "housing" will be the next. By providing merchandise in these segments "apparel and clothing", "food" and "housing", new business model is being developed by the Group. In view of this, the Group commenced the property business and explore new opportunities. During the year, the Group has appointed an executive Director who has more than 30 years of work experience in the construction and property development business. Also, the Group has gradually started the investments relating to the property business, so as to bring sustainable development and better returns to the employees and shareholders of the Company (the "**Shareholders**").

Although the Group's operational results are subject to short-term fluctuations during its business integration, the Directors are of the view that such integration will be a catalyst in the long term development of the Group. For the year ended 31 December 2018, the Group recorded revenue of RMB970.9 million, representing a decrease of 26.8% compared with RMB1,325.6 million for the previous year. The profit attributable to owners of the Company for the year ended 31 December 2018 increased by 141.0% to RMB109.9 million from RMB45.6 million for the previous year. As of 31 December 2018, the Group was operating 18 department stores (including supermarkets) with a total gross floor area of 339,443.8 sq.m.

1 http://www.stats.gov.cn/tjsj/sjjd/201901/t20190121_1645944.html

2 http://www.stats.gov.cn/tjsj/sjjd/201901/t20190110_1644227.html

CHAIRMAN'S STATEMENT

Business Review

Cooperate with Hema of Alibaba Group to Open "Hema Fresh Supermarkets" in Shirble Stores

The retail industry has created a new horizon using the ever-changing technologies and the development of internet, as such, the Group has made strategic changes. In June 2018, the Group has entered into the Strategic Cooperative Framework Agreement with Hema of Alibaba Group to transform and refurbish most of its supermarkets and has launched "Hema Fresh Supermarkets". The mobile application of Hema allows customers to browse its mobile app to search for products and shop online while enjoying in-store shopping experience in the physical stores of "Hema Fresh Supermarkets". It is believed that our business will enjoy rapid development in the near future and provide customers with more convenient and efficient services.

During the second half of 2018, the Group and Hema have gradually agreed to transform 11 Shirble supermarkets located on Shirble premises into "Hema Fresh Supermarkets" in the form of a "store-within-a-store" layout. As at the date of this report, 8 supermarkets have been renovated. In the future, the Group will strengthen its strategic alliance with Hema, especially for those newly-opened supermarkets and department stores in the Southern China region.

Upgrade the Department Store's Space and Strengthen the Leading Position of Shirble's Department Store Business

In addition to the business segment of department stores in the PRC, the Group will continue to evaluate and upgrade the department store business under the brand of "歲寶百貨". Over the past year, the Group continued to re-establish its stores with the concept of "Shirble Plaza", further transforming its business model from concession sales to subleasing store spaces to different retailers, so as to shift the major income source from direct sales and concession commissions to sublease rental income. At the same time, new retailers are carefully selected so as to ensure that the in-store style is consistent and in line with the high-spending groups targeted by the Group.

Thanks to the strategic cooperation with Hema for the operation of new supermarkets, the number of customers visiting Shirble has increased, which can attract potential fashionable strategic business partners from different fields to cooperate with the Group and facilitate the transformation of Shirble from traditional department stores to one-stop fashion shopping malls, thus increasing the occupancy rate and rental income of the Shirble department store business and gradually enhancing the Group's profitability. As at the date of this report, four stores have been upgraded, and the remaining five stores are in the process of renovation, and are expected to be fully completed by the end of 2019. Expenses in relation to the upgrade and renovation plan of stores in 2019 are expected to be not less than RMB60,000,000.

Expand the Food and Beverage Business

Shopping and catering are inter-related with each other and target the same group of customers. Accordingly, the Group expanded its business to the food and beverage industry and opened a Japanese gourmet street "惠比壽橫丁" in Futian, Shenzhen this year with its business partners. The stores along the street are decorated in the traditional Japanese customs during the Showa period with the Western styles that serve a range of Japanese and Western cuisines Hong Kong style hotpots. As "惠比壽橫丁" has been popular since its opening, it has strongly supported the development of the Group's food and beverage business.

The Group will continue to keep abreast of the latest trends and consider to conduct other cooperative projects in certain stores in the future. The Group will also explore suitable locations to expand the food and beverage business.

Develop the Property Business to Explore New Opportunities

The property business in the second- and third-tier cities in the PRC has huge growth opportunities. The Group has launched a series of measures in order to tap into this new business. Building a suitable shopping and living environment at a convenient location would attract talents to move in. Such belief drives the Group to further explore and tap into property business and creates synergies with existing core businesses while developing the new business.

In order to rapidly expand its property business, the Group appointed an executive Director who has 30 years of experience in the construction and property development business since September 2018. The executive Director and Co-Chairman of the Group will be responsible for formulating the overall business strategies, particularly in property project management and development.

The Group has realised that operating self-owned properties can reduce rental costs and will benefit from capital appreciation of these properties held for investment purpose. Accordingly, the Group has acquired interest in properties amounting to an aggregate cost of approximately RMB637 million as early as 2017, which includes properties in Shenzhen and Changsha where two traditional Shirble department stores are located. Moreover, the Group has successfully bid the tender upon submission to acquire 10 parcels of land with a gross area of 367,165 sq.m. in Xuyi, Jiangsu Province, the PRC. Such parcels of land are intended to be developed into residential property projects.

During the year, the Group has also entered into a sales and purchase agreement to acquire 19.0% shares of TFG International Group Limited (Stock Code: 542) ("**TFG**") for a total consideration of HK$297.0 million. TFG is principally engaged in property development and hotel business in PRC with a number of properties held for sale under development and has property interests across the PRC. The Directors believe that such investment is in line with the Group's strategy in exploring business opportunities in property sector.

CHAIRMAN'S STATEMENT

Future Prospects

Through the strategic cooperative framework agreement entered into with Hema of Alibaba Group during the year, the Group has started to develop its retail business by implementing online-to-offline new retail solutions with technologies added into shopping through brand-new supermarket operation. Such brand new supermarket operation does not only provide convenience to customers, but also allows them to enjoy excellent, comfortable and quality new shopping experience. In the future, the Group's retail segment will continue to follow the concept of technology integration and further expand supermarkets in department stores, thus creating new retail solutions and instilling new inspiration for traditional retail operations.

The Group will cooperate with Alibaba Group, Hema with its Jufu Store as the first pilot for a new retail solution. Through the cooperative stores provided by the Group and its know-how and other resources provided by Alibaba as well as making use of each other's advantages and professional technology application expertise, operations and geographical locations, the Group plans to cooperate in various aspects, such as the operational store model, store layout, software systems and the design of hardware facilities, goods purchase, data management, etc., for the purpose of achieving an integrated, scenario-based and digitalized online and offline area. Such a new retail solution is expected to break through the constraints on space in the traditional retail business model, so as to maximise sales effectiveness with limited sales spaces.

With the insights of consumers and markets obtained in the operation of the retail business, the Group realizes that if property and retail businesses can be developed at the same time and if these two businesses can be developed simultaneously and healthily, they will complement each other. The domestic economy of the PRC continues to grow steadily and there is still huge room for development in the PRC market. Accordingly, while consolidating our leading position in the department store business, the new direction of the Group's future business development is to gradually invest resources into the property segment.

Following, the Group will mainly focus on business development in the Greater Bay Area. The Group will also continue to build and develop a team with strong experience in the PRC property market, and will leverage on its reputation of the "Shirble" brand in Shenzhen and the Greater Bay Area to gradually extend its reach to other regions in the PRC, diversifying its businesses by merging the department store and property business of the Group.

In addition to develop continuously and adjust our products and services, the Group will continue to evaluate the investment opportunities for sale and purchase and acquisitions in the retail and department store industry, so as to create synergies with existing core businesses.

Conclusion

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I would like to take this opportunity to express my sincere gratitude to the management team and all colleagues for their commitment and contributions. I would also like to thank our partners and customers for their support as well as our Shareholders and investors for their confidence in our Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Segment information

Starting in 2018, the Group started to develop its property business, and has commenced to separate into two reportable operating segments: (i) Department stores – operation of department stores; and (ii) others – property business and unallocated items.

For the year ended 31 December 2018, the Group has not commenced any property business except for the acquisition of a land in Xuyi, Jiangsu Province, the PRC. The segmental information under "Others" represents mainly the fair value gain of approximately RMB190.0 million as a result of the acquisition of 19% of shares in TFG, as well as certain unallocated headquarters' staff benefit and overhead expenditures. Since the Group operates in a single business segment in prior years, no segmental analysis for 2017 is presented.

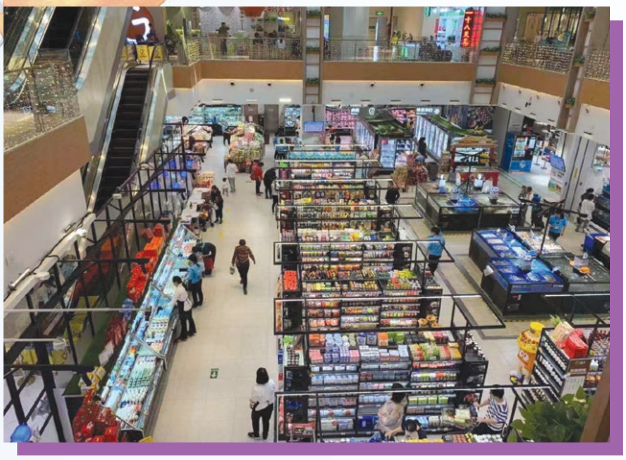
The following management discussions and analysis will be based on the Group as a whole.

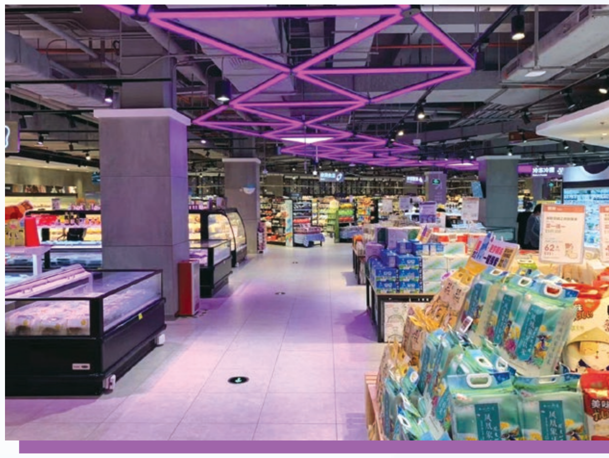
Total gross sales proceeds

During the year ended 31 December 2018, the Group's total gross sales proceeds (representing the aggregate of revenue from direct sales of the Group and total sales proceeds from concessionaire sales at the Group's department stores) were RMB1,356.2 million, representing a decrease of 34.8% from RMB2,079.6 million in 2017. The decrease in total gross sales proceeds was principally due to the change of business model from direct/concessionaire sales to sub-lease as a result of strategic cooperation with Hema and store renovation/upgrade of remaining department store sections of selected department stores.

Revenue generated from direct sales of the Group amounted to RMB708.7 million and the total sales proceeds from concessionaire sales amounted to RMB647.5 million, accounting for 52.3% and 47.7%, respectively, of the Group's total gross sales proceeds for the year ended 31 December 2018. For the year ended 31 December 2017, revenue from direct sales amounted to RMB1,029.6 million, while the total sales proceeds from concessionaires sales amounted to RMB1,050.0 million, accounted for 49.5% and 50.5% respectively of the Group's total gross sales proceeds.

MANAGEMENT DISCUSSION AND ANALYSIS





The following table sets forth the Group's total gross sales proceeds divided by principal product categories:

	For the year ended 31 December			
	2018		2017	
	RMB' million	(%)	RMB' million	(%)
Food and beverages	605.4	44.5	1,016.5	48.9
Clothes, apparel and bedding	274.7	20.3	298.8	14.4
Daily necessities and cosmetic goods	186.6	13.8	348.8	16.8
Electronics and home appliances	87.6	6.5	135.8	6.5
Sporting and stationery goods	174.5	12.9	247.8	11.9
Children's goods	27.4	2.0	31.9	1.5
	1,356.2	100.0	2,079.6	100.0

Revenue

The Group's revenue amounted to RMB970.9 million for the year ended 31 December 2018, representing a decrease of 26.8% as compared to RMB1,325.6 million in 2017. It is mainly due to the change of business model from direct/concessionaire sales to sub-lease as a result of the strategic cooperation with Hema and store renovation/upgrade of the remaining department store section of selected department stores.

Direct sales decreased by 31.2% to RMB708.7 million for the year ended 31 December 2018 from RMB1,029.6 million in 2017, principally due to the change of business model from a self-operating supermarket business to the launch of a 'store-within-a-store' Hema Fresh Supermarkets under sub-lease/lease rental arrangement as a result of the strategic cooperation with Hema in July 2018. Direct sales as a percentage of the Group's total revenue was 73.0% for the year ended 31 December 2018 as compared to 77.7% for the year ended 31 December 2017.

Commission from concessionaire sales decreased by 35.4% to RMB83.1 million for the year ended 31 December 2018 from RMB128.7 million in 2017, mainly due to temporary closure of store area as a result of revamp and upgrade of department store sections, as well as the gradual shift of business model for concession sales to receipt of sublease rental income. The commission rate of concessionaire sales for the year ended 31 December 2018 was 12.8% as compared to 12.3% in 2017. Commission from concessionaire sales accounted for 8.6% of the Group's total revenue for the year ended 31 December 2018 as compared to 9.7% in 2017.

Rental income increased by 7.1% to RMB179.1 million for the year ended 31 December 2018 from RMB167.2 million in 2017, mainly due to the strategic shift from direct/concessionaire sales to sub-lease rental income. Rental income accounted for 18.4% of the Group's total revenue for the year ended 31 December 2018 as compared to 12.6% in 2017.

Other operating revenue

Other operating revenue decreased by 5.6% to RMB107.2 million for the year ended 31 December 2018 from RMB113.5 million in 2017, due to decrease in promotion, administration and management income and credit card handling fees for concessionaire sales.

Other gains – net

Other net gain amounted to RMB210.1 million for the year ended 31 December 2018, representing an increase of 371.1% as compared with RMB44.6 million in 2017, mainly due to the fair value gain of approximately RMB190.0 million as a result of the acquisition of 19% of shares in TFG and fair value gain of RMB8.5 million on investment properties.

Purchase of and changes in inventories

Purchase of and changes in inventories amounted to RMB613.8 million for the year ended 31 December 2018, representing a decrease of 30.3% as compared with RMB880.2 million in 2017, which is in line with the decrease in direct sales. Purchase of and changes in inventories accounted for 86.6% of the Group's direct sales for the year ended 31 December 2018 as compared with 85.5% in 2017.

Employee benefits

Employee benefits increased by 8.2% to RMB200.1 million for the year ended 31 December 2018 from RMB184.9 million in 2017, primarily due to the staff compensation incurred as a result of the strategic cooperation with Hema.

Mr. HAO Jianmin has been appointed as a co-chairman of the Board and an executive Director effective from 26 September 2018. On 26 September 2018, Mr.HAO Jianmin has accepted a transfer of 374,250,000 Shares from Shirble Department Store Limited, a company incorporated in the British Virgin Islands and beneficially owned by Mr. YANG Xiangbo, an executive Director and the controlling shareholder of the Company, for nominal consideration of HKD1. HKD222,500 (approximately RMB195,266) of fair value of 250,000 Shares was charged to profit or loss of the Company as the share-based payment to Mr. HAO Jianmin. Other than the 250,000 Shares and a monthly salary of HKD2,000,000 (approximately RMB1,693,000), no other compensation have been provided to Mr. HAO Jianmin relating to the services to be provided by him to the Group. The remaining number of Shares is unrelated to the services provided by Mr. HAO Jianmin to the Group.

Depreciation and amortization

Depreciation and amortization increased by 57.0% to RMB93.7 million for the year ended 31 December 2018 from RMB59.7 million in 2017 mainly due to the one-off write-off of fixed asset and decoration as a result of the strategic cooperation with Hema and store renovation/upgrade of the remaining department store section.

Operating lease rental expenses

Operating lease rental expenses decreased slightly by 3.5% to RMB120.6 million for the year ended 31 December 2018 from RMB125.0 million in 2017. The decrease was mainly attributable to the rental expenses for Jingtian and Changsha Store, the operating premises of which were acquired by the Group in March 2017, offset by the rental expenses incurred for the new Yitian Store.

MANAGEMENT DISCUSSION AND ANALYSIS

Other operating expenses, net

Other operating expenses, which principally comprised of utility expenses, advertising, marketing, promotion and related expenses, other tax expenses, bank charges, exchange differences and maintenance expenses, decreased by 27.8% to RMB125.5 million for the year ended 31 December 2018 from RMB173.7 million in 2017. This was mainly due to the net foreign exchange gain of RMB15.1 million in respect of appreciation of USD against RMB, as compared to the net foreign exchange loss of RMB21.5 million in 2017.

Operating profit

As a result of the reasons mentioned above, the Group's operating profit increased by 119.3% to RMB131.8 million for the year ended 31 December 2018 from RMB60.1 million in 2017.

Finance income

Finance income remained stable at RMB3.5 million for the year ended 31 December 2018 as compared to RMB3.4 million in 2017.

Finance costs

Finance costs amounted to RMB19.4 million was incurred for the year ended 31 December 2018 due to short term borrowings. No finance costs was incurred for the year ended 31 December 2017.

Income tax expense

Income tax expense amounted to RMB3.1 million for the year ended 31 December 2018, representing decrease of 82.9% from RMB18.1 million for the year ended 31 December 2017. The effective tax rate applicable to the Group for the year ended 31 December 2018 were 25% for general subsidiaries. Certain of the Company's PRC subsidiaries are entitled to small and micro entity tax credit, which enjoys the 20% tax rate and a 50% deduction of taxable income. In addition, pursuant to the PRC Corporate Income Tax Law, the Group is liable to withholding taxes on dividends distributed by subsidiaries established in China. The applicable tax rate for the Group is 5%.

Profit attributable to owners of the Company

As a result of the aforementioned, profit attributable to owners of the Company amounted to RMB109.9 million for the year ended 31 December 2018, representing an increase of 141.0% as compared with the profit of RMB45.6 million in 2017.

