YY SPORTS 胜道

POU SHENG INTERNATIONAL (HOLDINGS) LIMITED
寶 勝 國 際 （控 股） 有 限 公 司

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)
(Stock Code 股份代號:3813)

2018 ANNUAL REPORT
二零一八年年報

OUR VISION

Make sports your life!

OUR MISSION

Discover your persistent passion for sports by providing convenient and fun sports experiences via unique channels full of quality services and products you can access everyday.

2018 ANNUAL REPORT

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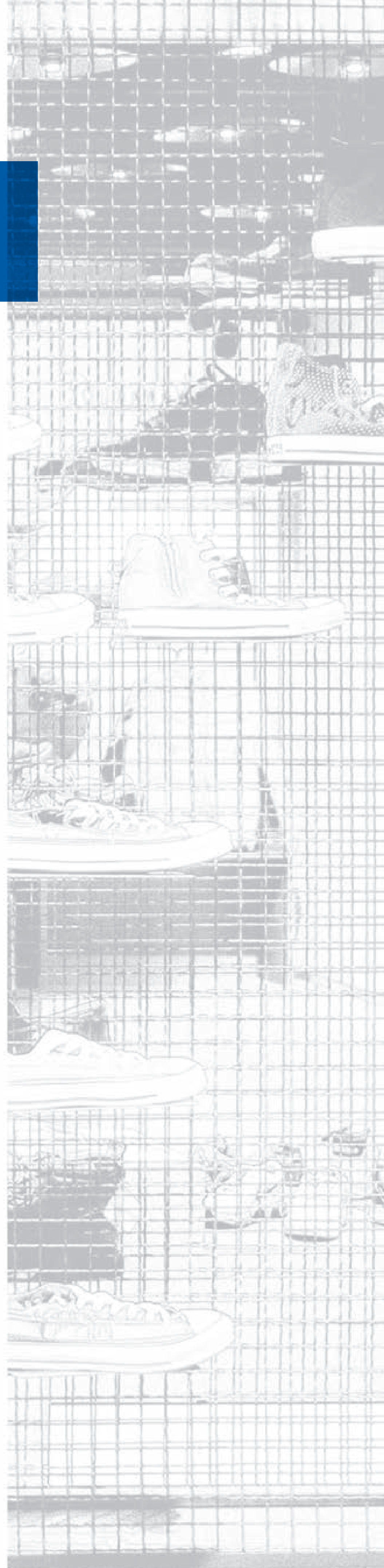


CORPORATE OVERVIEW


NETS

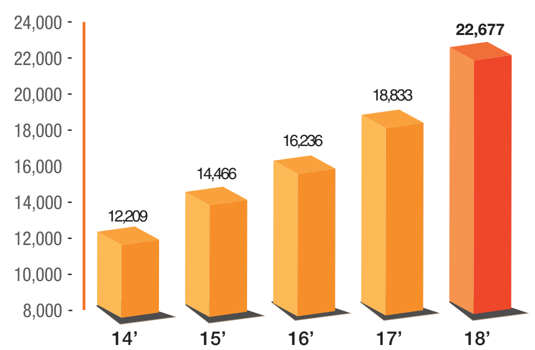
THE GROUP'S FINANCIAL HIGHLIGHTS

	For the year ended December 31,		Percentage Increase
	2018	2017	
Revenue *(RMB'000)*	22,677,375	18,833,313	20.4%
Operating profit *(RMB'000)*	966,881	770,392	25.5%
Profit attributable to owners of the Company *(RMB'000)*	542,888	394,322	37.7%
Basic earnings per share *(RMB cents)*	10.39	7.57	37.3%
Dividend per share			
Final dividend (proposed) *(HK$)*	0.025	0.020	25.0%

KEY SHAREHOLDER VALUE INDICES

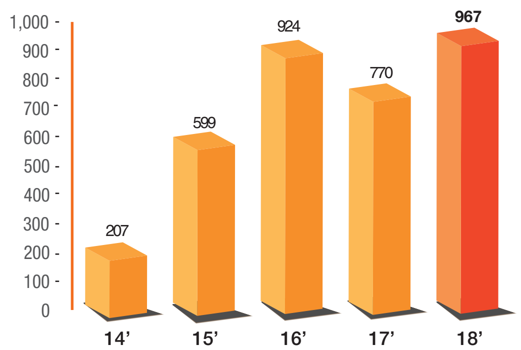
Revenue

RMB million



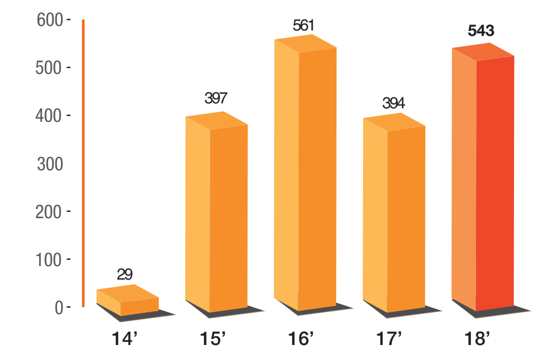
Operating Profit

RMB million



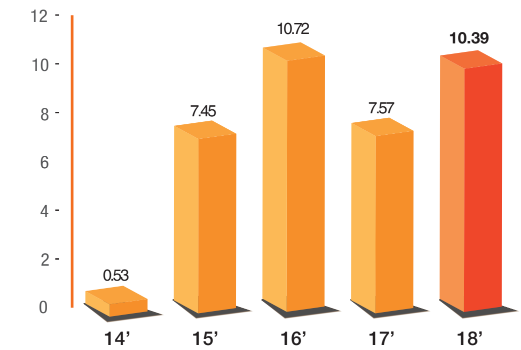
Profit Attributable to Owners of the Company

RMB million



Basic Earnings Per Share

RMB cent



DIRECTORS

Executive Directors
Wu, Pan-Tsu (Chairman)
Lee, Shao-Wu (Chief Executive Officer)

Non-executive Directors
Tsai Patty, Pei Chun
Li I-nan

Independent Non-executive Directors
Chen, Huan-Chung
Hsieh, Wuei-Jung
Feng Lei Ming
(appointed on September 30, 2018)
Shan Xue (resigned on September 30, 2018)

AUDIT COMMITTEE
Chen, Huan-Chung (Chairman)
Tsai Patty, Pei Chun
Feng Lei Ming
(appointed on September 30, 2018)
Shan Xue (resigned on September 30, 2018)

REMUNERATION COMMITTEE
Hsieh, Wuei-Jung (Chairman)
Chen, Huan-Chung
Li I-nan

NOMINATION COMMITTEE
Wu, Pan-Tsu (Chairman)
Chen, Huan-Chung
Feng Lei Ming
(appointed on September 30, 2018)
Shan Xue (resigned on September 30, 2018)

DISCLOSURE COMMITTEE
Wu, Pan-Tsu (Chairman)
(appointed on March 22, 2019)
Lee, Shao-Wu (appointed on March 22, 2019)

AUTHORISED REPRESENTATIVES
Wu, Pan-Tsu
Fan Kam Wing (appointed on August 10, 2018)
Tsai Patty, Pei Chun
(ceased on August 10, 2018)

COMPANY SECRETARY
Fan Kam Wing

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS
22nd Floor, C-Bons International Center
108 Wai Yip Street, Kwun Tong
Kowloon, Hong Kong

INDEPENDENT AUDITOR
Deloitte Touche Tohmatsu

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

SOLICITOR
Reed Smith Richards Butler

PRINCIPAL BANKERS
Australia and New Zealand Bank (China)
Company Limited
Bank of America, N.A. Shanghai Branch
Bank SinoPac
BNP Paribas (China) Limited
Citibank (China) Co., Limited
HSBC Bank (China) Company Limited
Industrial and Commercial Bank of China Limited
JPMorgan Chase Bank (China) Company Limited
Mizuho Bank, Limited
Standard Chartered Bank (China) Limited
Standard Chartered Bank (Hong Kong) Limited
Taishin International Bank Company Limited

WEBSITE
www.pousheng.com

STOCK CODE
3813


Witty
Baseball Club

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual results of Pou Sheng International (Holdings) Limited (the "Company" and together with its subsidiaries, the "Group") for the financial year ended December 31, 2018, to the shareholders of the Company (the "Shareholders").