Dividend

The Board recommended the payment of a final dividend of HK$0.0109 (equivalent to approximately RMB0.0093) per Share or in the total amount of HK$27.2 million (equivalent to approximately RMB23.2 million) (2017: Nil) for the year ended 31 December 2018. The proposed final dividend is subject to the Shareholders' approval at the annual general meeting. The proposed final dividend will be paid on or around 10 July 2019 to the Shareholders whose name appears on the register of members of the Company at the close of business on 25 June 2019.

Liquidity and Financial Resources

As at 31 December 2018, the Group's cash and cash equivalents and bank deposits amounted to RMB350.6 million, representing a decrease of 43.4% from RMB619.1 million as at 31 December 2017. The cash and cash equivalents and bank deposits, which were in RMB, Hong Kong and U.S. dollars, were deposited with banks in the PRC and Hong Kong for interest income.

In March 2019, the Group obtained secured and unsecured credit facilities amounting to RMB460.0 million from certain PRC banks which were secured by certain properties of the Group.

Borrowings

The Group has borrowings of approximately RMB9.0 million as at 31 December 2018 (2017: Nil), representing an unsecured short-term borrowing denominated in HKD repayable within one year. As at the date of this report, the outstanding amount of the unsecured short-term borrowing has been repaid in full.

Net current assets and net assets

The net current asset of the Group as at 31 December 2018 were RMB121.2 million (31 December 2017: RMB2.1 million), representing an increase of 5,671.4%. The net assets of the Group as at 31 December 2018 increased to RMB1,565.9 million (31 December 2017: RMB1,391.5 million), representing an increase of 12.5%.

As at the date of this report, the Directors believes it has sufficient liquidity based on RMB460.0 million of credit facilities obtained after the reporting period and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months.

Foreign exchange exposure

The business operation of the Group is primarily in the PRC with most of its transactions settled in RMB. Certain of the Group's cash and bank balances are denominated in Hong Kong and U.S. dollars. The Company paid dividends in Hong Kong dollars. These transactions exposed the Group to foreign exchange risks arising from the exchange rate movement of Hong Kong dollars against RMB. For the year ended 31 December 2018, the Group recorded a net foreign exchange gain of RMB15.1 million. For the year ended 31 December 2017, the Group recorded a net foreign exchange loss of RMB21.5 million. The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Employees and remuneration policy

As at 31 December 2018, the total number of employees of the Group was 1,013. The Group's remuneration policy is determined with reference to market conditions and the performance, qualifications and experience of individual employees. The Company has also introduced the key performance indicators assessment scheme to boost performance and operational efficiency.

To recognise and reward the eligible employees for their contributions to the business and development of the Group, the Company has adopted an employee's share award scheme on 22 January 2014. On 13 July 2015, the rights to receive 18,672,000 Shares have been granted to 28 eligible employees pursuant to the employee's share award scheme. Subsequently, on 17 December 2015, the rights to receive an additional 13,830,000 Shares have been granted to 60 eligible employees. In addition, on 20 January 2017, the third batch of an aggregate of 7,524,000 Shares were granted to 50 eligible employees. As approved by the Board under the share award scheme, the aggregate of 40,026,000 Shares and the related income will be vested to the relevant employees during a period of three years commencing from the first anniversary of the dates of grant in the percentages of 33.3%, 33.3% and 33.4%, respectively. As at the date of this report, 4,644,600 Shares granted to 30 eligible employees have not been vested due to departure, while an additional of 631,800 Shares were granted to two eligible employees upon their promotion.

Contingent liabilities

Certain suppliers have commenced legal proceedings in the PRC against the Group in respect of disputes over contract terms and trademark infringement claim. As of 31 December 2018, the legal proceedings were ongoing. The Group has made an accumulated provision of approximately RMB3,451,000 (2017: RMB7,759,000), which the Directors believe is adequate to cover the amounts, if any, payable in respect of these claims.

Material acquisition and disposal of subsidiaries

Except for the acquisitions of land and shares in TFG as disclosed in the Company's announcements dated 14 December 2018 and 24 December 2018 respectively, there are no other material acquisition and disposal of subsidiaries and associated companies during the year under review.

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. YANG Xiangbo, *Co-chairman and executive Director and members of Nomination Committee and Remuneration Committee*

Mr. YANG Xiangbo, aged 56, was appointed as an executive Director and chairman of the Board on 5 November 2008. He was re-designated as a Co-Chairman of the Board on 26 September 2018. Mr. YANG is also a director and chairman of Shenzhen Shirble Department Store Co., Ltd. ("**Shirble Department Store (Shenzhen)**") and Shenzhen Shirble Chain Store Limited Liability Company ("**Shirble Chain Store**"), a director of Shirble Department Store (Hong Kong) Limited ("**Shirble Department Store (Hong Kong)**") and Shirble Department Store Investment Limited ("**Shirble Hong Kong**"), Changsha Shirble Apparel Company Limited ("**Shirble Apparel**"), Shenzhen Yijiaguangchang Business Company Limited ("**Shirble Yijiaguangchang**"), Shenzhen Ruizhuo Trading Company Limited ("**Shirble Ruizhuo**"), Shenzhen Yuzhixiang Trading Company Limited ("**Shirble Yuzhixiang**"), Cosmic Favour Limited, Sibo Culture Limited and Xuyi Shirble Hanlian Real Estate Co., Ltd. Mr. YANG is the founding investor and is responsible for formulating the overall business development strategies and providing the overall management directions of the Group. From 1984 to 1990, Mr. YANG was engaged in trading of products including daily necessities and construction materials in Guangdong and Shenzhen etc.. In 1990, Mr. YANG established Shirble Holdings Limited (which is not part of the Group). From 1992 to 2006, Mr. YANG was a director of Haerbin Hatou Investment, which has been listed on the Shanghai Stock Exchange since 1994, the principal business of which is the provision of electricity and heat. In late 1995, Mr. YANG established Shirble Department Store (Shenzhen) Limited with the first department store in Shenzhen opened in January 1996. Part of the equity interest in Shirble Department Store (Shenzhen) Limited was held by Haerbin Hatou Investment during the period between February 2000 and August 2006. Mr. YANG served as a director of China Merchants Bank from 1993 to 1995 and a director of China Minsheng Bank from 1995 to 2003. Mr. YANG has been a member of the eighth, ninth, tenth and twelfth sessions of the National Committee of the Chinese People's Political Consultative Conference. In 1993, Mr. YANG was granted an honorary doctor's degree in engineering from Haerbin Institute of Technology. Mr. YANG is the father of Mr. YANG Ti Wei, the chief executive officer and an executive Director. Mr. YANG is a director of Shirble Department Store Limited ("**Shirble BVI**") and Xiang Rong Investment Limited ("**Xiang Rong Investment**"), both being the Company's substantial shareholders.

Mr. HAO Jian Min, *Co-chairman and executive Director*

Mr. HAO Jian Min, aged 54, was appointed as an executive Director and a Co-Chairman on 26 September 2018. Mr. HAO is responsible for formulating the overall business strategies of the Group, particularly in property project management and development. Mr. HAO graduated from Shenyang Jianzhu University and has obtained a master's degree in Management Science and Engineering from Harbin Institute of Technology and a MBA degree from Fordham University in the United States. Mr. HAO has more than 30 years' experience in construction and property development businesses. Mr. HAO previously acted as the directors and chief executives of a number of Hong Kong listed companies. Mr. HAO acted as an executive director of China Overseas Land and Investment Ltd. (stock code: 00688) ("COLI") from September 2005 to November 2016, during which Mr. HAO also acted as the vice-chairman of COLI from November 2006, chief executive officer of COLI from November 2007, and chairman and chief executive officer of COLI from August 2013. Mr. HAO was also the chairman and non-executive director of China Overseas Grand Oceans Group Limited (stock code: 00081) during the period from April 2010 to November 2016 and China Overseas Property Holdings Limited (stock code: 02669) during the period from October 2015 to November 2016.

DIRECTORS AND SENIOR MANAGEMENT

Mr. YANG Ti Wei, *Chief Executive Officer and executive Director*
Mr. YANG Ti Wei, aged 32, was appointed as an executive Director and Chief Executive Officer on 7 September 2013. Mr. YANG Ti Wei joined the Group in June 2009 and is the executive vice president of the Group since 2009. He is principally responsible for the overall strategic development, operational and logistics management, human resources, information technology infrastructure planning and coordination of marketing and promotion activities of the Group, particularly in department store operations. Mr. Yang is also a director of Shirble Department Store (Shenzhen), Baotong (BVI) Company Limited, Baotong E-commence (Hong Kong) Company Limited and Baoke Trading (BVI) Company Limited,a supervisor of Shirble Chain Store, Changsha Shirble Department Store Limited Liability Company ("**Shirble Department Store (Changsha)**"), Shirble Ruizhuo, Shirble Yuzhixiang and Shirble Apparel, and a legal representative of Shenzhen Qianhai Baotang E-commence Company Limited. Mr. YANG obtained a bachelor's degree in business management from the University of Surrey in England in 2010. Mr. YANG Ti Wei is the son of Mr. YANG Xiangbo, the Co-Chairman and an executive Director.

Independent non-executive Directors

Ms. ZHAO Jinlin, *Chairperson of the Audit Committee and a member of the Nomination Committee*
Ms. ZHAO Jinlin, aged 50, was appointed as an independent non-executive Director on 18 June 2010. Ms. ZHAO obtained a bachelor's degree in mechanical engineering from the Xian Jiaotong University in 1989, a master's degree in accountancy from the Southwestern University of Finance and Economics in 1995 and a doctor's degree in accountancy from the Jinan University in 2005. From 1995 to 2006, Ms. ZHAO worked in the Local Tax Bureau of Shenzhen and was responsible for providing guidance on tax collection and tax policies. Since 2006, Ms. ZHAO has been engaged in teaching and research work at the Faculty of Economics of the Shenzhen University, specializing in finance management and taxation management, and is now a professor in accounting and an instructor of postgraduate students. From 2006 to 2007, Ms. ZHAO provided financial advice to a factory in Shenzhen. Ms. ZHAO has also been an academic committee member of the China International Taxation Research Institute since August 2008, a committee member of the Shenzhen International Taxation Research Institute since March 2004 and a committee member of the Shenzhen Local Taxation Research Institute since March 2004. From January 2014 to January 2017, Ms ZHAO was appointed as an independent non-executive director of Shenzhen Infinova Limited, a company listed in Shenzhen Stock Exchange (SZSE:002528). From March 2014 to March 2018, Ms. ZHAO was also appointed as an independent non-executive director of ESUN, another company listed in Shenzhen Stock Exchange (SZSE:002751). In December 2014, Ms. ZHAO was appointed as an independent non-executive director of NNK Group Limited (Stock code: 3773).

Mr. CHEN Fengliang, *Chairperson of the Remuneration Committee and a member of the Audit Committee*
Mr. CHEN Fengliang, aged 45, was appointed as an independent non-executive Director on 18 June 2010. Mr. CHEN obtained a bachelor's degree in economics from the Inner Mongolia University in 1995. From 1995 to 1998, Mr. CHEN was a planning officer in the planning department of the Yike Zhao League branch of The Agricultural Bank of China. From 1998 to 2001, Mr. CHEN studied at the Graduate School of the People's Bank of China and obtained a master's degree in economics in 2001. From 2001 to 2003, Mr. CHEN was the secretary to the president's office of China Eagle Securities Company Limited. From 2003 to 2005, Mr. CHEN was a manager of risk control of China Eagle Asset Management Company Limited. Since 2006, Mr. CHEN has been a director of investment of Shanghai Sino-V Asset Management Company Limited. From August 2014 to April 2016, Mr. CHEN was the vice general manager of the business development department of Chinalion Securities Co., Ltd..

Mr. JIANG Hongkai, *Chairperson of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee*
Mr. JIANG Hongkai, aged 53, was appointed as an independent non-executive Director on 18 June 2010. Mr. JIANG obtained a Bachelor of Science degree in chemistry from South China Normal School in 1986. From 1986 to 1994, Mr. JIANG was a high school teacher. In 1994, Mr. JIANG became qualified as a lawyer in China after passing an examination required for admission as a PRC lawyer. From 1994 to 2003, Mr. JIANG worked as a lawyer in Guangdong Jihe Law Firm. Since 2003, Mr. JIANG has been working as a lawyer in the King & Capital (Shenzhen) Law Firm (formerly known as the Shenzhen branch of King & Capital Law Firm).

Mr. FOK Hei Yu, *A member of the Audit Committee, Remuneration Committee and Nomination Committee*
Mr. FOK Hei Yu, aged 48, was appointed as an independent non-executive Director on 31 January 2013. Mr. FOK is a senior managing director of FTI Consulting, a business advisory firm assisting companies to protect and enhance enterprise value. On 1 June 2018, Mr. Fok was appointed as an independent non-executive director of Nam Tai Property Inc., a company listed on the New York Stock Exchange. In March 2018, Mr Fok was appointed as an independent non-executive director of Kaisa Health Group Holdings Limited (Stock Code: 876). From 17 November 2009 to 30 December 2014, Mr. Fok was an independent non-executive director of Kaisa Group Holdings Limited (Stock Code: 1638). From 31 August 2011 to 8 October 2014, Mr. FOK was a director of Emerson Radio Corp., a company listed on the New York Stock Exchange. From 1 December 2009 to 15 June 2012, Mr. FOK was also a non-executive director of Delong Holdings Limited, a company listed on the Singapore Exchange Limited. Mr. FOK is an associate member of the Hong Kong Institute of Certified Public Accountants and Certified Practicing Accountant (Australia) and a member of the Hong Kong Institute of Directors. Mr. FOK graduated from Australian National University with a bachelor's degree in commerce in 1995.

Senior Management

Mr. Lam Man Tin, age 59, was appointed as the CEO Strategist effective from 9 September 2013. Prior to joining the Group, Mr. LAM served as the managing director of Aeon Stores (Hong Kong) Co. Limited (Stock Code: 984) from May 2006 to May 2012 and has over 20 years of experience in retail and service industries. Mr. LAM was a director of Aeon Stores Co., Ltd. and an executive Director of Aeon Stores (Hong Kong) Co. Limited from May 1999 to May 2012. Mr. LAM was engaged as a consultant of Aeon Stores (Hong Kong) Co., Limited following his resignation from the board until September 2012. In May 2013, Mr. LAM was appointed as an independent non-executive director of S. Culture International Holdings Limited (Stock Code: 1255) until July 2017. In February 2016, he was also appointed as an independent non-executive director of Veeko International Holdings Limited (Stock code: 1173). He was re-designated from an independent non-executive director to a non-executive director in July 2018. Mr. Lam graduated from University of Hull (England) with a master degree in strategic marketing (Distance learning) in July 1996, and is founding member of the Hong Kong Yau Yat Chuen Lions Clubs.

Ms. CHAN Chore Man, Germaine, aged 39, the chief financial officer, company secretary and investor relationship manager of the Company. Ms. CHAN joined the Group in July 2010 and is responsible for overseeing the overall financial, corporate finance and compliance matters of the Group. Ms. CHAN obtained a bachelor's degree in accounting from the Hong Kong University of Science and Technology in 2002. Prior to joining the Group, Ms. CHAN has over five years of experience in the investment banking sector, specializing in corporate finance, and two years of experience in the audit and tax departments at Ernst and Young. Ms. CHAN is a member of the Hong Kong Institute of Certified Public Accountants since 2006.

Ms. HUANG Bihui, aged 47, is the Group's Executive Vice President. Ms. HUANG is principally responsible for overseeing all the accounting, administration, information system, corporate affairs, legal and security matters of the Group. Ms. HUANG joined Shirble Department Store (Shenzhen) as a supervisor of the finance department in January 1996 and was subsequently promoted as the Director of Finance in 2005 before becoming the Group's Executive Vice President in 2014. In 2009, Ms. HUANG received a master's degree in business administration from the Shanghai University of Finance and Economics.

DIRECTOR'S REPORT

The Board is pleased to present the report on the affairs of the Company, together with the consolidated financial statements and auditor's report, for the year ended 31 December 2018.

Principal activities

Shirble Department Store Holdings (China) Limited was incorporated in the Cayman Islands on 5 November 2008 as an exempted company with limited liability under the Companies Law, (Cap. 22) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is principally engaged in investment holding. The principal activities of the Company and its subsidiaries are operation of department stores in the PRC. Starting from 2018, the group has also commerced to develop its property business.

Results

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of comprehensive income on page 41 of this report.

Proposed final dividends

Pursuant to the resolutions passed by the Board on 20 August 2018, an interim and special cash dividend of HKD0.0021 and HKD0.0062 respectively (equivalent to approximately RMB0.0018 and RMB0.0055 respectively) per share for the interim period, amounting to HKD5,240,000 and HKD15,419,000 respectively (equivalent to approximately RMB4,387,000 and RMB13,613,000 respectively) was declared and paid by the Company.

On 25 March 2019, the Board recommended the payment of a final dividend in respect of the year ended 31 December 2018 of HKD0.0109 (equivalent to approximately RMB0.0093) per share, amounting to HKD27,196,000 (equivalent to approximately RMB23,204,000) (2017: Nil). The final dividend is to be proposed out of the share premium account of the Company and these financial statements do not reflect this dividend payable.

Investment properties

Details of movements in investment properties during the year are set out in note 15 to the consolidated financial statements.

Property, plant and equipment

Details of movements in property, plant and equipment during the year are set out in note 16 to the consolidated financial statements.

Share capital

Details of the Company's authorised and issued share capital as of 31 December 2018 are set out in note 28 to the consolidated financial statements.

Reserves

As at 31 December 2018, distributable reserves of the Company included the Company's retained profit in the amount of RMB194.8 million and the Company's share premium in the amount of RMB822.1 million. Details of the movements in reserves of the Company and the Group during the year under review are set out in notes 30 to 31 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Charitable donations

The Group did not make any charitable donations for the year ended 31 December 2018.

Pre-emptive rights

There are no provisions for pre-emptive rights under the articles of association of the Company (the "**Articles**") and the laws of the Cayman Islands do not impose any limitations on such rights.

Directors

The Directors of the Company during the year under review and up to the date of this report are as follows:

Executive Directors:

Mr. YANG Xiangbo *(Co-chairman) (redesignated on 26 September 2018)*
Mr. HAO Jian Min *(Co-chairman) (appointed on 26 September 2018)*
Mr. YANG Ti Wei *(Chief Executive Officer)*

Independent Non-executive Directors:

Ms. ZHAO Jinlin
Mr. CHEN Fengliang
Mr. JIANG Hongkai
Mr. FOK Hei Yu

Pursuant to Article 83(3) of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and be subject to re-election of such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed pursuant to Article 83(3) of the Articles shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

DIRECTOR'S REPORT

Pursuant to Article 84 of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years and shall then be eligible for re-election.