2018 was a year of enhancements and elevations to our business while the financial results also performed as planned in key areas. We strived to enhance operational efficiency of existing retailing network and to elevate quality services the Group is offering through its omni-channel, in a committed attempt to build strong consumers' loyalties. It is important for the Company to strengthen its competitiveness in the retail sector by reinforcing existing operational efficiency with proven technologies and elevating the retail omni-channel values with quality services derived from elite, fun and convenient sports events throughout the year. It is a big challenge and also an excellent opportunity to the Company to maximise Shareholders' interests by the enhancement and elevation approaches in the coming years. The Company will stick to the strategies and make progresses as planned to make our business more competitive and sustainable in the quick changing market with consumer-centric business model.

As incomes and living standards rise, consumers in China have been seeking for healthy and sports-related activities and lifestyles. This trend has created a great opportunity for the Group. For many years, offline sportswear retailing has been struggling against the online platforms in order to safeguard and defend its share of sportswear market in China. However, the phenomenon is changing after years' competitions on product price discount. "Quality services offline, convenient social and communications online, and transactions via integrated omni-channel platform" is the new norm which pushes for cooperation between offline and online operators for serving consumers with quality contents (i.e. products and services) offline and online. Price competition is not a sustainable way to grow business; in contrast, quality services and products together will prevail and lead quality growth.

To elevate our business in line with the future trend, we have been adopting the following initiatives:

1. installing devices proven to be effective for efficient daily operations in offline stores and generating timely operation indicators shown on POS, also connected to a central system for facilitating quick decisions to improve daily operational efficiency;

2. connected inventory and product sharing network consists of our offline stores and online platforms;

3. operating exclusive brand-authorised online stores on the third party's online platforms;

4. organising full-year grass root sports events and related services by our nationwide regional offices. These events are linked to the elite intellectual property ("IP") sports events owned by the Company or the events licensed by well-known sports event companies, as well as owned and supported by local government;

5. launching pilot sports services stores with a fusion design concept – mixing the offline sports events related services with brands' products as a comprehensive solution to consumer's daily sport life; and

6. enhancing YYSports app and WeChat mini program with all the quality products and sports events related services embedded in a bid to re-activate our existing members and attract consumers' interests by a quality integrated omni-channel.

With the aforementioned efforts, under-performed sell-through, excessive inventory risk, online deep discount competition, ordinary shopping experiences, walk-in consumers without loyalty, unattractive online interface could be benefited by digitalised store operations on hourly basis, share product resources by omni-channel sales throughout 365-day organised products sales with the concept of "full price + quality services", quality shopping experiences in mega sports services stores, plus follow up communications with consumers via online interface (i.e. YYSports app, mini program and third party platform) with unique sports contents (i.e. products and services).

CHAIRMAN'S STATEMENT

Despite the headwinds are affecting China economy and slowing down the consumption in many aspects, our financial performance continued to meet our expectations. Total revenue for 2018 grew 20.4% to RMB22,677.4 million, compared to the previous year. However, the gross profit margins remain under pressure as a result of the heavier promotion throughout a volatile year as well as investments making to re-orient and strengthen the business opportunities.

Looking forward, the global headwinds that started in the end of 2018 will continue in 2019. Nevertheless, I am quite confident about the Group's long-term prospects. The government in China remains resolute about increasing the level of sports-related consumption which absolutely will continue up to the 2022 Winter Olympics in Beijing. On January 4, 2019, China's premier sports agency, the General Administration of Sport of China, released a two-year action plan for boosting national sports consumption, which consists of seven key tasks:

1. Enrich the level of sports consumption

2. Cultivate the concept of sports consumption

3. Enhance sporting skills

4. Build more facilities for sports consumption

5. Optimise the development environment for sports consumption

6. Improve sports consumption policies

7. Strengthen the protection of sports consumption rights

All these make it very clear that the government will continue to encourage significant growth of sports-related consumptions by quality market environment, and to support sports-related services with widespread facilities with resources from central and local governments, which will greatly support the future development of our longstanding business strategies.

In the coming few years, the Group will continue to face pressure from aggressive market competition and discounting, including more frequent promotions by the competitors while the sports retail business is in the processes of transformation. Our brick-and-mortar business will continue to face competition from online platforms while we enact the long-term omni-channel strategy above to benefit from this.

In conclusion, I remain extremely grateful for our dedicated staff and management, as well as the continued support from our business partners, financial institutions and Shareholders. On behalf of the board of directors of the Company, I would like to thank all our stakeholders for their invaluable support throughout the year.

Wu, Pan-Tsu
Chairman

Hong Kong
March 22, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Model and Environment

Throughout 2018, the Group continued to pour resources into elevating the operational efficiency of its brick and mortar ("B&M") stores by using proven technologies to enhance the shopping experience of consumers – both via in-store B2C and C2C. This also paved the way for the Group to communicate with consumers through its omni-channel (i.e. B&M stores and its online app) approaches in the coming years, while moving it closer to its vision and mission to "Make sports your life!" and "Discover your persistent passion for sports by providing convenient and fun sports experiences via unique channels full of quality services and products you can access everyday.".

The Group is gearing up to position itself not only as a top ranking retailer for world-renowned sportswear brands in the Greater China region, but also as a sports services platform that enhances the stories around the brand owners' products and provides quality customer relationship management ("CRM") that utilises the Group's unique resources in sports events and related services to communicate with consumers on the initiatives for "Make sports your life!" in ways that are fun and convenient through online and offline. Alongside these efforts to enhance and elevate the Group's operational efficiency, it has been progressively offering more unique experiences, quality services, in-depth CRM and better product mix via its omni-channel while also experimenting with new store concepts which are expected to grow sports brands' businesses in China using creative approaches to align with and capture the future trends, needs and opportunities.

In order to enhance the plot of the stories of its brand owners' products and to increase consumer loyalty to these products, the Group organised 3-on-3 basketball tournaments, marathon events and trail runs in over 20 cities across China in 2018, strengthening the communication with sports fans and consumers through a series of months-long CRM marketing activities via the Group's omni-channel, creating longer-lasting impacts than just participating in one-day activity event and establishing greater loyalty of consumers to the Group in return for the new opportunities for product sales growth. It is the Group's strategy to add more product-related services on intellectual property ("IP") and authorised sports events to build strong loyalty towards the omni-channel operated by the Group, through making good use of the consumers' insights generating from our big data collected from an individual consumer's participation in sports events as well as their product purchase records, which will eventually lead the change of its business format with less B&M store density but more sales.

During this process of operational enhancement and elevation, the Group also sought to make improvements to its existing operations in 2018. Inventory levels were maintained at a relatively stable level by better monitoring and planning of procurement practices, while new online and offline sales channels were added to reinforce in-season sales-through and effective off-season clearance. The Group also developed promotion plans with support from its brand partners. It further digitised the business intelligence and performance index of its retail business, upgraded its B&M stores and improved sales efficiency by integrating and sharing the inventories of its regional stores and omni-channel. The Group's objective is that all of its online sales channels can act as a platform for all B&M stores to continue selling products to consumers after they have left the stores; price gaps should not be the focus of consumers shopping online, but rather the value-added services (i.e. sports events related services), which will lead the consumers more willing to shop at the same price online as at the offline stores.

As at December 31, 2018, the Group's retail network consisted of 5,648 directly operated stores and 3,551 sub-distributor stores across the Greater China region.

In order to capture the full benefit of the growing athleisure trend, the Group will continue to focus on opening and upgrading its experience-rich B&M stores, as well as a new mega store concept with multimedia and high-tech retail features that will better integrate the Group's in-store sports services and sports networking elements with its online offerings and other sales channels.

Nevertheless, the sports retailing environment in China remains highly competitive and fragmented. Although e-commerce will continue to be a scaled shopping platform that offers an attractive product discount, offline retail channels will remain important and irreplaceable sales touchpoints, as consumers seek unique and personalised shopping experiences for products and services. The Group will continue to invest heavily in upgrading and integrating its B&M stores and digital channels to reinforce the consumer experience and stimulate higher-margin as well as in-season sales, while also fulfilling the ever-changing shopping habits of end consumers. This will result in higher cost pressures, such as increased wages for hiring and retaining experienced front line sales-staffs and higher rental costs for larger-scale stores with more experience-driven facilities, among other investments in its omni-channel platform. While being potentially costly, these investments are essential for the Group to maintain its competitive advantages in line with the future trend of sports retailing in China.