In accordance with the Articles and the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), Mr. HAO Jian Min, Mr. YANG Ti Wei and Mr. FOK Hei Yu will retire by rotation in accordance with Article 84 of the Articles. All retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' service contracts

Mr. YANG Xiangbo, one of the executive Director, has entered into a service contract, together with supplements, with the Company for a term of three years commencing from 18 June 2016. The service contract shall continue thereafter and may only be terminated in accordance with the provisions therein contained by either party giving to the other not less than three months' prior notice in writing. Mr. YANG Xiangbo will receive an annual Director's fee of HK$1,440,000 under the service contract.

Mr. HAO Jian Min, one of the executive Director, has entered into a service agreement, together with supplements, with the Company for a terms of three years commencing from 26 September 2018. The service agreement shall continue thereafter and may only be terminated in accordance with the provisions therein contained by either party giving to the other not less than six months' prior notice in writing. Mr. HAO Jian Min will receive a monthly salary of HK$2,000,000 (after taxation) under the service contract. On 26 September 2018, Mr. HAO Jian Min has also accepted 250,000 shares of the Company as the share-based payment of his employment with the Company.

Mr. YANG Ti Wei, one of the executive Director, has entered into a service agreement with the Company for a term of three years commencing from 7 September 2016. The service contract shall continue thereafter and may only be terminated in accordance with the terms and conditions specified therein. The directorship is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles. Mr. YANG is entitled to an annual remuneration comprising (a) a fixed annual salary of RMB2,160,000 (after taxation) (the "**Base Pay**") and an extra one-month salary of RMB180,000 (after taxation) and (b) a fixed annual director's fee of HK$300,000 (before taxation), which is determined by the Board with reference to his position and his responsibilities. In addition, pursuant to the relevant service agreement, Mr. YANG would be provided, at the discretion of the Board, such amount of management bonus with reference to the amount of the audited consolidated net profit after taxation of the Group (the "**Net Profit**") in the relevant financial year. The amount of the management bonus will be based on the higher of (a) 40.0% of the Base Pay and (b) 0.5%, 0.6%, 0.7% of the Net Profit for the respective three-year term. Mr. Yang's remuneration package is determined with his performance, responsibilities with the Company and the terms of the Company's remuneration policy.

Mr. Fok Hei Yu has signed a letter of appointment with a term of three years commencing from January 2019 whereas the other three independent non-executive Directors have signed letters of appointment for a term of three years commencing from 18 June 2017. The annual fee for each independent non-executive Director is HK$300,000. Save as disclosed above, none of the Directors has entered or has proposed to enter into any service agreements with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

Retirement schemes

Employees of the Company's subsidiaries in the PRC and Hong Kong are required to participate in defined contribution retirement schemes. Particulars of these retirement plans are set out in note 11 to the financial statements.

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2018, the interests of the Directors in the shares of the Company and its associated corporations as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "**SFO**"); or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 to the Listing Rules were as follows:

(a) Long positions in shares of the Company

Name of Director	Capacity	Number of shares	Percentage of shareholding
Mr. YANG Xiangbo	Interest in a controlled corporation (Note 1)	1,308,881,500	52.46%
	Interest of spouse (Note 2)	8,324,000	0.33%
Mr. HAO Jian Min	Beneficial owner	374,250,000	15.00%
Mr. YANG Ti Wei	Beneficial owner	2,490,000	0.09%

Notes:

(1) The 1,308,881,500 shares of the Company were held by Shirble BVI, which is wholly owned by Xiang Rong Investment, which is in turn wholly owned by Mr. YANG Xiangbo. According to the SFO, both Mr. YANG Xiangbo and Xiang Rong Investment were deemed to have interests in the 1,308,881,500 shares held by Shirble BVI.

(2) The 8,324,000 shares were hold by Ms HUANG Xue Rong, spouse of Mr. YANG Xiangbo.

(b) Long positions in the shares of associated corporations

Name of Director	Name of associated corporations	Capacity	Number of shares	Percentage of shareholding
Mr. YANG Xiangbo	Shirble BVI	Interest in a controlled corporation	50,000	100%
Mr. YANG Xiangbo	Xiang Rong Investment	Beneficial owner	100	100%

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; nor had there been any grant or exercise of rights of such interests during the year ended 31 December 2018.

Substantial shareholders' interests and short positions in shares and underlying shares of the company

As at 31 December 2018, so far as is known to the Directors of the Company, the following persons (other than a Director or chief executive of the Company), had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long position in the shares of the Company

Name	Capacity	Number of Shares	Percentage of shareholding
Shirble BVI	Beneficial owner	1,317,205,500	52.79%
Xiang Rong Investment	Interest in a controlled corporation	1,317,205,500	52.79%
HUANG Xue Rong	Interest of spouse (Note 1)	1,308,881,500	52.46%
SU Chen	Interest of spouse (Note 2)	374,250,000	15.00%

Notes:

(1) The 1,308,881,500 shares of the Company were held by Shirble BVI, which is wholly owned by Xiang Rong Investment, which is in turn wholly owned by Mr. YANG Xiangbo. According to the SFO, both Mr. YANG Xiangbo and Xiang Rong Investment were deemed to have interests in the 1,308,881,500 shares held by Shirble BVI. Ms. HUANG Xue Rong (being the spouse of Mr. YANG Xiangbo) was deemed, under the SFO, to have an interest in the shares which Mr. YANG Xiangbo was interested in.

(2) The 374,250,000 shares of the Company were held by Mr. HAO Jian Min. Ms. SU Chen (being the spouse of Mr. HAO Jian Min) was deemed, under the SFO, to have an interest in shares which Mr. HAO Jian Min was interested in.

Save as disclosed above, as of 31 December 2018, the Directors are not aware of any person (other than a Director or chief executive of the Company) who had any interests or short positions in shares or, underlying shares of the Company as recorded in the register required to be kept under sector 336 of the SFO.

Share option scheme

The Company adopted a share option scheme (the "**Scheme**") pursuant to the resolutions of the shareholders of the Company passed on 30 October 2010:

A summary of the Scheme is as follows:

1. The purpose of the Scheme is to recognise and acknowledge the contributions that the eligible participants have made or may make to the business development of the Group. Apart from the determination of the subscription price, the Directors will have an absolute discretion to impose performance targets on the option holders before any option that can be exercised with reference to the objectives of the Scheme. A consideration of HK$1.0 will be payable upon acceptance of the offer.

2. The eligible participants of the Scheme are:

   (i) any executive, non-executive or independent non-executive Director;

   (ii) any employee of the Group; and

   (iii) any customer, supplier, agent, business or joint venture partner, consultant, distributor promoter, service provider, adviser or contractor to any member of the Group.

3. The maximum number of shares may be issued under the Scheme shall not exceed 10% of the issued share capital of the Company (i.e. 250,000,000 shares) as of 17 November 2010 (the "**Listing Date**").

4. Unless approved by shareholders, no option may be granted to any eligible participants which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the share options already granted or to be granted to such eligible participant (including exercised, cancelled and outstanding share option) in the 12-month period up to and including the date of such new grant exceeding 1% of the total number of shares in issue as at the date of such new grant.

5. An option may be exercised in accordance with the terms of the Scheme at any time during the period to be notified by the Board to the grantee save that such period shall not be more than 10 years from the business day on which the option is deemed to have been granted in accordance with the terms of the Scheme. There is no minimum period for which an option must be held before it can be exercised.

6. An offer is deemed to be accepted when the Company receives from the eligible participants the offer letter signed by the eligible participants specifying the number of shares in respect of which the offer is accepted and a remittance to the Company of HK$1.00 as consideration for the grant of option. Such remittance is not refundable in any circumstances.

7. The subscription price in respect of each share under the Scheme shall, subject to any adjustments made as described below, be a price determined by the Board and notified to the eligible participant and shall be no less than the highest of: (i) the nominal value of a share; (ii) the closing price of each share as stated in the Stock Exchange's daily quotations sheet on the date of offer to the eligible participant, which must be a day on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities (a "**Trading Day**"); and (iii) the average closing price of each share as stated in the Stock Exchange's daily quotations sheets for the five (5) consecutive Trading Days immediately preceding the date of offer to the eligible participant.

8. The Scheme will remain in force until 29 October 2020.

Since the date of adoption of the Scheme and up to the date of this report, no options have been granted under the Scheme.

Employees' share award scheme

The Company adopted an employees' share award scheme ("**Employees' Share Award Scheme**") on 22 January 2014 ("**The Adoption Date**").

The purpose of the Employees' Share Award Scheme is to recognise and reward eligible employees for their contributions to the business and development of the Group, provide incentives to eligible employees for their satisfactory performance, and align the interest of the eligible employees with the interest of the Group through the grant of the award. Unless terminated earlier or extended by the Board in accordance with the Employees' Share Award Scheme rules, the Employees' Share Award Scheme operates for ten years commencing on the Adoption Date. The Board will not grant further award which will result in the number of shares that may be transferred to the participants under the Employees' Share Award Scheme to exceed 2.0% of the total number of Shares in issue as of the Adoption Date. The maximum number of the award Shares which may be granted to a Participant but unvested under the Employees' Share Award Scheme will not exceed 0.1% of the total number of Shares in issue as of the Adoption Date. Eligible employees will include different levels of employee of the Group, the total number of which will not be more than 200.

On 13 July 2015, the rights to receive 18,672,000 Shares have been granted to 28 eligible employees pursuant to the employee's share award scheme. On 17 December 2015, the rights to receive an additional 13,830,000 Shares have been granted to 60 eligible employees. Subsequently, on 20 January 2017, the rights to receive an additional 7,524,000 Shares have been granted to 50 eligible employees. As approved by the Board under the share award scheme, the aggregate of 40,026,000 Shares and the related income will be vested to the relevant employees during a period of three years commencing from the first anniversary of the dates of grant in the percentages of 33.3%, 33.3% and 33.4%, respectively.

As at the date of this report, 4,644,600 Shares granted to 30 eligible employees have not been vested due to departure, while an additional of 631,800 Shares were granted to two eligible employees upon their promotion.

Remuneration policy

The employees' and Directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of the Group. In addition to the fees, salaries, housing allowances, other allowances, benefits in kind or bonuses, the Company has conditionally adopted the Scheme and Employees' Share Award Scheme pursuant to which the participants, including the Directors, may be granted options to subscribe for the Shares or may reward Shares directly.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in note 11 to the financial statements.

Directors' interest in competing business

As of 31 December 2018, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in a business, which competes or may compete with the business of the Group.

As disclosed in the prospectus of the Company dated 5 November 2010 (the "**Prospectus**"), the Controlling Shareholders (as defined in the Prospectus) and the then executive Directors (collectively, the "**Covenantors**") have entered into a deed of non-competition in favor of the Company with effect from the Listing Date. The Covenantors have provided the Group with written confirmations that they and their associates (other than members of the Group) have fully complied with the deed of non-competition for the year ended 31 December 2018.

The independent non-executive Directors have conducted an annual review on the Covenantors' compliance with the deed of non-competition, the options, the pre-emptive rights or first rights of refusals provided by the Controlling Shareholders (as defined in the Prospectus) on their existing or future competing business.

Management contracts

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

Directors' right to acquire shares or debentures

Save as disclosed under the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures", "Share Option Scheme" and "Employees' share award scheme" above, at no time during the year was the Company and any of its subsidiaries of the Company and its associated corporations a party to any arrangement to enable the Directors or chief executive or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Arrangements to purchase shares

At no time during the year was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Exempt continuing connected transactions

Details of the related party transactions, which were undertaken in the ordinary course of business are set out in note 38 to the financial statements.

The transactions stated below are entered into in the ordinary and usual course of business, and constitute continuing connected transactions exempt from the reporting, announcement, annual renew and independent shareholders' approval requirements as defined in Chapter 14A of the Listing Rules.

Lease agreement with Shenzhen Ruizhuo Investment Development Co., Ltd ("Ruizhuo Investment")

Pursuant to a lease agreement dated 10 January 2019, Shirble Chain Store leased from Ruizhuo Investment a property of 39.02 sq.m. located at Bao'an Road, Luohu District, Shenzhen, China for the period from 10 January 2019 to 9 January 2022 at a monthly rental of RMB1,678, i.e. an annual rental of RMB20,136. The property is used as a tobacco sales counter of the Group's Hongbao store. Ruizhuo Investment is owned in equal shares by Mr. ZHU Bijiang, who is a member of the Group's senior management team and Mr. YANG Xiangbo's nephew, and Ms. ZHU Bihui, who is Mr. YANG Xiangbo's niece. Hence, Ruizhuo Investment is a connected person of the Company under the Listing Rules.

The above transaction involves the lease of property from an entity controlled by Mr. YANG Xiangbo or his associates.

For the year ended 31 December 2018, the aggregate annual rental paid under the lease agreement with Ruizhuo Investment amounted to RMB20,136. Since the transaction (the "**Transaction**") under the agreement with Ruizhuo Investment, as confirmed by the Directors, are on normal commercial terms and the applicable percentage ratios in respect of the Transactions were on an annual basis, less than 5% and the annual consideration is less than HK$3.0 million, it falls within the de minimis threshold as stipulated under Rule 14A.76(1)(c) of the Listing Rules, the Transaction is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Purchase, sale or redemption of listed shares of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

Major customers and suppliers

As the Group is principally engaged in retail sales, none of its customers and suppliers accounted for more than 5% of its revenue and purchases respectively, for the year ended 31 December 2018. None of the Directors or any of their close associates or Shareholders who owned 5% or more of the issued shares capital of the Company had any interest in any of the five largest customers and suppliers of the Company for the year ended 31 December 2018.

Borrowings

The Group has borrowings of approximately RMB9.0 million as at 31 December 2018 (2017: Nil), representing an unsecured short-term borrowing denominated in HKD repayable within one year. As at the date of this report, the outstanding amount of the unsecured short-term borrowing has been repaid in full.

Sufficiency of public float

Based on the information that is publicly available and within the knowledge of the Directors at the latest practicable date prior to the publication of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2018 and at any time up to the latest practicable date prior to the publication of this report.

Directors' interests in transactions, arrangement or contracts of significance

Save as disclosed under the "Exempt continuing connected transactions" sections above, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Controlling shareholder's interests in significant contracts

Saved as disclosed in note 38 to the financial statements with the section headed "Related Party Transactions", at no time during the year had the Company or any of its subsidiaries, and the Controlling Shareholders or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the Controlling Shareholders or any of its subsidiaries to the Company or any of its subsidiaries.

Tax relief

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares. Intending holders and investors of the Company's shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in shares. It is emphasized that none of the Company or its Directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of shares in the Company resulting from their subscription for, purchase, holding, disposal of or dealing in such shares.

Corporate governance report

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this report.

Environmental, Social and Governance Report

2018 Environmental, Social and Governance Report of the Company will be presented in a separate report and published on the websites of the Company and the Stock Exchange no later than three months after the publication of this annual report.

Auditors

The consolidated financial statements have been audited by PricewaterhouseCoopers who will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment.

On behalf of the Board

YANG Xiangbo
Co-chairman

25 March 2019

CORPORATE GOVERNANCE REPORT

Corporate governance

The Company is committed to achieving and maintaining high standards of corporate governance. In the opinion of the Directors, throughout the year ended 31 December 2018, the Company has complied with the principles and applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

The enhancement of the internal controls measures will also continue to be monitored by the internal audit department and the Chief Executive Officer of the Group. The internal audit department will periodically report their review and findings on the Group's internal controls to the Audit Committee and the Board.

Board of directors

As at 31 December 2018, the Board comprises three Executive Directors, namely Mr. YANG Xiangbo (Co-chairman), Mr. HAO Jin Min (Co-chairman) and Mr. YANG Ti Wei (Chief Executive Officer), and four independent non-executive Directors, namely Ms. ZHAO Jinlin, Mr. CHEN Fengliang, Mr. JIANG Hongkai and Mr. FOK Hei Yu. Pursuant to Article 84 of the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years and shall then be eligible for re-election. The composition of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operations and development of the Group. The biographical details of the Directors are set out in the "Directors and Senior Management" section on pages 15 to 17 of this report. All independent non-executive Directors are appointed for a specific term of three years, but they are subject to retirement by rotation and re-election at the annual general meeting pursuant to the Articles of the Company.

The Board is responsible for overall management and control of the Company including formulation and approval of overall strategies, performing corporate governance duties, material transactions, business plans and other significant financial and operational matters to enhance the value to shareholders. The Board has delegated the responsibilities for day-to-day operations and management of the Group's business to the senior management of the Company. Details of the type of decisions taken by the Board and those delegated to the management are set out in the sub-section headed "Corporate Governance Functions" on page 31 of this report.

In accordance with Rule 3.13 of the Listing Rules, the Company has received annual confirmation of independence from the four independent non-executive Directors. The Company considers that all the independent non-executive Directors are independent. Mr. Fok has signed a letter of appointment with a term of three years commencing from 31 January 2019 and the other three independent non-executive Directors have signed renewal letters of appointment for a term of three years commencing from 18 June 2017.

Board diversity policy

In respect of the code provision relating to Board diversity under the CG Code, the Board seeks to achieve a sustainable and balanced development through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience.

On 26 August 2013, the Board has formally approved a diversity policy with effective from 1 September 2013.

Directors' responsibilities

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2018.

Audit Committee

In accordance with Rule 3.21 of the Listing Rules, the Company has set up an Audit Committee comprising of four independent non-executive Directors, namely, Ms. ZHAO Jinlin (Chairperson), Mr. CHEN Fengliang, Mr. JIANG Hongkai and Mr. FOK Hei Yu. The Audit Committee has been established to review the financial reporting process and evaluate the effectiveness of internal control procedures (including financial, operational and compliance controls and risk management functions) of the Group. During the year under review, the Audit Committee held two regular meetings with management, external auditors and internal control consultant to discuss on the auditing, internal controls and financial reporting matters of the Company, and to review on the Group's internal control and risk management system and annual results for the year ended 31 December 2018.