Despite this, the Group is cautiously optimistic toward the challenging economic backdrop, and confident about capturing promising opportunities in the long term.

Analysis of Performance

Financial Review

In 2018, the Group recorded revenue of RMB22,677.4 million, representing an increase of 20.4% compared with the 2017 financial year. Gross profit was RMB7,598.6 million, an increase of 15.2% compared to the 2017 financial year. Profit attributable to owners of the Company in 2018 was RMB542.9 million, an increase of 37.7% compared with the 2017 financial year.

Revenue

The Group's total revenue in 2018 grew 20.4% to RMB22,677.4 million, as compared with the 2017 financial year. This growth was attributed to the continuous development of the retail business as well as its rapid growth in online business.

Gross Profit

The Group's gross profit in 2018 amounted to RMB7,598.6 million, with a gross profit margin of 33.5%. The gross profit margin decreased by 1.5 percentage points compared to the 2017 financial year due to the change of channel mix, increased discounts and clearance sales for emerging brands.

Selling & Distribution Expenses and Administrative Expenses

The Group's selling and distribution expenses and administrative expenses in 2018 were RMB6,913.0 million, representing 30.5% of total revenue, an increase of 14.2% while decreased by 1.6 percentage points, compared with the 2017 financial year. The Group continued to invest in new concept stores and stores upgrades, the optimisation of its distribution and digital channels, as well as in the motivation of its sales team. These activities, together with increased business scale, led to a corresponding increase in staff costs, rental and depreciation expenses. With various efforts of cost control, optimisation of staffing costs, and closure of non-profitable stores, the operating expense ratio decreased by 1.6 percentage points to 30.5%.

Operating Profit

The Group's operating profit in 2018 was RMB966.9 million, with an operating profit margin of 4.3%, compared to an operating profit of RMB770.4 million and operating margin of 4.1% in the 2017 financial year.

Profit for the Year

Due to the aforementioned reasons, the Group recorded a net profit of RMB560.9 million in 2018, an increase of 35.1% compared to the net profit of RMB415.0 million in the 2017 financial year.

Working Capital Efficiency

The average inventory turnover period for 2018 was 149 days (2017: 149 days). Under the drastically changing market, the stabilisation in the inventory turnover period was attributable to an improved in-season sell-through, as well as acceleration of stock clearance and enhanced seasonal procurement plans. The Group is continuing to diligently manage inventory levels to optimise working capital efficiency. The average trade receivables turnover period for 2018 was 27 days (2017: 28 days), which remained consistent with the credit terms of 30 to 60 days that the Group gives to its department store counters and retail distributors. The average trade and bills payables turnover period for 2018 was 15 days (2017: 16 days).

Liquidity and Financial Resources

As at December 31, 2018, the Group had cash and cash equivalents of RMB731.0 million (December 31, 2017: RMB377.4 million) and working capital (current assets minus current liabilities) of RMB4,628.0 million (December 31, 2017: RMB4,039.6 million). Total bank and other borrowings were RMB3,531.3 million (December 31, 2017: RMB2,532.2 million) and are repayable within one year. Bank and other borrowings were mainly denominated in Renminbi and so were cash and cash equivalents.

The Group's gearing ratio as of December 31, 2018, represented by total interest-bearing loans as a percentage of total equity, was 50.2% (December 31, 2017: 41.0%). The Group's net debt to equity ratio as of December 31, 2018, represented by total interest-bearing loans minus bank balances and cash as a percentage of total equity, was 39.8% (December 31, 2017: 33.5%).

In 2018, the net cash used in operating activities was RMB6.2 million. The Group believes its liquidity requirements will be satisfied with the combination of capital generated from operating activities and future bank borrowings. The net cash used in investing activities in 2018 was RMB506.6 million, while the net cash generated from financing activities was RMB865.4 million. In 2018, the Group raised and repaid bank and other borrowings of RMB6,892.9 million and RMB5,894.9 million respectively.

Capital Expenditure

The Group's capital expenditure primarily comprised of payments for upgrading existing store formats, expanding new concept and mega stores, and injecting resources into its online and sports services platform. In 2018, total capital expenditure was RMB531.7 million (2017: RMB576.4 million). As at December 31, 2018, the Group had no material capital commitments and contingent liabilities.

Foreign Exchange

The Group conducted its business primarily in the Greater China region and the majority of its transactions are denominated in Renminbi. As at December 31, 2018, the Group had no significant hedging instruments for managing its foreign exchange exposure. As the exchange rate of RMB against foreign currencies may fluctuate, the Group may enter into forward contracts, currency swaps or options to hedge against currency risks arising from foreign currency transactions when necessary.

The Group has a dedicated treasury division and internal treasury policies and approval guidelines to manage and control the Group's exposure to complicate and speculative financial instruments. The use of derivatives and approval procedures were in accordance with our internal policies and guidelines during the year under review.

HUMAN RESOURCES

As at December 31, 2018, the Group had approximately 32,000 employees in total. The Group provides competitive remuneration packages that are determined with reference to prevailing salary levels in the market and individual performance. The Company offers awarded shares and/or share options to eligible employees in order to provide them with incentives and to recognise their contributions and ongoing efforts. In addition, the Group provides other fringe benefits, such as social insurance, mandatory provident funds, medical coverage and training programs for employees based on their respective personal career development.

SIGNIFICANT EVENT

Privatisation

As the proposal requested by Pou Chen Corporation for the privatisation of the Company by way of a scheme of arrangement (the "Proposal" and the "Scheme", respectively) was not approved by certain disinterested Scheme shareholders at the Court meeting held on April 9, 2018, the Proposal and the Scheme lapsed. Thus, the Proposal was not implemented, the Scheme did not become effective and the shares of the Company (the "Shares") remain listed on the Stock Exchange.

PROSPECTS AND FUTURE DEVELOPMENTS

The Group's management remains optimistic about the long-term growth opportunities in the sportswear market, which is being supported by rising levels of health awareness, higher sports participation rates and the growth of the 'athleisure' trend in the Greater China region. However, its short-to-medium term performance may be impacted by macroeconomic factors impacting China and global markets, including slowing economic growth and potential negative sentiment resulting from the trade tensions between China and the United States of America.

Despite the aforesaid, the Group's omni-channel distribution strategy will continue to benefit from the favorable environment being created by the support from the PRC government for the popularisation of sports activities. This will likely continue as China's economy shifts away from exports and investment-led growth towards more sustainable growth based on higher domestic consumption, including increased spending on sports and cultural activities.

The prospects for the sportswear market are significant. In its recently announced two-year development plan, the General Administration of Sport and the National Development and Reform Commission forecast that sports consumption in China will reach RMB1.5 trillion by 2020.

The Group will continue to enhance its IP sports events across the Greater China region, as well as events licensed by sports event companies, organised with local governments or in collaboration with global brand partners. These include, but are not limited to, the following:

- "Go Wild" trail run tournament (IP event)
- "Dou Dao Di" 3 on 3 basketball league (IP event)
- HOOD to COAST marathon relay (licensed event)
- Kunshan Marathon, a cross-Strait focused annual marathon event (lead organiser)
- The Beijing and Shanghai marathons and other regional marathons, in cooperation with brand partners
- YYsports online virtual running (strategic alliance with China's biggest running club company)
- Mini baseball training camp coached by Taiwan baseball superstar players (licensed event)
- Running, basketball, baseball, rock climbing etc. training programs (local events, serving as series to top-level sports events)

In 2019, the Group will launch its first new concept mega store emphasising on a fusion design concept that combines products and services together in the offline store using a unique online interface. These stores will feature a much larger floor space than the Group's traditional multi-brand stores and will seamlessly combine the sale of latest-trend products with professional personalised sports training services and venues, creating seamless omni-channel connectivity for enthusiastic sports fans and shoppers.

The new concept store will incorporate more customisation and localisation, and will offer a wider variety of offerings. It will combine more high-tech and interactive features that will enable it to better cater for changing consumer trends, particularly rising demands for in-store experiences. This trend will make the Group easier to benefit from rising purchasing powers and changing lifestyles among mid-income consumers, also grant it more flexibility to plan and open new concept stores in addition to the locations of traditional stores.