The Audit Committee is satisfied that there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group, and believes that in order to manage the risk of failure in achieving the Company's goals and objectives to an ultimate extent, the Group should continuously enhance its internal control system. The Audit Committee also reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting and internal audit functions; as well as training programs and budget. The Audit Committee believes that in view of the rapid expansion plan of the Group, the Group should continue to monitor its total resources in the accounting and financial reporting and internal audit functions.

Remuneration Committee

In accordance with Rule 3.25 of the Listing Rules, the Company has set up a Remuneration Committee with a majority of independent non-executive Directors. The Remuneration Committee comprises four members, namely Mr. CHEN Fengliang (Chairperson), Mr. JIANG Hongkai and Mr. FOK Hei Yu, all being independent non-executive Directors and one executive Director, namely Mr. YANG Xiangbo. The primary responsibilities of Remuneration Committee are to provide recommendation to the Board on the remuneration package of Directors and senior management and to establish formal and transparent procedures for developing such remuneration policy and structure.

The Remuneration Committee held one meeting during the year to discuss on the remuneration package and the performance assessment of the Directors and other remuneration-related matters. All members of the Remuneration Committee had also deliberated on matters relating to the salary adjustment of the executive Director and independent non-executive Directors and members of senior management.

Pursuant to code provision B.1.5 of the CG Code, the details of the annual remuneration of the members of the senior management (excluding Directors) by band for the year ended 31 December 2018 are set forth as follows:

The emoluments fell within the following bands:

	Number of individuals	
	2018	**2017**
Emolument band		
HKD1,500,001 – HKD2,000,000	2	2
HKD2,000,001 – HKD2,500,000	–	–
HKD2,500,001 – HKD7,000,000	–	–
HKD7,000,001 – HKD7,500,000	1	–
HKD7,500,001 – HKD8,000,000	–	1

Details of the Director's emoluments are set out in note 11 to the financial statements.

Nomination Committee

In accordance with Code Provision A.5.1 of the CG Code, the Company has set up a Nomination Committee with a majority of independent non-executive Directors. The Nomination Committee comprises four members, namely Mr. JIANG Hongkai (Chairperson), Ms. ZHAO Jinlin and Mr. FOK Hei Yu, all being independent non-executive Directors; and one executive Director, namely Mr. YANG Xiangbo. The primary responsibilities of the Nomination Committee are to review the composition and diversity of the Board regularly, to assess the independence of independent non-executive Directors and to make recommendation to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee firstly proposes a list of candidates for selection, which shall then be submitted by the committee to the Board for review and approval. In respect of the selected candidates, the Nomination Committee collects their background information and examine the qualifications in accordance with the applicable requirements and to state their opinion and recommendations on appointments to the Board. The Nomination Committee carries out, if necessary, other relevant follow up works according to the decisions of or feedback from the Board.

During the year under review, one meeting was held by the Nomination Committee to consider for the appointment of new director.

Frequency of meetings and attendance

The attendance record of each of the Directors for the meetings held during the year ended 31 December 2018 is set forth below:

	Number of attendance/Number of meetings				
Name of Directors	Shareholders	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Director					
YANG Xiangbo *(Co-chairman)*	1/1	11/11	N/A	1/1	1/1
HAO Jian Min *(Co-chairman)*	N/A	4/4	N/A	N/A	N/A
YANG Ti Wei	1/1	11/11	N/A	N/A	N/A
Independent non-executive Directors					
ZHAO Jinlin (Note 1)	1/1	11/11	2/2	N/A	1/1
CHEN Fengliang	1/1	11/11	2/2	1/1	N/A
JIANG Hongkai	1/1	11/11	2/2	1/1	1/1
FOK Hei Yu	1/1	11/11	2/2	1/1	1/1

Note 1: Ms. ZHAO Jinlin joined all the meetings by way of telephone conference during the year as she was stationed in the United States for one year commencing from August 2018 for her personal business engagements.

Professional training for directors

Each newly appointed Director receives comprehensive, formal induction to ensure that he/she has appropriate understanding of the business and his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The continuous professional development is provided to the Directors at the Company's expense to develop and refresh their knowledge and skills. From time to time the Company Secretary updates and provides Directors with relevant reference material, amendments to Listing Rules and news releases from the Stock Exchange on any developments in statutory and regulatory regime to facilitate the discharge of their responsibilities.

For the year ended 31 December 2018, all the Directors have attended 20 hours of training in form of in-house seminars and regulatory updates or other relevant reference materials studies.

Corporate governance functions

The Board acknowledges its responsibility to ensure that sound and effective internal controls are maintained to safeguard the Shareholders' investment and the Company's assets and review the effectiveness of the internal control system annually. Procedures have been designed to facilitate effective and efficient operations, ensure reliability of financial reporting, identify and manage potential risks, safeguard assets of the Group and ensure compliance with applicable laws and regulations.

The internal audit department has reported its findings and work plan to the Audit Committee twice in the year, and the Board and the Audit Committee then reviewed and refined the Group's material controls, including financial, operational and compliance controls and risk management functions. The Board, together with the Audit Committee, also accessed the adequacy of resources, qualifications and experience of the staff of the Company's accounting and financial reporting and internal audit functions, and their training programs and budget.

Model code for securities transactions

The Company has adopted the Model Code as the code of conduct regarding the Directors' securities transactions. Having made specific enquiries of all the Directors, the Company confirmed that they have complied with the Model Code during the year ended 31 December 2018.

Auditors' remuneration

The Independent Auditor's Report issued by PricewaterHouseCoopers, the Company's auditors, in respect of the audit of the Group's financial statements for the year ended 31 December 2018 is set out on pages 34 to 39 of this report.

During the year ended 31 December 2018, the Auditors' remuneration was RMB3.3 million and RMB3.2 million for auditor services and other assurance services to the Group respectively.

Insurance

The Company has arranged appropriate directors' and officers' liabilities and professional indemnity insurances coverage for the Directors and officers of the Company.

Company secretary

All Directors have access to the advice and services of the Company Secretary, Ms. Chan Chore Man ("**Ms. Chan**"), a full time employee of the Company. Ms. Chan has confirmed that she has received no less than 15 hours of relevant professional training for the year ended 31 December 2018.

Shareholder's rights

Pursuant to the Article 58 of the Articles of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. The Shareholders may communicate to the Board any enquiries they may have. All Shareholders correspondences received by the Company will be delivered to the Group's Company Secretary for an initial review. The Company Secretary will maintain a log of the correspondences and forward a copy of the correspondences to the Board for consideration at its next meeting.

Apart from the above, Shareholders also have the right to nominate candidates to be Directors. Following the relevant procedures which are made available to the Shareholders, Shareholders may at any time send a notice of nomination setting out the information required to the Nomination Committee of the Company. After evaluation, the Nomination Committee may make recommendation to the Board which will then evaluate the nomination.

For putting forward any enquiries to the Board of the Company, Shareholders may send their enquiries to the Company in writing by mail to:

Suites 1105-12
11/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Communication with shareholders and investors

The Company believes that effective communication with Shareholders is essential for good investor relations and investor understanding of the Group's business performance and strategies. Therefore, the Company always seeks to provide relevant information through various channels including formal announcements, press releases and conferences, analysts presentations and roadshows and forums organized by investment banks in order to enhance the transparency and communication with the investing public. The Company also maintains a website at www.shirble.net, where up-to-date information and updates on the Company's financial information, business development and other information are available for public access. The general meetings of the Company provide a platform for communication between the Board and the shareholders. The Board and the senior management will normally attend the annual general meetings and other shareholders' meetings of the Company to answer questions raised at the meetings.

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

To the Shareholders of
Shirble Department Store Holdings (China) Limited
(incorporated in Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Shirble Department Store Holdings (China) Limited **("the Company**") and its subsidiaries (the "**Group**") set out on pages 40 to 116, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to note 2.24, note 6 and note 7 to the Consolidated Financial Statements. Revenue of the Group includes direct sales, commission from concessionaire sales and rental income. Revenue for the direct sales and commission from concessionaire sales are non-complex routine transactions recognized upon delivery of goods and sales of goods by concessionaire store, respectively. Given the high volume of sales transaction, the Group highly relies on its information technology ("**IT**") system to track the sales data including transaction details and customer incentive programs to process the relevant journal entries. Therefore, we considered this matter as a key audit matter.	Our audit procedures included: • We designed our audit procedures to assess the IT general controls including an assessment of access to programs and data, program changes, computer operation as well as program development. • We obtained a detailed understanding of the controls over the revenue cycle and evaluated the effectiveness of the system automatic and manual controls. • We performed fluctuation analysis of revenue by store and by month and investigate the reason for unusual fluctuation. We also checked the reconciliations between the cash received and revenue for the year. We were satisfied with the effectiveness of the controls over the revenue cycle. There was no unreasonable and unusual transaction noted based on our fluctuation analysis and testing of cash and revenue reconciliations.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties Refer to note 2.8, note 4.3, note 5 and note 15 to the Consolidated Financial Statements. The Group's investment properties were measured at fair value of RMB730,800,000 as at 31 December 2018, with a revaluation gain of RMB8,625,000 recorded in the consolidated income statement and a change in fair value of investment properties upon transfer of RMB98,512,000 in the consolidated statement of comprehensive income for the year then ended. The management has engaged an independent valuer to assist in the valuation of the fair value of investment properties. The valuation of the fair value of investment properties involves significant estimates and judgements from the management. Therefore, we considered this matter as a key audit matter.	Our audit procedures included: • We understood, evaluated and validated the internal control over the Group's process in determining the fair value of investment properties. • We evaluated the independent external valuer's competence, capabilities and objectivity. • We performed the following procedures with the assistance of our internal valuation experts: (1) We evaluated the appropriateness of the valuation methods adopted by the management and the independent valuer in the process of valuation; (2) We checked the calculation of the fair value of the investment properties for accuracy. We found that the key assumptions used in the valuations were supported by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statement and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Michael W.H. Chan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2019

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Revenue	7	970,892	1,325,566
Other operating revenue	8	107,152	113,453
Other gains – net	9	210,060	44,604
Purchase of and changes in inventories	10,25	(613,767)	(880,167)
Employee benefits	10,11	(200,056)	(184,879)
Depreciation and amortisation	10	(93,671)	(59,672)
Net impairment losses on financial assets	10,24(e)	(2,662)	–
Operating lease rental expenses	10	(120,640)	(125,038)
Other operating expenses, net	10	(125,503)	(173,737)
Operating profit		131,805	60,130
Finance income	12	3,466	3,403
Finance costs	12	(19,363)	–
Finance (costs)/income – net	12	(15,897)	3,403
Share of (loss)/profit of an associate and a joint venture	19	(3,075)	34
Profit before income tax		112,833	63,567
Income tax expense	13	(3,146)	(18,112)
Profit for the year		109,687	45,455
Profit attributable to:			
Owners of the Company		109,851	45,610
Non-controlling interests		(164)	(155)
Profit for the year		109,687	45,455
Earnings per share for the profit attributable to owners of the Company during the year (expressed in RMB per share)			
– Basic earning per share	14(a)	0.04	0.02
– Diluted earning per share	14(b)	0.04	0.02

The above consolidated statement of income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Profit for the year		109,687	45,455
Other comprehensive income			
Item that may be reclassified to profit or loss			
Change in fair value on available-for-sale financial assets, net of tax	30	–	1,359
Currency translation differences	30	(546)	531
Item that will not be reclassified to profit or loss			
Change in fair value of investment properties upon transfer, net of tax	30	73,884	13,092
Other comprehensive income for the year		73,338	14,982
Total comprehensive income for the year		183,025	60,437
Attributable to:			
Owners of the Company		183,189	60,592
Non-controlling interests		(164)	(155)
Total comprehensive income for the year		183,025	60,437

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Investment properties	15	730,800	202,575
Property, plant and equipment	16	573,445	1,081,220
Intangible assets	17	16,592	18,785
Investment in an associate and a joint venture	19	3,714	1,006
Deferred income tax assets	21	48,980	42,443
Other receivables and prepayments	24	128,228	68,835
		1,501,759	1,414,864
Current assets			
Inventories	25	37,883	141,902
Available-for-sale financial assets	20	–	24,485
Financial asset at fair value through profit or loss	22	13,000	–
Derivative financial instrument	23	191,029	–
Trade receivables, other receivables and prepayments	24	156,507	74,208
Bank deposits	26	40,000	239,274
Cash and cash equivalents	27	310,634	379,814
		749,053	859,683
Total assets		2,250,812	2,274,547
EQUITY			
Share capital	28	213,908	213,908
Share premium	28	822,138	842,508
Shares held for share award scheme	28	(2,415)	(5,641)
Other reserves	30	324,736	255,482
Retained profits	31	194,823	84,445
Equity attributable to the owners of the Company		1,553,190	1,390,702
Non-controlling interests		12,731	775
Total equity		1,565,921	1,391,477

	Note	2018 RMB'000	2017 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	21	57,081	25,518
Current liabilities			
Trade and other payables	32	410,920	813,972
Contract liabilities	33	166,933	–
Income tax payable		40,963	43,580
Borrowings	34	8,994	–
		627,810	857,552
Total liabilities		684,891	883,070
Total equity and liabilities		2,250,812	2,274,547

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 40 to 116 were approved by the Board of Directors on 25 March 2019 and were signed on its behalf.

Yang Xiangbo
Director

Hao Jian Min
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 31 December 2017	213,908	842,508	(5,641)	255,482	84,445	1,390,702	775	1,391,477
Adjustment on adoption of IFRS 9, net of tax (Note 3.2)	–	–	–	(1,317)	1,317	–	–	–
Balance as at 1 January 2018	213,908	842,508	(5,641)	254,165	85,762	1,390,702	775	1,391,477
Comprehensive income								
Profit for the year	–	–	–	–	109,851	109,851	(164)	109,687
Other comprehensive income								
Revaluation of property, plant and equipment transfer to investment properties, net of tax (Note 30)	–	–	–	73,884	–	73,884	–	73,884
Currency translation differences (Note 30)	–	–	–	(546)	–	(546)	–	(546)
Total other comprehensive income	–	–	–	73,338	–	73,338	–	73,338
Total comprehensive income	–	–	–	73,338	109,851	183,189	(164)	183,025
Transaction with owners								
Capital injection	–	–	–	–	–	–	12,120	12,120
Employees' share award scheme:								
– Value of employee services (Note 29)	–	–	–	1,878	–	1,878	–	1,878
– Shares purchased for shared award schemes (Note 29)	–	–	(4,579)	–	–	(4,579)	–	(4,579)
– Vesting of shares (Note 28, 30)	–	(2,370)	7,805	(5,435)	–	–	–	–
Dividend (Note 35)	–	(18,000)	–	–	–	(18,000)	–	(18,000)
Appropriation to reserves	–	–	–	790	(790)	–	–	–
Total transactions with owners	–	(20,370)	3,226	(2,767)	(790)	(20,701)	12,120	(8,581)
Balance as at 31 December 2018	213,908	822,138	(2,415)	324,736	194,823	1,553,190	12,731	1,565,921

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2017	213,908	858,649	(10,411)	234,123	44,714	1,340,983	–	1,340,983
Comprehensive income								
Profit for the year	–	–	–	–	45,610	45,610	(155)	45,455
Other comprehensive income								
Changes in fair value of available-for-sale financial assets, net (Note 30)	–	–	–	1,359	–	1,359	–	1,359
Revaluation of property, plant and equipment transfer to investment properties, net of tax (Note 30)	–	–	–	13,092	–	13,092	–	13,092
Currency translation differences (Note 30)	–	–	–	531	–	531	–	531
Total other comprehensive income	–	–	–	14,982	–	14,982	–	14,982
Total comprehensive income	–	–	–	14,982	45,610	60,592	(155)	60,437
Transaction with owners								
Capital injection	–	–	–	–	–	–	930	930
Employees' share award scheme:								
– Value of employee services (Note 29)	–	–	–	5,059	–	5,059	–	5,059
– Vesting of shares (Note 28, 30)	–	(209)	4,770	(4,561)	–	–	–	–
Dividend (Note 35)	–	(15,932)	–	–	–	(15,932)	–	(15,932)
Appropriation to reserves	–	–	–	5,879	(5,879)	–	–	–
Total transactions with owners	–	(16,141)	4,770	6,377	(5,879)	(10,873)	930	(9,943)
Balance as at 31 December 2017	213,908	842,508	(5,641)	255,482	84,445	1,390,702	775	1,391,477

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	36(a)	(179,310)	74,366
Income tax paid		(5,366)	(20,607)
Net cash (used in)/generated from operating activities		(184,676)	53,759
Cash flows from investing activities			
Payments for purchases of property, plant and equipment and other non-current assets		(96,513)	(694,774)
Purchase of intangible assets		(5,675)	(3,642)
Capital contributions to a joint venture		(5,783)	–
Purchase of financial assets at fair value through profit and loss	22	(466,088)	–
Proceeds from sale of financial assets at fair value through profit and loss (2017: AFS)	22	476,796	4,985
Proceeds from disposals of property, plant and equipment	36(b)	399	83
Decrease in bank deposits		239,274	216,633
Increase in restricted bank deposits		(40,000)	–
Interest received		7,545	8,088
Proceeds from acquisition of a subsidiary, net of cash paid		1,763	–
Net cash generated from/(used in) investing activities		111,718	(468,627)
Cash flows from financing activities			
Cash received from investment		5,526	930
Proceeds from borrowings		800,228	–
Repayments of borrowings		(791,234)	–
Repayments of Interests		(8,710)	–
Dividends paid to the Company's shareholders		(18,000)	(23,652)
Net cash used in financing activities		(12,190)	(22,722)
Net decrease in cash and cash equivalents		(85,148)	(437,590)
Cash and cash equivalents at the beginning of year		379,814	829,690
Effect of changes in foreign exchange rate		15,968	(12,286)
Cash and cash equivalents at end of year	27	310,634	379,814

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. General information

Shirble Department Store Holdings (China) Limited (the "**Company**") was incorporated in the Cayman Islands on 5 November 2008 as an exempted company with limited liability under the Companies Law, (Cap. 22) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is principally engaged in investment holding. The principal activities of the Company and its subsidiaries (together, the "**Group**") are to operate department stores in The People's Republic of China ("the PRC"). In year 2018, the Group commenced to develop the property business and has successfully bid the tender upon submission to acquire ten parcels of land on 14 December 2018 (note 37).

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 17 November 2010.

In preparation for the listing of the shares in the Company on the Main Board of The Stock Exchange of Hong Kong Limited, certain reorganisation steps (the "**Reorganisation**") were carried out. After the completion of the Reorganisation, the Company became the holding company of the subsidiaries comprising the Group.

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

These consolidated financial statements have been approved for issue by the Board of Directors (the "**Board**") on 25 March 2019.

2. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Shirble Department Store Holdings (China) Limited and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with IFRS and HKCO

The consolidated financial statements of the Shirble Department Store Holdings (China) Limited have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and requirements of the Hong Kong Companies Ordinance ("**HKCO**") Cap. 622.

(b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss ("**FVPL**"), available-for-sale financial assets ("**AFS**") and investment properties are measured at fair value.

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- Annual Improvements 2014-2016 cycle
- Transfers to Investment Property – Amendments to IAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9 and IFRS 15. The impact of the adoption of these standards and the new accounting policies are disclosed in note 3 below. The other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(d) New standards and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations to existing standards have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019
Annual improvements project (amendments)	Annual improvements to 2015-2017 cycle	1 January 2019
IFRS 19 (amendments)	Plan amendment, curtailment or settlement	1 January 2019
IFRS 28 (amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
IFRS 9 (amendments)	Prepayment features with negative compensation	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
IFRS 3 (amendments)	Definition of business	1 January 2020
Amendments to IAS 1 and IAS 8	Definition of material	1 January 2020
IFRS 17	Insurance contracts	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Except for IFRS 16, there are no other standards that are effective and would expect to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group has reviewed all of the Group's leasing arrangements for the year ended 31 December 2018 in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting treatment for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of RMB1,632,912,000 (note 37). The Group's operating leases mainly consisted of leased properties for self-occupied purpose and rental purpose. The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Management is yet assessing the impacts to the Group's financial position and financial performance for the coming year.

2. Summary of significant accounting policies *(continued)*

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognized at cost.

(c) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangement and determined it to be joint venture. Investments in joint venture are accounted for using the equity method of accounting (see (d) below), after initially being recognized at cost.

2. Summary of significant accounting policies *(continued)*

2.2 Principles of consolidation and equity accounting *(continued)*

(d) Equity accounting

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.11.

2.3 Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized in profit or loss.

2. Summary of significant accounting policies *(continued)*

2.4 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 received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend 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.

2.5 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 Board that makes strategic decisions.

2.6 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 entities operate (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 at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within "Expenses by nature".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognized in other comprehensive income.

2. Summary of significant accounting policies *(continued)*

2.6 Foreign currency translation *(continued)*

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) Income and expenses for each consolidated statement of income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) All resulting currency translation differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.7 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized 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. All other repairs and maintenance are charged in the consolidated statement of income during the financial period in which they are incurred.

2. Summary of significant accounting policies *(continued)*

2.7 Property, plant and equipment *(continued)*

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

	Useful lives	Residual values
Land and buildings	50-59 years	0%
Machinery and equipment	10 years	5%
Furniture and other equipment	5-10 years	0%-10%
Motor vehicles	5 years	5%
Leasehold improvements	10 years or the remaining term of any non-renewable lease, whichever is shorter	0%
Others	5 years	0%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2.8 Investment properties

Investment properties which are buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss as part of "Other gains – net".

An owner-occupied property transfer for lease is recognized as investment properties at the date of change in use, the transfer is made from owner-occupied property to investment property when owner-occupation ceases. The increases in fair value of the property over the previous carrying amount are recognized directly in equity, unless there was an impairment loss recognized for the same property in prior years and a portion of the increase is recognized in profit or loss to the extent of that impairment loss. Decreases in fair value of the property against the previous carrying amount are recognized in the consolidated statement of income for any decrease in excess of the amount included in the revaluation surplus for that property.

2. Summary of significant accounting policies *(continued)*

2.9 Intangible assets

(a) Entry rights

When the entry rights is paid to the previous tenant prior to starting up a store, it is classified within intangible assets and is amortised using the straight-line method over the lease term up to a period of 20 years, and is tested for impairment at each balance sheet date, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These cost are amortised using the straight-line method over their estimated useful lives of 5 to 10 years.

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2. Summary of significant accounting policies *(continued)*

2.11 Investments and other financial assets

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

2. Summary of significant accounting policies *(continued)*

2.11 Investments and other financial assets *(continued)*

(c) Measurement *(continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2. Summary of significant accounting policies *(continued)*

2.11 Investments and other financial assets *(continued)*

(d) Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

The Group classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss,
- Loans and receivables,
- Held-to-maturity investments, and
- Available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. See note 20 for details about each type of financial asset. For the year ended 31 December 2017, the Group only had receivables and available-for-sale financial assets.

(e) Impairment of financial assets

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses ("**ECL**") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see note 3 for further details.

2.12 Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The Group have certain derivative instruments that do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in other gains/(losses).

2. Summary of significant accounting policies *(continued)*

2.13 Inventories

Inventories comprise merchandise purchased for resale, and are stated at the lower of cost and net realisable value. Cost is determined using the weight average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 24 for further information about the Group's accounting for trade receivables and note 2.11 for a description of the Group's impairment policies.

2.15 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity (note 28).

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

Where the company's shares are acquired from the market by the share scheme trust under the employee share scheme, the total consideration of shares acquired from the market (including any directly attributable incremental costs) is presented as shares held for employee share scheme and deducted from total equity. Upon vesting, the related costs of the vested shares for employee share scheme purchased from the market are credited to shares held for employee share scheme, with a corresponding decrease in employee share-based compensation reserve for employee share scheme.

2. Summary of significant accounting policies *(continued)*

2.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized 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 prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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.

2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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.

Other borrowing costs are expensed in the period in which they are incurred.

2. Summary of significant accounting policies *(continued)*

2.20 Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting period in the countries where the Company's subsidiaries and associates 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.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also 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 substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies *(continued)*

2.20 Current and deferred income tax *(continued)*

(b) Deferred income tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.21 Employee benefits

(a) Pension obligations

The Group's subsidiaries registered in PRC contributes, based on certain percentage of the salaries of the employees, to a defined contribution retirement benefit plan and medical benefit plan organised by relevant municipal and provincial government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

The Group makes contributions to defined contribution retirement schemes under the Mandatory Provident Fund Schemes Ordinance and the Occupational Retirement Scheme Ordinance in Hong Kong, the assets of which are generally held in separate share administered funds. The pension plans are generally funded by payments from employees and by the Group. The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

The Group also contributes to employee retirement schemes established by municipal governments in Mainland China. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the consolidated statement of income as incurred.

2. Summary of significant accounting policies *(continued)*

2.21 Employee benefits *(continued)*

(b) 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 recognizes 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 recognizes costs for a restructuring that is within the scope of IAS 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.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.22 Share-based payments

Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- Including any market performance conditions;
- Excluding the impact of any service and non-market performance vesting conditions; and
- Including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the statement of income, with a corresponding adjustment to equity.

2. Summary of significant accounting policies *(continued)*

2.23 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenues are recognized when or as performance obligations are satisfied by transferring control of a promised good or service to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the asset.

2. Summary of significant accounting policies *(continued)*

2.24 Revenue recognition *(continued)*

(a) Direct sales

Timing of recognition: Revenue from direct sales of merchandise is recognized when the control of the products has transferred being when the buyer obtains the future right to direct the use of the merchandise and obtain substantially all of the remaining benefits from the merchandise, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

The consideration relevant to sales of merchandise that result in the award of credits to customers under the Group's customer loyalty programme, is not recognized as revenue at the time of the initial sale transaction. A contract liability for the award of credits is recognized at the time of sales. Revenue is recognized when the awarded credits are redeemed. A contract liability is derecognized when the awarded credits are redeemed.

Measurement of revenue: Revenue from direct sales of merchandise is measured at the fair value of the consideration received or receivable, net of returns and trade discounts.

Sales of merchandise that result in the award of credits to customers under the Group's customer loyalty programme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the merchandise sold and the award credits awarded. The consideration allocated to the awarded credits is measured by reference to the fair value of the cash coupons for which they could be redeemed.

(b) Commission from concessionaire sales

Timing of recognition: Commission income from concessionaire sales is recognized upon sales of goods by the relevant stores.

Measurement of revenue: Commission income is measured at the fair value of the consideration received or receivable, net of discounts.

(c) Rental income from operating leases

Timing of recognition: Rental income is recognized over the lease terms.

Measurement of revenue: Rental income from lease of property owned by the Company and subleased shop premises under operating leases is recognized in profit or loss in equal instalments over the period covered by the lease term. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivables. Contingent rentals are recognized as income in the accounting period in which they are earned.

2. Summary of significant accounting policies *(continued)*

2.24 Revenue recognition *(continued)*

(d) Promotion, administration and management income

Timing of recognition: Revenue from promotion, administration and management fees is recognized in the accounting period in which the service is rendered.

Measurement of revenue: Revenue from promotion, administration and management fees is recognized according to the underlying contract terms with suppliers and concessionaries and as the services are provided accordingly.

(e) Credit card handling fee for concessionaire sales

Timing of recognition: Credit card handling fee for concessionaire sales is recognized when the relevant service is rendered.

Measurement of revenue: Credit card handling fee for concessionaire sales is measured at the fair value of the consideration received or receivable, net of discounts.

(f) Prepaid cards

Timing of recognition: Cash received for prepaid cards sold are recognized as contract liabilities in the balance sheet. Revenue from prepaid cards is recognized when the goods are delivered and the control of the goods has transferred.

Measurement of revenue: Revenue from prepaid cards is measured at the fair value of the consideration received or receivable net of trade discounts.

2.25 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2. Summary of significant accounting policies *(continued)*

2.25 Earnings per share *(continued)*

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.26 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see note 9 below.

Interest income on financial assets at amortised cost and financial assets at FVOCI (2017 – available-for-sale securities, held-to-maturity investments and loans and receivables) calculated using the effective interest method is recognized in the statement of profit or loss as part of other income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 12 below. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.27 Dividend income

Dividend income is recognized when the right to receive payment is established.

2. Summary of significant accounting policies *(continued)*

2.28 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 37(b)). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term (note 15 and note 37(c)). The respective leased assets are included in the balance sheet based on their nature.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.30 Government grants

Grants from the government are recognized 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 recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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

2.31 Shares held for share award scheme

The consideration paid by the share scheme trust (note 29) for purchasing the Company's shares from the market, including any directly attributable incremental cost, is presented as "Shares held for share award scheme" and the amount is deducted from total equity.

When the share scheme trust transfers the Company's shares to the awardees upon vesting, the related costs of the awarded shares vested are credited to "Shares held for share award scheme", with a corresponding adjustment made to "Share premium".

3. Changes in accounting policies

The Group adopted IFRS 9 and IFRS 15 from 1 January 2018, which result in changes in accounting policies (new policies are described in note 2.1) and adjustments to the amounts recognized in the consolidated financial statements.

In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. As a consequence, any adjustments to carrying amounts of financial assets or liabilities are recognized at the beginning of the current reporting period, with the difference recognized in opening retained earnings. Provisions for impairment have not been restated in the comparative period, as well.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognize the cumulative effects of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

3.1 Impact on the financial statements

The following table shows the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

	31 December 2017 as originally presented RMB'000	Reclassifications and adjustments under IFRS 9 RMB'000	Reclassifications and adjustments under IFRS 15 RMB'000	1 January 2018 Restated RMB'000
Consolidated balance sheet (extract)				
AFS	24,485	(24,485)	–	–
FVPL	–	24,485	–	24,485
Contract liabilities	–	–	289,486	289,486
Trade and other payables	289,486	–	(289,486)	–

3. Changes in accounting policies *(continued)*

3.2 IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 Financial Instruments ("**IAS 39**") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments – Disclosures.

The total impact on the Group's retained earnings and reserves due to classification and measurement of financial instruments as at 1 January 2018 is as follows:

	Note	**Retained earnings RMB'000**	**AFS Reserve RMB'000**
Reclassify wealth management products from AFS to FVPL	(a)(i)	1,317	(1,317)

(a) Classification and measurement

The Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018	Note	**AFS RMB'000**	**FVPL RMB'000**
Reclassify wealth management products from AFS to FVPL	(i)	(24,485)	24,485

(i) Reclassification from AFS to FVPL for wealth management products

Certain short-term non-principle guaranteed wealth management products with variable return were reclassified from AFS to FVPL. They do not meet the IFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

3. Changes in accounting policies *(continued)*

3.2 IFRS 9 Financial Instruments – Impact of adoption *(continued)*

(b) Impairment of financial assets

The Group has two types of financial assets at amortised cost subject to IFRS 9's new expected credit loss model:

- trade receivables
- other receivables

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets.

(i) Trade receivables

The Group applies the IFRS 9 simplified approach to measuring ECL which was a lifetime expected loss allowance for all trade receivables. There was no increase of loss allowance on 1 January 2018 for trade receivables.

(ii) Other receivables

The Group applies the IFRS 9 three-stage approach to measuring ECL. There are mainly three types of other receivables, including receivable from a trustee for the share purchase for the employees' share award scheme, accrual on rental income based on the straight-line method and lease deposits. These three types of other receivables are considered to be low risk, and therefore the impairment provision is determined as 12 months ECL. The adjustment of the loss allowance for other receivables on transition to IFRS 9 was immaterial.

3. Changes in accounting policies *(continued)*

3.3 IFRS 15 Revenue from Contracts with Customers – Impact of adoption

IFRS 15 replaces the provisions of IAS 18 Revenue ("**IAS18**") and IAS 11 Construction contracts ("**IAS11**") that relate to the recognition, classification and measurement of revenue and costs.

The adoption of IFRS 15 has no material impact on the financial statements except for below reclassifications of contract liabilities.

1 January 2018	**Advances received from customers RMB'000**	**Deferred income RMB'000**	**Contract liabilities RMB'000**
Reclassify advances received from customers to contract liabilities	(263,434)	–	263,434
Reclassify deferred income to contract liabilities	–	(26,052)	26,052
	(263,434)	(26,052)	289,486

4. Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk, and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under the policies approved by the Board. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

4. Financial risk management *(continued)*

4.1 Financial risk factors *(continued)*

(a) Market risk

(i) Foreign exchange risk

The Group is mainly exposed to foreign exchange risk arising from Hong Kong dollar ("**HKD**") and United States dollar ("**USD**") against RMB. This foreign exchange risk arises from future commercial transactions or recognized assets and liabilities denominated in a currency that is not the entity's functional currency of RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and it has not hedged its foreign exchange risk.

As at 31 December 2018, if RMB had strengthened/weakened by 2% (2017: 2%) against HKD with all other variables held constant, profit before tax for the year would have been approximately RMB5,314,000 lower/higher mainly as a result of foreign exchange losses/gains on translation of HKD denominated bank balances of the Group (2017: RMB285,000 lower/higher mainly as a result of foreign exchange losses/gains on translation of HKD denominated bank balances of the Group).

At 31 December 2018, if RMB had strengthened/weakened by 2% (2017: 2%) against the USD with all other variables held constant, profit before tax for the year would have been approximately RMB109,000 lower/higher mainly as a result of foreign exchange losses/gains on translation of USD denominated bank balances of the Group (2017: RMB6,289,000 lower/higher mainly as a result of foreign exchange losses/gains on translation of USD denominated bank balances of the Group).

In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by Mainland China Government.

(ii) Cash flow interest rate risk

As at 31 December 2018, except for the fixed term bank deposits of RMB40,000,000 (2017: RMB239,274,000) which were held at fixed interest rate, the Group had no other significant fixed-rate interest-bearing assets. Cash and cash equivalents bear variable interest rate at 0.01% to 1.95% per annum (2017: 0.01% to 2.63%), expose the Group to cash flow interest rate risk. The Group's income and operating cash flows are substantially independent of changes in market interest rates. At the reporting date, management does not anticipate significant impact resulting from the changes in interest rates.

As at 31 December 2018, if interest rates on bank balances at variable rates had been 50 basis points higher/lower with all other variables held constant, profit before tax for the year ended 31 December 2018 would have been approximately RMB1,343,000 (2017: RMB1,898,000) higher/lower.

4. Financial risk management *(continued)*

4.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(iii) Price risk

The Group is exposed to equity securities price risk in connection with the financial assets at fair value through profit or loss held by the Group, which are publicly traded in stock exchange. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements. If the price of equity securities the Group invested had been 5% higher/lower, post-tax profit for the year ended 31 December 2018 would increase/decrease by approximately RMB22,553,000, as a result of more/less fair value gain on financial assets at fair value through profit or loss.

(b) Credit risk

(i) Risk management

Credit risk arises from bank deposits, cash and cash equivalents, trade and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. As at 31 December 2018, all the bank deposits were deposited in high quality financial institutions without significant credit risk.

Retail sales are usually settled in cash or by major credit/debit cards. The Group has a policy of allowing a credit period ranging from 0 to 60 days to its corporate customers depending on the customers' relationship with the Group, their credit worthiness and settlement records. At the reporting date, management considers the Group does not have a significant concentration of credit risk. No single customer accounted for more than 1% of the Group's total revenue during the year.

(ii) Impairment of financial assets

Trade receivables and other receivables are subject to the ECL model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. For the other receivables, the Group involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes.

4. Financial risk management *(continued)*

4.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets *(continued)*

Impairment of trade receivables

The expected loss rates are based on the payment profiles of sales over a period of 12 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of PRC to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. On that basis, the Group assessed that no impairment loss allowance was made as at 31 December 2018 and 1 January 2018 (or adoption of IFRS 9).

Impairment of other receivables

The Group applies the IFRS 9 three-stage approach to measuring ECL. The Group mainly has three types of other receivables, including receivable from a trustee for the share purchase for the employees' share award scheme, accrual on rental income based on the straight-line method and lease deposits. These three types of other receivables were categorized in stage1, and the credit risk is low, therefore the impact of loss allowance is immaterial. As at 31 December 2018, RMB2,662,000 of impairment of loss allowance was made for certain lease deposits as a result of expiration of lease agreement without receiving the lease deposits.

Previous accounting policy for impairment of trade receivables and other receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there objective evidence that an impairment had been incurred but not yet was been identified. For these receivables the estimated impairment losses were recognized in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or late payments (more than 60 days overdue).

Receivables for which an impairment provision was recognized were written off against the provision when there was no expectation of recovering additional cash.

4. Financial risk management *(continued)*

4.1 Financial risk factors *(continued)*

(c) Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, which is generated from the operating cash flows and financing cash flows.

(i) Financing arrangements

As at 31 December 2018, the Group had RMB492,227,000 of capital commitment but not recognized as liabilities (note 37(a)). Taking into account the facilities mentioned in note 42, the Board believes that the Group has sufficient liquidity for the following 12 months.

(ii) Maturities of financial liabilities

The table below shows the Group's financial liabilities based on the remaining period at the end of the reporting period to the contractual maturity dates. No financial liabilities mature later than one year. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2018 RMB'000	2017 RMB'000
Maturity less than 1 year:		
Borrowings (including interest payable upon maturity) (Note 34)	8,994	–
Other financial liabilities (Note 20)	359,964	480,319
	368,958	480,319

4.2 Capital management

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- 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.

Consistent with industry practice, the Group monitors its capital structure on the basis of debt-to-equity ratio. For this purpose, the Group defines debt as total borrowings and equity as total equity attributable to owners of the Company.

4. Financial risk management *(continued)*

4.2 Capital management *(continued)*

The debt-to-equity ratios at 31 December 2018 and 2017 were as follows:

	2018 RMB'000	2017 RMB'000
Net debt (Note 34)	8,994	–
Equity	1,553,190	1,390,702
Debt-to-equity ratio	1%	0%

4.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements **31 December 2018**	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
FVPL				
Wealth management products with variable return rate (Note 20, 22)	–	13,000	–	13,000
Investment properties (Note 15)	–	–	730,800	730,800
Derivative financial instruments (Note 20, 23)	–	191,029	–	191,029
	–	204,029	730,800	934,829

31 December 2017	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
AFS				
Wealth management products with variable return rate (Note 20)	–	24,485	–	24,485
Investment properties (Note 15)	–	–	202,575	202,575
	–	24,485	202,575	227,060

There were no transfers between Levels 1, 2 and 3 during the year (2017: Nil).

4. Financial risk management *(continued)*

4.3 Fair value estimation *(continued)*

(a) Fair value hierarchy *(continued)*

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value FVPL include:

- The use of quoted market prices or dealer quotes for similar instruments
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

(c) Fair value measurements using significant unobservable inputs (level 3)

See note 15 for the valuation techniques for investment properties.

5. Critical accounting estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Income taxes

The Group is subject to income taxes in the PRC. Significant judgment 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 recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. Details of the deferred income tax are disclosed in note 21.

(b) 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.

6. Segment information

The chief operating decision-makers are the Board that makes strategic decisions, who review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. In prior years, the information reported to the chief operating decision-maker for the purpose of resource allocation and assessment of performance, is prepared based on the overall operation of department stores in the PRC, which is the only operating and reporting segment of the Group. In prior years, the Board considered that the Group operated in a single business segment, operation of department stores in the PRC. Accordingly, no segmental analysis is presented.

For the year ended 31 December 2017, the Group has only engaged in the operation of department stores. Starting from 2018, the Group commenced to develop the property business, which will be complementary and create synergy with the existing department stores business.

6. Segment information *(continued)*

For management purposes, the Group is organized into business units based on their business operations and has two reportable operating segments as follows:

- Department stores – operation of department stores
- Others – property business and unallocated items

For the year ended 31 December 2018, the Group has not commenced any property business expect for successfully biding the tender upon submission to acquire ten parcels of land in Xuyi, Jiangsu Province, the PRC.

Unallocated items comprise mainly head office overheads and fair value gain on a derivative financial instrument.

The Board assesses the performance of the operating segments based on a measure of net profit. At the Group level no information regarding segment assets and segment liabilities is provided to the Board.

The segment information is as follows:

	Year ended 31 December 2018		
	Department stores RMB'000	Others RMB'000	Group RMB'000
Revenue	970,892	–	970,892
Other operating revenue	107,152	–	107,152
Other gains – net	19,031	191,029	210,060
Purchase of and changes in inventories	(613,767)	–	(613,767)
Employee benefits (a)	(180,139)	(19,917)	(200,056)
Depreciation and amortisation (a)	(93,627)	(44)	(93,671)
Net impairment losses on financial assets	(2,662)	–	(2,662)
Operating lease rental expenses	(118,063)	(2,577)	(120,640)
Other operating expenses, net	(117,493)	(8,010)	(125,503)
Operating profit	(28,676)	160,481	131,805
Finance income	3,441	25	3,466
Finance costs	–	(19,363)	(19,363)
Finance costs – net	3,441	(19,338)	(15,897)
Share of loss of an associate and a joint venture	(3,075)	–	(3,075)
(Loss)/profit before income tax	(28,310)	141,143	112,833
Income tax expense	(3,146)	–	(3,146)
(Loss)/profit for the year	(31,456)	141,143	109,687

6. Segment information *(continued)*

(a) On 15 June 2018, the Group and Hema Network Technology Company Limited ("**Hema**") have entered into the Strategic Cooperation Framework Agreement ("**Agreement**"). For the year ended 31 December 2018, pursuant to the Agreement, the business of certain selected supermarkets in Shenzhen ceased, and the related areas have been leased to Hema for the business operations of its fresh supermarkets. RMB52,646,000 of a one-off write off of fixed assets and decoration and RMB32,776,000 of one-off staff compensation were accrued as a result of the strategic cooperation with Hema and store renovation/upgrade of the remaining department stores.

7. Revenue

	2018 RMB'000	2017 RMB'000
Direct sales	708,690	1,029,648
Commission from concessionaire sales	83,068	128,725
Rental income	179,134	167,193
	970,892	1,325,566

8. Other operating revenue

	2018 RMB'000	2017 RMB'000
Promotion, administration and management income	92,867	94,565
Credit card handling fees for concessionaire sales	7,492	10,799
Government grant	6,793	8,089
	107,152	113,453

9. Other gains – net

	2018 RMB'000	2017 RMB'000
Fair value gain on a derivative financial instrument (Note 23)	191,029	–
Reversal of long-aged accounts payable (a)	14,009	–
Fair value adjustment on investment properties (Note 15)	8,625	6,900
Reversal of legal claims (Note 39)	4,308	2,483
Reversal of accrued rental expenses (b)	1,512	33,383
Compensation (paid)/received for the contract damages	(4,824)	409
Loss on disposals of property, plant and equipment	(3,674)	(23)
Loss on disposal of intangible assets	(2,849)	–
Fair value (loss)/gain on FVPL (2017: AFS) (Note 22)	(378)	2
Donation	–	(80)
Others	2,302	1,530
	210,060	44,604

9. Other gains – net *(continued)*

(a) At 31 December 2018, the Group reviewed the aging of the accounts payable and reversed the balance of certain inactive suppliers and vendors aging over 3 years amounting to RMB14,009,000.

(b) During the year 2017, the Group acquired properties in Shenzhen and Changsha, which were originally leased by the Group as department stores. As a result of the acquisition, accrual accumulated for lease incentives and future incremental lease rentals amounting to RMB33,383,000 was reversed and recognized in "Other gains – net".

During the year 2018, Shixia store in Shenzhen closed prior to the expiration of the lease agreement. As a result of the early termination of the lease, accrual accumulated for lease incentives and future incremental lease rentals amounting to RMB1,512,000 was reversed and recognized in "Other gains – net".

10. Expenses by nature

	2018 RMB'000	2017 RMB'000
Purchase of and changes in inventories (Note 25)	613,767	880,167
Employee benefit expenses (Note 11)	200,056	184,879
Operating lease rental expenses	120,640	125,038
Depreciation and amortisation expenses	93,671	59,672
Utilities	60,393	70,360
Transportation expenses	17,433	9,663
Other tax expenses	9,672	7,814
Auditor's remuneration		
– Auditor services	3,280	3,280
– Other assurance services	3,178	978
Office expenses	6,684	5,957
Cleaning fee	6,524	6,864
Business travel expenses	6,163	5,021
Bank charge fees	3,544	5,214
Advertising costs	3,187	2,840
Storage charge	3,168	9,995
Net impairment losses on financial assets (Note 24)	2,662	–
Net foreign exchange (gain)/loss	(15,137)	21,502
Other expenses	17,414	24,249
Total expenses	1,156,299	1,423,493

11. Employee benefit expenses

	2018 RMB'000	2017 RMB'000
Wages and salaries	149,674	162,889
Severance pay (a)	32,776	–
Social security costs	15,604	16,665
Share-based compensation expenses (Note 29)	1,878	5,059
Others	124	266
Total employee benefit expenses	200,056	184,879

(a) As mentioned in note 6, the Group and Hema had a strategic cooperation since 15 June 2018. RMB32,776,000 of the one-off staff compensation was accrued as a result of the strategic cooperation with Hema.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2017: two) directors whose emoluments are reflected in the analysis shown in note 41. The emoluments payable to the remaining three (2017: three) individuals during the year are as follows:

	2018 RMB'000	2017 RMB'000
Basic salaries and allowances	7,219	7,642
Year-end bonuses	1,304	1,580
Contributions to the retirement scheme	30	31
Share-based compensation expenses	172	575
	8,725	9,828

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument band (in HK dollar)		
HKD1,500,001 – HKD2,000,000	2	2
HKD2,000,001 – HKD2,500,000	–	–
HKD6,000,001 – HKD6,500,000	–	–
HKD7,000,001 – HKD7,500,000	1	–
HKD7,500,001 – HKD8,000,000	–	1

12. Finance income and costs

	2018 RMB'000	2017 RMB'000
Finance income		
Interest income from bank deposits	3,466	3,403
Finance costs		
Interest expenses (a)	(19,363)	–
Finance (costs)/income – net	(15,897)	3,403

(a) During 2018, the Group received various short-term borrowings totally amounted to HKD905,000,000 (approximately RMB766,000,000) from independent third parties at 15% interest rate per annum. Such borrowings were originally used for payment of a proposed material acquisition which was suspended before 31 December 2018. Most of the borrowings were repaid except for the balance disclosed in note 34.

13. Income tax expense

	2018 RMB'000	2017 RMB'000
Current income tax		
– PRC corporate income tax	2,159	3,894
Deferred income tax (Note 21)	987	14,218
	3,146	18,112

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rates applicable to the subsidiaries comprising the Group as follows:

	2018 RMB'000	2017 RMB'000
Profit before income tax	112,833	63,567
Tax calculated at a tax rate of 25% (2017: 25%)	28,208	15,892
Tax impact of:		
– Income not subject to tax (d)	(47,757)	–
– Expenses not deductible for tax purposes	1,959	458
– Unrecognized tax loss	20,736	1,173
– Withholding tax on dividend (Note 21)	–	589
Income tax expense	3,146	18,112

13. Income tax expense *(continued)*

(a) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

(b) Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the year. Taxes on overseas profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

(c) The applicable income tax rate are 25% for general subsidiaries. Certain of the Company's PRC subsidiaries are entitle to small and micro entity tax credit, which enjoys the 20% tax rate and a 50% deduction of taxable income.

(d) The fair value gain on the derivative financial instrument is not subject to income tax.

14. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares.

- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding shares held for employee share scheme (note 29).

	2018	2017
Profits attributable to owners of the Company (in RMB thousand)	109,851	45,610
Weighted average number of ordinary shares in issue (thousands)	2,490,611	2,482,762
Basic earnings per share (RMB per share)	0.04	0.02

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	2018	2017
Earnings (in RMB thousands)		
Profits attributable to owners of the Company	109,851	45,610
Weighted average number of ordinary shares (thousands)		
Weighted average number of ordinary shares in issue	2,490,611	2,482,762
Adjustments for awarded shares	4,311	12,238
Weighted average number of ordinary shares for diluted earnings per share	2,494,922	2,495,000
Diluted earnings per share (RMB per share)	0.04	0.02

15. Investment properties

	2018 RMB'000	2017 RMB'000
As at 1 January	202,575	161,500
Acquisitions	–	5,275
Transfer from property, plant and equipment (i) (Note 16)	421,088	11,444
Increase in fair value upon transfer (i) (Note 30)	98,512	17,456
Net gains from fair value adjustment (ii) (Note 9)	8,625	6,900
As at 31 December	730,800	202,575

The Group's investment properties are located in Shenzhen, Lufeng and Haifeng, Guangdong Province, the PRC.

The fair value of the Group's investment properties falls under level 3 in the fair value hierarchy.

(i) During the year ended 31 December 2018, the Group leased certain owner-occupied premises in Shenzhen to third parties. Accordingly, it transferred these assets with an aggregate carrying amount of RMB421,088,000 from property, plant and equipment to investment properties at fair value of RMB519,600,000 and recognized an increase in fair value of RMB98,512,000 as revaluation surplus within other reserves.

(ii) During the year ended 31 December 2018, gains from changes in fair value of investment properties amounting to RMB8,625,000 in 2018 (2017: RMB6,900,000) had been recognized in "Other gains – net".

Valuation processes of the Group

The Group's investment properties were valued as at 31 December 2018 and 2017 by an independent and professionally qualified valuer who holds a recognized relevant professional qualification and has recent experience in the locations of the investment properties valued.

Valuation techniques

Valuations are based on:

Direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as locations and property size; and

Income approach taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property.

(a) Rental income from investment properties

	2018 RMB'000	2017 RMB'000
Rental income	12,456	6,472

As at 31 December 2018, the Group had no unprovided contractual obligations for future repairs and maintenance (2017: Nil).

16. Property, plant and equipment

	Land and buildings RMB'000	Machinery and equipment RMB'000	Furniture and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2017							
Cost	375,909	53,400	89,557	7,884	440,383	4,424	971,557
Accumulated depreciation	(28,136)	(46,917)	(63,738)	(7,290)	(287,803)	(2,784)	(436,668)
Impairment	(42,000)	(1,682)	(4,152)	–	(18,951)	–	(66,785)
Net book amount	305,773	4,801	21,667	594	133,629	1,640	468,104
Year ended 31 December 2017							
Opening net book amount	305,773	4,801	21,667	594	133,629	1,640	468,104
Additions	636,529	1,322	6,231	–	35,397	958	680,437
Transfers to investment properties (Note 15)	(11,444)	–	–	–	–	–	(11,444)
Depreciation charge	(15,903)	(2,820)	(9,861)	(129)	(26,658)	(400)	(55,771)
Disposals (net)							
– Cost net of accumulated depreciation	–	(1,710)	(4,161)	(9)	(19,007)	(4)	(24,891)
– Impairment	–	1,682	4,152	–	18,951	–	24,785
Closing net book amount	914,955	3,275	18,028	456	142,312	2,194	1,081,220
As at 31 December 2017							
Cost	998,367	45,353	78,898	6,758	310,965	4,361	1,444,702
Accumulated depreciation	(41,412)	(42,078)	(60,870)	(6,302)	(168,653)	(2,167)	(321,482)
Impairment	(42,000)	–	–	–	–	–	(42,000)
Net book amount	914,955	3,275	18,028	456	142,312	2,194	1,081,220
Year ended 31 December 2018							
Opening net book amount	914,955	3,275	18,028	456	142,312	2,194	1,081,220
Additions	17,834	1,058	4,241	2,352	9,453	999	35,937
Transfers to investment properties (Note 15)	(421,088)	–	–	–	–	–	(421,088)
Depreciation charge	(7,949)	(2,835)	(6,145)	(95)	(69,610)	(2,018)	(88,652)
Disposals:							
– Cost net of accumulated depreciation	–	(1,151)	(5,592)	(1,614)	(24,603)	(1,012)	(33,972)
Closing net book amount	503,752	347	10,532	1,099	57,552	163	573,445
As at 31 December 2018							
Cost	586,407	40,122	67,809	6,114	198,684	4,008	903,144
Accumulated depreciation	(40,655)	(39,775)	(57,277)	(5,015)	(141,132)	(3,845)	(287,699)
Impairment	(42,000)	–	–	–	–	–	(42,000)
Net book amount	503,752	347	10,532	1,099	57,552	163	573,445

17. Intangible assets

	Computer software RMB'000	Entry rights RMB'000	Total RMB'000
As at 1 January 2017			
Cost	31,223	13,626	44,849
Accumulated amortisation	(11,752)	(2,018)	(13,770)
Impairment	(426)	(11,608)	(12,034)
Net book amount	19,045	–	19,045
Year ended 31 December 2017			
Opening net book amount	19,045	–	19,045
Additions	3,641	–	3,641
Amortisation charge	(3,901)	–	(3,901)
Disposal:			
– Cost net of accumulated depreciation	(426)	(11,608)	(12,034)
– Impairment	426	11,608	12,034
Closing net book amount	18,785	–	18,785
As at 31 December 2017			
Cost	34,152	–	34,152
Accumulated amortisation	(15,367)	–	(15,367)
Net book amount	18,785	–	18,785
Year ended 31 December 2018			
Opening net book amount	18,785	–	18,785
Additions	5,675	–	5,675
Amortisation charge	(5,019)	–	(5,019)
Disposal:			
– Cost net of accumulated depreciation	(2,849)	–	(2,849)
Closing net book amount	16,592	–	16,592
As at 31 December 2018			
Cost	36,428	–	36,428
Accumulated amortisation	(19,836)	–	(19,836)
Net book amount	16,592	–	16,592

18. Subsidiaries

The Group's subsidiaries at 31 December 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2018	2017	2018	2017
Shirble Department Store Investment Limited ("**Shirble Hong Kong**")	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1	100%	100%	–	–
Shirble Department Store (Hong Kong) Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	USD1,200	100%	100%	–	–
Shenzhen Shirble Department Store Co., Ltd. ("**Shirble Shenzhen**")	The PRC, wholly foreign owned enterprises	Operation and management of department stores in China	HKD527,407,400	100%	100%	–	–
Shenzhen Shirble Chain Store Limited Liability Company ("**Shirble Chain Store**")	The PRC, limited liability company	Operation and management of department stores in China	RMB10,000,000	100%	100%	–	–
Changsha Shirble Department Store Limited Liability Company	The PRC, limited liability company	Operation and management of department stores in China	RMB30,000,000	100%	100%	–	–
Changsha Shirble Apparel Company Limited	The PRC, limited liability company	Operation of department stores in China	RMB100,000	100%	100%	–	–
Shenzhen Ruizhuo Trading Company Limited	The PRC, limited liability company	Trading in China	RMB100,000	100%	100%	–	–
Dongguan Shirble Department Store Co., Ltd.	The PRC, limited liability company	Operation of department stores in China	RMB30,000,000	100%	100%	–	–
Shanwei Shirble Department Store Co., Ltd.	The PRC, wholly foreign owned enterprises	Operation and management of department stores in China	HKD230,000,000	100%	100%	–	–

18. Subsidiaries *(continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2018	2017	2018	2017
Luhe Shirble Department Store Co., Ltd. ("**Luhe Shirble**")	The PRC, wholly foreign owned enterprises	Operation and management of department stores in China	RMB200,000,000	100%	100%	–	–
LuFeng Shirble Department Store Co., Ltd. ("**Lufeng Shirble**")	The PRC, wholly foreign owned enterprises	Operation and management of department stores in China	RMB10,000,000	100%	100%	–	–
Baotong (BVI) Company Limited	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	USD1	100%	100%	–	–
Baoke Trading (BVI) Company Limited	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	USD1	100%	100%	–	–
Baotong E-commerce (Hong Kong) Company Limited	Hong Kong, limited liability company	Trading in Hong Kong	HKD1	100%	100%	–	–
Shenzhen Qianhai Baotong E-commerce Company Limited	The PRC, limited liability company	Trading in China	RMB500,000	100%	100%	–	–
Shenzhen Shirble Information Consulting Co., Ltd.	The PRC, limited liability company	Provision of consulting services in China	RMB1,000,000	100%	100%	–	–
Shenzhen Baocheng Technology Co., Ltd.	The PRC, limited liability company	Provision of consulting services in China	RMB293,500,000	100%	100%	–	–
Shenzhen Baoruntong Creative Design Co., Ltd.	The PRC, limited liability company	Decoration design in China	RMB2,000,000	100%	100%	–	–
Shenzhen i-Shirble Business Development Co., Ltd.	The PRC, limited liability company	Trading in China	RMB1,000,000	100%	100%	–	–
Shenzhen Baolong Business Development Co., Ltd.	The PRC, limited liability company	Business information consultation in China	RMB1,000,000	100%	100%	–	–
Shenzhen Baoxin Software Development Co., Ltd.	The PRC, limited liability company	Software development in China	RMB1	100%	100%	–	–

18. Subsidiaries *(continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2018	2017	2018	2017
Shenzhen Chenghe Business Management Co., Ltd.	The PRC, limited liability company	Trading in China	RMB1,000,000	55%	55%	45%	45%
Shenzhen Jinmaichayu Bakery Catering Co., Ltd.	The PRC, limited liability company	Catering in China	RMB2,000,000	52%	76%	48%	24%
Cosmic Favour Limited (a)	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	USD1	100%	NA	–	NA
Sibo Culture Limited (b)	Hong Kong, limited liability company	Trading in Hong Kong	HKD1	100%	NA	–	NA
Xuyi Shirble Hanlian Real Estate Co., Ltd. (b)	The PRC, limited liability company	Real estate business in China	RMB77,600,000	85%	NA	15%	NA

(a) Cosmic Favour Limited was incorporated in British Virgin Islands on 22 May 2018.

On 1 June 2018, Cosmic Favour Limited acquired Sibo Culture Limited ("**Sibo**") and its subsidiary, Xuyi Shirble Hanlian Real Estate Company Limited ("**Xuyi Shirble**") for a consideration of HKD1. Both Sibo and Xuyi Shirble have not commenced any business operation except for successfully biding the tender upon submission to acquire in Xuyi, Jiangsu Province, the PRC on 14 December 2018 (note 37(a)(i)).

19. Investment in an associate and a joint venture

	An associate RMB'000	A joint venture RMB'000	Total RMB'000
As at 1 January 2017	972	–	972
Share of operating profit	34	–	34
As at 31 December 2017	1,006	–	1,006
As at 1 January 2018	1,006	–	1,006
Additions (a)	–	5,783	5,783
Share of operating loss	(16)	(3,059)	(3,075)
As at 31 December 2018	990	2,724	3,714

As at 31 December 2018, the investment in an associate and a joint venture of the Group were as follows:

Name	Place of incorporation and operation	% of ownership interest	Principal activities	Measurement method
Shenzhen Jingzhe Internet Technology Co., Ltd.	The PRC	10%	Trading and network technology development	Equity method
Bosui catering management (Shenzhen) Co., Ltd. (a)	The PRC	49%	Food & catering management	Equity method

(a) During the year 2018, Shenzhen Baolong Business Development Co., Ltd., a wholly-owned subsidiary of the Group entered into an agreement with Boda catering management (Shenzhen) Co., Ltd., in relation to the incorporation of Bosui catering management (Shenzhen) Co., Ltd. ("**Bosui**") in the PRC. The Group invested RMB5,783,000 for a 49% equity interest in Bosui which is mainly engaged in food and catering management. The Group has assessed the nature of this joint arrangement and determined it to be a joint venture.

As the associate and joint venture are considered to be not material to the Group, no financial information of them are disclosed.

20. Financial instruments by category

The Group holds the following financial instruments:

Financial assets	Notes	Financial assets at amortised cost RMB'000	Assets at FVOCI RMB'000	Assets at FVPL RMB'000	Total RMB'000
2018					
FVPL	22	–	–	13,000	13,000
Derivative financial instrument	23	–	–	191,029	191,029
Trade and other receivables excluding prepayments	24	193,986	–	–	193,986
Bank deposits	26	40,000	–	–	40,000
Cash and cash equivalents	27	310,634	–	–	310,634
		544,620	–	204,029	748,649
2017					
AFS		–	24,485	–	24,485
Trade and other receivables excluding prepayments	24	114,485	–	–	114,485
Bank deposits	26	239,274	–	–	239,274
Cash and cash equivalents	27	379,814	–	–	379,814
		733,573	24,485	–	758,058

Financial liabilities	Notes	Financial liabilities at amortised cost RMB'000
2018		
Trade and other payables excluding non-financial liabilities	32	359,714
Borrowings (including interest payable upon maturing)	34	8,994
		368,708
2017		
Trade and other payables excluding non-financial liabilities	32	480,319

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

21. Deferred income tax

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 relate to the same fiscal authority. The balances shown in the consolidated balance sheet are, after appropriate offsetting, as follows:

	2018 RMB'000	2017 RMB'000
Deferred income tax assets	48,980	42,443
Deferred income tax liabilities	(57,081)	(25,518)
Net deferred income tax assets	(8,101)	16,925

The movement on net deferred income tax account is as follows:

	2018 RMB'000	2017 RMB'000
As at 1 January	16,925	34,698
Tax charged to consolidated statement of income (Note 13)	(987)	(14,218)
Tax paid in related to the remittance of dividends	589	809
Tax charged to consolidated statement of comprehensive income (Note 30)	(24,628)	(4,364)
As at 31 December	(8,101)	16,925

21. Deferred income tax *(continued)*

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Deferred tax assets			
	Accrued expenses, deferred revenue and others RMB'000	Depreciation on property, plant and equipment RMB'000	Impairment provision RMB'000	Total RMB'000
As at 1 January 2017	45,239	417	1,288	46,944
Charged to the consolidated statement of income	(3,330)	117	(1,288)	(4,501)
As at 31 December 2017	41,909	534	–	42,443
As at 1 January 2018	41,909	534	–	42,443
Charged to the consolidated statement of income	155	5,071	1,311	6,537
As at 31 December 2018	42,064	5,605	1,311	48,980

	Deferred tax liabilities			
	Undistributed profits of subsidiaries RMB'000	Fair value change of investment properties RMB'000	Accrual on rental income based on the straight–line method RMB'000	Total RMB'000
As at 1 January 2017	809	8,708	2,729	12,246
Tax paid in related to the remittance of dividends	(809)	–	–	(809)
Charged to consolidated statement of comprehensive income	–	4,364	–	4,364
Charged to consolidated statement of income	589	3,263	5,865	9,717
As at 31 December 2017	589	16,335	8,594	25,518
As at 1 January 2018	589	16,335	8,594	25,518
Tax paid in related to the remittance of dividends	(589)	–	–	(589)
Charged to consolidated statement of comprehensive income	–	24,628	–	24,628
Charged to consolidated statement of income	–	2,156	5,368	7,524
As at 31 December 2018	–	43,119	13,962	57,081

21. Deferred income tax *(continued)*

Pursuant to the Corporate Income Tax Law in the PRC, 10% withholding tax is levied on foreign investors (5% for foreign investors who are registered in Hong Kong provided they meet certain criteria) in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. Deferred tax liabilities of RMB13,898,000 (2017: RMB14,582,000) have not been recognized, in respect of the remaining retained profits generated by its PRC entities subsequent to 31 December 2008 amounting to RMB277,957,000 (2017: RMB291,644,000), because the directors do not intend to declare dividends out of such retained profits to overseas companies in the foreseeable future.

As at 31 December 2018, certain subsidiaries of the Group have not recognized deferred tax assets in respect of cumulative tax losses carried forward of RMB201,197,000 (2017: RMB293,960,000) which will expire within 5 years under the current tax regulation. The cumulative tax losses have not been recognized as a deferred tax asset as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

22. Financial asset at fair value through profit and loss

	2018 RMB'000	2017 RMB'000
As at 1 January	–	–
Reclassified from AFS	24,485	–
Additions	466,088	–
Disposals	(476,796)	–
Foreign exchange differences	(399)	–
Fair value change recognized in profit and loss	(378)	–
As at 31 December	13,000	–

The Group's financial asset at fair value through profit and loss represented short-term non-principal guaranteed wealth management products with variable return rate. RMB24,485,000 of wealth management products was reclassified from AFS to FVPL on 1 January 2018 (note 3.2).

The fair value of the wealth management products is based on its market price as at 31 December 2018. The fair value is within level 2 of the fair value hierarchy.

23. Derivative financial instrument

	2018 RMB'000	2017 RMB'000
Derivative financial instrument	191,029	–

On 24 December 2018, Baoke Trading (BVI) Company Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with All Great International Holdings Limited (the "**Vendor**"), pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell 1,320,000,000 shares of TFG International Group Limited ("**TFG**"), representing approximately 19% of the total issued share capital of TFG, at the price of HKD0.225 per share and equals to a total consideration of HKD297,000,000 (approximately RMB260,038,000). The Group recognized a derivative financial instrument accordingly on 24 December 2018. TFG is a company incorporated in the Cayman Islands with limited liability, engaged in property development and hotel business in the PRC and the shares of which are listed on the Main Board of The Stock Exchange Hong Kong Limited. As at 31 December 2018, the Group re-measured the derivative financial instrument using discounted cash flow method and recognized a fair value gain of RMB191,029,000. The total consideration of HKD297,000,000 (approximately RMB260,038,000) was settled in cash and this transaction was completed on 9 January 2019.

24. Trade receivables, other receivables and prepayments

	2018		
	Current RMB'000	Non-current RMB'000	Total RMB'000
Trade receivables (a)	38,111	–	38,111
Interest receivables	618	–	618
Receivable from a trustee for the share purchase for the employees' share award scheme (b)	5,214	–	5,214
Lease deposits	1,881	25,140	27,021
Other receivables (c)	103,206	22,478	125,684
	149,030	47,618	196,648
Less: provision for impairment loss allowance (Note 4.1(b)) (e)	–	(2,662)	(2,662)
Financial assets at amortised cost	149,030	44,956	193,986
Prepayments (d)	7,477	83,272	90,749
Total trade and other receivables	156,507	128,228	284,735

24. Trade receivables, other receivables and prepayments *(continued)*

	2017		
	Current RMB'000	Non-current RMB'000	Total RMB'000
Trade receivables (a)	31,144	–	31,144
Interest receivables	1,653	–	1,653
Receivable from a trustee for the share purchase for the employees' share award scheme (b)	5,243	–	5,243
Lease deposits	12,042	27,622	39,664
Other receivables (c)	19,463	17,318	36,781
Financial assets at amortised cost	69,545	44,940	114,485
Prepayments (d)	4,663	23,895	28,558
Total trade and other receivables	74,208	68,835	143,043

(a) Trade receivables

Retail sales to individual consumers are usually settled in cash, or by major credit/debit cards. The Group has a policy of allowing a credit period ranging from 0-60 days to its corporate customers depending on the customers' relationship with the Group, their credit worthiness and settlement records.

The aging analysis of the trade receivables of the Group based on invoice date is as follows:

	2018 RMB'000	2017 RMB'000
0 – 30 days	24,960	19,815
31 – 90 days	8,832	8,494
91 – 365 days	4,319	2,835
	38,111	31,144

The Group applies the IFRS simplified approach to measuring for expected credit losses which was a lifetime expected loss allowance for all trade receivables. As at December 2018, no impairment loss allowance was made based on the management's assessment (2017: nil) (note 4.1(b)).

All trade receivables are denominated in RMB and their fair values approximated their carrying amounts as at 31 December 2018.

(b) Receivable from a trustee for the share purchase for the employees' share award scheme

This receivable represented the Group's cash paid to an independent trustee for the purchase of the award shares for the employees' share award scheme (note 29).

24. Trade receivables, other receivables and prepayments *(continued)*

(c) The non-current portion of other receivable represented the accrual on rental income based on the straight – line method.

As at 31 December 2018, the current portion of other receivables mainly included the receivables from Hema for the fixed assets and leasehold improvements amounted to RMB29,899,000, as well as the severance pay amounted to RMB26,500,000, which will be paid in cash by Hema based on the agreement as mentioned in note 6.

(d) The non-current portion of prepayment represented the Group's cash paid to third parties for the purchase of property, plant and equipment and intangible assets. For the year ended 31 December 2018, RMB62,950,000 of deposit for the acquisition of the land was included in the non-current portion of prepayment (note 37(a)(i)).

(e) The Group applies the IFRS 9 three-stage approach to measuring for expected credit losses for other receivables. As at 31 December 2018, RMB2,662,000 of impairment loss allowance was made based on the management's assessment (2017: nil) (note 4.1(b)).

25. Inventories

	2018 RMB'000	2017 RMB'000
Merchandise held for resale	41,450	142,496
Allowance for obsolescence	(3,567)	(594)
	37,883	141,902

The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	2018 RMB'000	2017 RMB'000
Carrying amount of inventories sold	611,059	876,691
Allowance for obsolescence	2,708	3,476
	613,767	880,167

26. Bank deposits

	2018 RMB'000	2017 RMB'000
Bank deposits with initial terms of over three months (a)	–	239,274
Restricted deposits	40,000	–
	40,000	239,274

The bank deposits are denominated in RMB and USD.

(a) The effective interest rate for the bank deposits of the Group with initial terms of over three months for the year ended 31 December 2017 was 1.17%.

Bank deposits were neither past due nor impaired. The directors of the Company considered that the fair value of these bank deposits approximated their carrying amount as at 31 December 2017.

27. Cash and cash equivalents

	2018 RMB'000	2017 RMB'000
Cash at bank and on hand	308,629	368,595
Bank deposits with initial terms within three months	2,005	11,219
	310,634	379,814

The cash and cash equivalent are denominated in RMB, USD and HKD.

The average effective interest rate on bank deposits with initial terms within three months was 1.35% for the year ended 31 December 2018 (2017: 0.88%).

28. Share capital, share premium and shares held for share award scheme

	Number of ordinary shares (thousand)	Ordinary share capital RMB'000	Share premium RMB'000 (Note a)	Shares held for share award scheme RMB'000 (Note b)	Total RMB'000
As at 1 January 2017	2,495,000	213,908	858,649	(10,411)	1,062,146
Dividends to equity shareholders (Note 35)	–	–	(15,932)	–	(15,932)
Employees' share award scheme					
– shares vested from share award scheme and transferred to the grantees (Note 29)	–	–	(209)	4,770	4,561
As at 31 December 2017	2,495,000	213,908	842,508	(5,641)	1,050,775
As at 1 January 2018	2,495,000	213,908	842,508	(5,641)	1,050,775
Dividends to equity shareholders (Note 35)	–	–	(18,000)	–	(18,000)
Employees' share award scheme					
– shares held for restricted share award scheme (Note 29)	–	–	–	(4,579)	(4,579)
– shares vested from share award scheme and transferred to the grantees (Note 29)	–	–	(2,370)	7,805	5,435
As at 31 December 2018	2,495,000	213,908	822,138	(2,415)	1,033,631

(a) The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in share premium account are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) Shares held for share award scheme represented the award shares purchased for purpose of the share award scheme adopted by the Company. See note 29 for further details.

29. Share-based payments

(a) The Company adopted an employees' share award scheme ("**Share Award Scheme**") on 22 January 2014 ("**Adoption Date**") in order to recognize and reward the eligible employees for their contributions to the business and development of the Group. The maximum numbers of the award shares ("**Award Shares**") which may be granted under the Share Award Scheme and to any participant are 49,900,000 shares and 2,495,000 shares respectively. The participants of the Share Award Scheme will be granted an award in the form of Award Shares for nil consideration. Subject to any early termination as may be determined by the Board pursuant to the scheme rules, the Share Award Scheme will be valid and effective for a term of ten years commencing on the Adoption Date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The Share Award Scheme is managed by an independent trustee ("**Trustee**") appointed by the Group. The Trustee purchases the award shares under the direction of the Company for the purpose of the Share Award Scheme. During the year ended 31 December 2018, the Company gave directions to the Trustee to acquire 3,692,000 more ordinary shares of the Company for a total consideration of HKD5,226,000 (approximately RMB4,579,000).

Movement of shares held for share award scheme for the year ended 31 December 2018 are as follows:

	Number of Shares (thousand)	Amount RMB'000
As at 1 January 2018	12,237	5,641
Purchase of Award Shares	3,692	4,579
Vesting of Award Shares	(11,540)	(7,805)
As at 31 December 2018	4,389	2,415

The Award Shares were divided into 3 tranches on an equal basis as at their grant date. The first tranche can be exercised after an anniversary from the grant date, and the remaining tranches will become exercisable in each subsequent year. The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date, which is to be expensed over the vesting period.

29. Share-based payments *(continued)*

(b) Movements of the Award Shares granted to the employees for the years ended 31 December 2018 are as follows:

	Shares granted on 26 September 2018 (thousand)	Shares granted on 20 January 2017 (thousand)	Shares granted on 17 December 2015 (thousand)	Shares granted on 13 July 2015 (thousand)	Total (thousand)
As at 1 January 2018	–	7,134	3,778	6,411	17,323
Granted during the period (i)	250	–	–	–	250
Forfeited during the period	–	(656)	(738)	(79)	(1,473)
Vested during the period	(250)	(2,378)	(3,040)	(6,122)	(11,790)
As at 31 December 2018	–	4,100	–	210	4,310

(i) Mr. Hao Jianmin, has been appointed as a co-chairman of the Board and an executive director effective from 26 September 2018. On 26 September 2018, Mr. Hao Jianmin has accepted a transfer of 374,250,000 shares of the Company from Shirble Department Store Limited, a company incorporated in the British Virgin Islands and beneficially owned by Mr. Yang Xiangbo, an executive director and the controlling shareholder of the Company, for nominal consideration of HKD1. HKD222,500 (approximately RMB195,266) of fair value of 250,000 shares of the Company was charged to profit or loss of the Company as the share-based payment to Mr. Hao Jianmin. Other than the 250,000 shares and a monthly salary of HKD2,000,000 (approximately RMB1,693,000), no other compensation have been provided to Mr. Hao Jianmin relating to the services to be provided by him to the Group. The remaining number of shares of the Company transferred by Mr. Yang Xiangbo are unrelated to the services provided by Mr. Hao Jianmin to the Group.

(c) The amounts of share-based compensation recognized as expenses with a corresponding credit to reserves of the Group during the year are as follows:

	2018 RMB'000	2017 RMB'000
Employees (excluding directors)	1,612	4,823
Directors (Note 41(a))	266	236
Total employees benefit expenses (Note 11)	1,878	5,059

30. Other reserves

	Statutory reserve RMB'000 (Note a)	Merger reserve RMB'000 (Note b)	Revaluation surplus RMB'000	Currency translation reserve RMB'000	Share-based compensation RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2017	101,711	107,372	20,410	(423)	5,095	(42)	234,123
Appropriation to statutory reserves	5,879	–	–	–	–	–	5,879
Revaluation of property, plant and equipment transfer to investment properties (Note 15)	–	–	17,456	–	–	–	17,456
Revaluation-deferred tax (Note 21)	–	–	(4,364)	–	–	–	(4,364)
Changes in fair value of AFS	–	–	–	–	–	1,361	1,361
Recycle to statement of income upon redemptions on maturity of AFS	–	–	–	–	–	(2)	(2)
Employees' share award scheme:							
– Value of employee services (Note 29)	–	–	–	–	5,059	–	5,059
– Vesting of shares (Note 28)	–	–	–	–	(4,561)	–	(4,561)
Currency translation differences	–	–	–	531	–	–	531
As at 31 December 2017	107,590	107,372	33,502	108	5,593	1,317	255,482
Adjustment on adoption of IFRS 9 (Note 3.3)	–	–	–	–	–	(1,317)	(1,317)
As at 1 January 2018	107,590	107,372	33,502	108	5,593	–	254,165
Appropriation to statutory reserves	790	–	–	–	–	–	790
Revaluation of property, plant and equipment transfer to investment properties (Note 15)	–	–	98,512	–	–	–	98,512
Revaluation-deferred tax (Note 21)	–	–	(24,628)	–	–	–	(24,628)
Employees' share award scheme:							
– Value of employee services (Note 29)	–	–	–	–	1,878	–	1,878
– Vesting of shares (Note 28)	–	–	–	–	(5,435)	–	(5,435)
Currency translation differences	–	–	–	(546)	–	–	(546)
As at 31 December 2018	108,380	107,372	107,386	(438)	2,036	–	324,736

30. Other reserves *(continued)*

(a) Statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors' meeting. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital. In 2018, RMB790,000 (2017: RMB5,879,000) was appropriated to statutory reserve.

(b) Merger reserve arising from the Reorganisation represents the excess of the paid-in capital of Shirble Department Store (Shenzhen) over the consideration paid by the Company, representing the nominal value of the shares issued by the Company in exchange thereof.

31. Retained profits

	RMB'000
As at 1 January 2017	44,714
Profit for the year	45,610
Appropriation to reserves	(5,879)
As at 31 December 2017	84,445
Adjustment on adoption of IFRS 9, net of tax (Note 3.3)	1,317
As at 1 January 2018	85,762
Profit for the year	109,851
Appropriation to reserves	(790)
As at 31 December 2018	194,823

32. Trade and other payables

	2018 RMB'000	2017 RMB'000
Rental payables	149,758	146,633
Deposits	83,273	61,826
Trade payables (a)	70,197	209,423
Accrued wages and salaries	34,072	17,310
Other tax payables	3,814	12,636
Accrual for legal claims (Note 39)	3,451	7,759
Amount due to related parties (Note 38(e))	181	161
Advances received from customers (Note 33)	–	263,434
Deferred income (Note 33)	–	26,052
Other payables and accruals	66,174	68,738
	410,920	813,972

All trade and other payables are denominated in RMB and their fair values approximated their carrying amounts as at 31 December 2018.

32. Trade and other payables *(continued)*

(a) The aging analysis of the trade payables of the Group was as follows:

	2018 RMB'000	2017 RMB'000
0 – 30 days	21,361	73,439
31 – 60 days	12,674	42,503
61 – 90 days	18,097	20,291
91 – 365 days	11,455	43,755
1 year – 2 years	5,721	3,410
2 years – 3 years	889	543
Over 3 years (i)	–	25,482
	70,197	209,423

(i) The balance of certain inactive suppliers and vendors aging over 3 years amounting to RMB14,009,000 was reversed and recognized in "Other gains – net" (note 9).

(ii) The decrease of the balance of the trade payables was mainly due to the change of business model and the strategic cooperation with Hema.

33. Contract liabilities

	2018 RMB'000	2017 RMB'000
Advances received from customers (a)	144,222	–
Deferred income (b)	22,711	–
	166,933	–

(a) The amount mainly represented cash received for prepaid cards sold. RMB263,434,000 of advances received from customers was reclassified to contract liabilities upon the adoption of IFRS15, 1 January 2018 (note 3.3).

(b) The amount mainly represented the carrying amount of unredeemed awarded credits. RMB26,052,000 of deferred income was reclassified to contract liabilities upon the adoption of IFRS15, 1 January 2018 (note 3.3).

34. Borrowings

	2018 RMB'000	2017 RMB'000
Unsecured short-term borrowing	8,994	–

As at 31 December 2018, the unsecured short-term borrowing was denominated in HKD and was repayable within one year. The weighted average effective interest rate was 15% per annum. The short-term borrowing was repaid by the Group in February 2019.

35. Dividends

Pursuant to the resolutions by the annual general meeting of the Company held on 31 May 2018, no final dividend was declared and paid by the Company for the year ended 31 December 2017.

Pursuant to the resolutions passed by the Board on 20 August 2018, an interim and special cash dividend of HKD0.0021 and HKD0.0062 respectively (equivalent to approximately RMB0.0018 and RMB0.0055 respectively) per share for the interim period, amounting to HKD5,240,000 and HKD15,419,000 respectively (equivalent to approximately RMB4,387,000 and RMB13,613,000 respectively) was declared and paid by the Company.

On 25 March 2019, the Board recommended a final dividend in respect of the year ended 31 December 2018 of HKD0.0109 (equivalent to approximately RMB0.0093) per share, amounting to HKD27,196,000 (equivalent to approximately RMB23,204,000). The final dividend is to be proposed out of the share premium account at the annual general meeting of the Company and these financial statements do not reflect this dividend payable.

	2018 RMB'000	2017 RMB'000
Ordinary shares		
Interim dividend paid of RMB0.0018 (2017: RMB0.0048) per ordinary share	4,387	11,969
Special cash dividend paid of RMB0.0055 (2017: RMB nil) per ordinary share	13,613	–
	18,000	11,969

36. Cash (used in)/generated from operations

(a) Cash (used in)/generated from operations

	2018 RMB'000	2017 RMB'000
Profit before income tax	112,833	63,567
Adjustments for:		
Depreciation (Note 16)	88,652	55,771
Amortisation of intangible assets (Note 17)	5,019	3,901
Provision for inventories (Note 25)	2,973	(117)
Net impairment losses on financial assets (Note 24)	2,662	–
Loss on disposals of property, plant and equipment (Note 9)	3,674	23
Loss on disposals of intangible assets (Note 9)	2,849	–
Share of loss/(gain) of an associate and a joint venture (Note 19)	3,075	(34)
Fair value loss/(gain) on FVPL (2017: AFS) (Note 9)	378	(2)
Net fair value gain on investment properties (Note 15)	(8,625)	(6,900)
Fair value gain on a derivative financial instrument (Note 23)	(191,029)	–
Interest income (Note 12)	(3,466)	(3,403)
Interest expenses (Note 12)	19,363	–
Share-based compensation expenses (Note 29)	1,878	5,059
Changes in working capital (excluding the effect of acquisition and currency translation differences on consolidation):		
Inventories	101,046	26,764
Trade and other receivables	(48,095)	(29,837)
Trade and other payables	(272,497)	(40,426)
Cash (used in)/generated from operations	(179,310)	74,366

(b) In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2018 RMB'000	2017 RMB'000
Net book amount (Note 16)	33,972	106
Loss on disposals of property, plant and equipment (Note 9)	(3,674)	(23)
Other receivables from Hema (Note 24(c))	(29,899)	–
Proceeds from disposals of property, plant and equipment	399	83

37. Commitments

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognized as liabilities is as follows:

	2018 RMB'000	2017 RMB'000
Expenditures of property, plant and equipment	42,539	3,436
Acquisition of land (i)	189,650	–
Acquisition of shares (ii)	260,038	–
	492,227	3,436

(i) On 14 December 2018, Xuyi Shirble, a non-wholly owned subsidiary of the Group, has successfully bid the tender upon submission to acquire ten parcels of land in Xuyi, Jiangsu Province, the PRC, for a total consideration of RMB252,600,000. Xuyi Shirble has paid RMB62,950,000 as the deposit for the acquisition of the land. The deposit would be treated as part of the purchase price of the land while the remaining part should be settled in cash in the following year.

(ii) As mentioned in note 23, the total consideration of HKD297,000,000 (approximately RMB260,038,000) for 19% of TFG shares was settled in cash on 9 January 2019.

(b) Non-cancellable operating leases – the Group as the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018 RMB'000	2017 RMB'000
Land and buildings:		
Within one year	135,871	120,712
Later than one year but not later than five years	516,073	488,561
Later than five years	980,968	858,815
	1,632,912	1,468,088

The Group leases a number of properties under operating leases in respect of retail shops, offices and warehouses. The leases typically run for a period of 7 to 22 years, with an option to renew the lease when all terms are subjected to renegotiation.

37. Commitments *(continued)*

(c) Non-cancellable operating leases – the Group as the lessor

The future aggregate minimum lease receipts under non-cancellable operating leases are as follows:

	2018 RMB'000	2017 RMB'000
Buildings:		
Within one year	156,069	98,519
Later than one year but not later than five years	504,280	269,310
Later than five years	308,425	190,561
	968,774	558,390

38. Related party transactions

(a) Parent entities

The Group is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest
Shirble Department Store Limited	Immediate parent entity	The British Virgin Islands	52.79%
Xiang Rong Investment Limited	Ultimate parent entity	The British Virgin Islands	52.79%

The ultimate controlling party of the Group is Mr. Yang Xiangbo.

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties:

Name	Relationship
Shenzhen Ruizhuo Investment Development Company Limited ("**Ruizhuo Investment**")	Owned in equal shares by Mr. Yang Xiangbo's nephew and niece
Luhe County Shirble Inn ("**Shirble Inn**")	Controlled by Mr. Yang Xiangbo

38. Related party transactions *(continued)*

(b) Subsidiaries

Interests in subsidiaries are set out in note 18.

(c) Key management personnel compensation

Key management includes directors (executive and non-executive), members of the Executive Committee and the Company Secretary. The compensation paid or payable to key management for employee services is shown below:

	2018 RMB'000	2017 RMB'000
Basic salaries and allowances	17,230	11,215
Year-end bonuses	1,484	2,624
Contributions to the retirement scheme	63	60
Share-based compensation expenses	242	811
	19,019	14,710

(d) Transactions with other related parties

The following transactions were carried out with related parties:

Rental expenses to related parties

	2018 RMB'000	2017 RMB'000
Ruizhuo Investment	20	20
Shirble Inn (i)	–	56
	20	76

The Group entered into lease agreements in respect of certain leasehold properties with related parties of the Group for their use as a retail shops, a training centre and employee dormitories.

(i) The lease agreement between the Group and Shirble Inn has been terminated in July 2017.

(e) Outstanding balances with related parties

Amount due to related parties

	2018 RMB'000	2017 RMB'000
Ruizhuo Investment	181	161

The outstanding balances with these related parties are unsecured, interest-free and repayable on demand.

39. Contingent liabilities

Certain suppliers have commenced legal proceedings in the PRC against the Group in respect of disputes over contract terms and trademark infringement claim. As at 31 December 2018, the legal proceedings were ongoing. The Group has made an accumulated provision of approximately RMB3,451,000 (2017: RMB7,759,000), which the directors believe is adequate to cover the amounts, if any, payable in respect of these claims.

40. Balance sheet and reserve movement of the Company

Balance sheet of the Company	Note	2018 RMB'000	**2017** **RMB'000**
ASSETS			
Non-current assets			
Investments of interests in subsidiaries		872,799	807,553
Current assets			
Trade and other receivables		410,341	365,436
Cash and cash equivalents		271,267	177,108
		681,608	542,544
Total assets		1,554,407	1,350,097
EQUITY			
Share capital		213,908	213,908
Share premium		822,138	842,508
Shares held for share award scheme	(a)	(2,415)	(5,641)
Other reserves	(b)	109,818	113,375
Accumulated loss	(b)	(121,189)	(79,211)
Total equity		1,022,260	1,084,939
LIABILITIES			
Current liabilities			
Trade and other payables		523,153	265,158
Borrowings		8,994	–
Total liabilities		532,147	265,158
Total equity and liabilities		1,554,407	1,350,097

The balance sheet of the Company was approved by the Board of Directors on 25 March 2019 and was signed on its behalf.

Yang Xiangbo
Director

Hao Jian Min
Director

40. Balance sheet and reserve movement of the Company *(continued)*

(a) Please refer to note 29 for the Group's accounting policy on share held for share-based payment.

(b) Reserve movement of the Company

	Other reserves				
	Merger reserve RMB'000	Capital redemption reserve RMB'000	Share-based compensation reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
As at 31 December 2017	107,372	410	5,593	(79,211)	34,164
Share award scheme					
– Value of employee services (Note 25)	–	–	1,878	–	1,878
– Vesting of shares	–	–	(5,435)	–	(5,435)
Loss for the year	–	–	–	(41,978)	(41,978)
As at 31 December 2018	107,372	410	2,036	(121,189)	(11,371)

41. Benefits and interests of directors

(a) Directors' emoluments

The remuneration of each director is set out below:

For the year ended 31 December 2018:

Name of director	Fees RMB'000	Salary allowances and benefits RMB'000	Retirement schemes contributions RMB'000	Bonus RMB'000	Share-based compensation expenses RMB'000 (Note 29)	Total RMB'000
Executive directors						
Mr. Yang Xiangbo	–	1,219	15	–	–	1,234
Mr. Hao Jian Min (ii)	–	5,361	5	–	195	5,561
Mr. Yang Ti Wei (i)	254	2,163	13	180	71	2,681
Independent non-executive directors						
Zhao Jinlin	254	–	–	–	–	254
Chen Fengliang	254	–	–	–	–	254
Jiang Hongkai	254	–	–	–	–	254
Fok Hei Yu	254	–	–	–	–	254
	1,270	8,743	33	180	266	10,492

41. Benefits and interests of directors *(continued)*

(a) Directors' emoluments *(continued)*

For the year ended 31 December 2017:

Name of director	Fees RMB'000	Salary allowances and benefits RMB'000	Retirement schemes contributions RMB'000	Bonus RMB'000	Share-based compensation expenses RMB'000 (Note 29)	Total RMB'000
Executive directors						
Mr. Yang Xiangbo	–	1,246	16	–	–	1,262
Mr. Yang Ti Wei (i)	260	2,163	13	1,044	236	3,716
Independent non-executive directors						
Zhao Jinlin	260	–	–	–	–	260
Chen Fengliang	260	–	–	–	–	260
Jiang Hongkai	260	–	–	–	–	260
Fok Hei Yu	260	–	–	–	–	260
	1,300	3,409	29	1,044	236	6,018

(i) Mr. Yang Ti Wei is the chief executive officer of the Company.

(ii) Mr. Hao Jianmin is the newly appointed co-chairman of the Board and the executive director effective from 26 September 2018 (note 29).

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by directors' services in connection with the management of the affairs of the company or its subsidiary undertaking (2017: Nil).

(c) Directors' termination benefits

No termination on the appointment of director and chief executive of the Company and certain subsidiaries occurred in 2018, thus no related termination benefits was paid (2017: Nil).

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

No significant transactions, arrangements and contracts in relation to the Group'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 (2017: Nil).

42. Events occurring after the reporting period

Save as the events disclosed in note 23 and note 37, the Group obtained facilities totaling to RMB460,000,000 from certain PRC banks which were secured by certain properties of the Group in March 2019.

CORPORATE INFORMATION

Directors

Executive Directors:

YANG Xiangbo
HAO Jian Min
YANG Ti Wei

Independent non-executive Directors:

ZHAO Jinlin
CHEN Fengliang
JIANG Hongkai
FOK Hei Yu

Audit committee of the Board

ZHAO Jinlin *(Chairperson)*
CHEN Fengliang
JIANG Hongkai
FOK Hei Yu

Remuneration committee of the Board

CHEN Fengliang *(Chairperson)*
YANG Xiangbo
JIANG Hongkai
FOK Hei Yu

Nomination committee of the Board

JIANG Hongkai *(Chairperson)*
YANG Xiangbo
ZHAO Jinlin
FOK Hei Yu

Company secretary

CHAN Chore Man, Germaine, CPA

Authorised representatives

YANG Xiangbo
CHAN Chore Man, Germaine, CPA

Auditors

PricewaterhouseCoopers
22nd Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Hong Kong legal advisors

Squire Patton Boggs
29th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Principal bankers

In China

Industrial and Commercial Bank of China
China Construction Bank
Ping An Bank
Huaxia Bank
China Merchants Bank

In Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
UBS AG
Hang Seng Bank Limited

CORPORATE INFORMATION

Principal share registrar and transfer agent in the Cayman Islands

SMP Partners (Cayman) Limited
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Cayman Islands

Hong Kong share registrar

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Hong Kong

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