The Group will further develop its digital platform and business intelligence systems in the coming years to better support inventory management, optimise its resources and improve the efficiency of its working capital. At the same time, the Group will make use of its mega stores and warehouses as mini-distribution centers to further exploit the benefit of this effective channel and logistics strategy. It will continue to integrate and upgrade its omni-channel sales and distribution network, CRM applications (such as loyalty programs), and operational systems, to support the execution of sporting services and events across the Greater China region.

In line with its customer centric strategy, the Group will continue to move closer to its goal of expanding the scale of its interaction with consumers to 365-day communications by cooperating with potential strategic partners and by connecting brands' products to relevant sports events and related services to build consumers' loyalty.

Despite the challenging business environment and intensifying competition, the Group expects to further enhance its long-term performance and profitability by optimising its resources in order to maximise the returns for its customers, partners, employees and shareholders.

BIOGRAPHICAL DATA OF DIRECTORS

Mr. WU, Pan-Tsu

WU, Pan-Tsu, aged 66, has been an Executive Director of the Company since April 2012. He is also the Chairman of the Company, the chairman of the Nomination Committee and the Disclosure Committee of the Board. He once was the Acting Chief Executive Officer of the Company during the period from April to August 2012. He is also a director of various subsidiaries and a joint venture company of the Company. Mr. Wu graduated from Tamkang University, Taiwan with a Bachelor's degree in Banking and Insurance and started his career at Bank of America Taipei Branch in 1978. He later worked in ABN-AMRO Bank, Chase Manhattan Bank and BNP PARIBAS in various managerial positions. In 2000, Mr. Wu was invited to join Taishin Financial Holding Co. Ltd. in a position specialising in corporate banking. After serving in the financial services industry for about 25 years, Mr. Wu joined Pou Chen Corporation ("PCC") in 2003 and currently serves as a president. PCC, a public company listed on the Taiwan Stock Exchange Corporation ("TSEC"), is a controlling shareholder of Yue Yuen Industrial (Holdings) Limited ("Yue Yuen"), a public company listed on the Stock Exchange, and through Yue Yuen, is deemed to have interests in the shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"). Mr. Wu is a director of Elitegroup Computer Systems Co., Ltd. (shares of which are listed on the TSEC). He was a director of First Sino Bank in Shanghai, China and Kleine Development Ltd. Mr. Wu is also a director of certain subsidiaries of Yue Yuen.

Mr. LEE, Shao-Wu

LEE, Shao-Wu, aged 55, has been an Executive Director of the Company since February 2017. He is also the Chief Executive Officer of the Company (the "CEO") and a member of the Disclosure Committee of the Board. He once was the Acting CEO from February 6, 2017 to March 23, 2017. Mr. Lee is also a director of certain subsidiaries of the Company. He holds a Master of International Business Administration degree granted by Chinese Culture University in Taiwan and a Bachelor of Mechanical Engineering degree granted by National Central University in Taiwan. Mr. Lee was the managing director of Barits Securities (HK) Ltd before he joined InfoVision Optoelectronics (Kunshan) Co., Ltd., a TFT-LCD panel manufacturer in China, as CFO and vice president of administration center in 2004. Mr. Lee was an executive director of Yue Yuen during the period from January 2011 to 5 February 2017 and was the head of strategic investment of PCC.

BIOGRAPHICAL DATA OF DIRECTORS (Continued)

Ms. TSAI Patty, Pei Chun

TSAI Patty, Pei Chun, aged 39, has been a Non-executive Director of the Company since April 2008. She is also a member of the Audit Committee of the Board. Ms. Tsai joined Yue Yuen group in 2002. She has served as an executive director and the managing director of Yue Yuen since January 2005 and June 2013 respectively. She is responsible for the strategic planning and enterprise developments of Yue Yuen group. Ms. Tsai is also the chief executive officer of Pou Chen group, a director of PCC and Wealthplus Holdings Limited ("Wealthplus"). PCC, Wealthplus and Yue Yuen are deemed to have interests in the shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO. She was previously a director of Mega Financial Holding Company Limited (shares of which are listed on TSEC). Ms. Tsai graduated from the Wharton School of the University of Pennsylvania in 2002 with a Bachelor of Science in Economics degree with major in Finance and minor in Psychology.

Mr. LI I-nan

LI I-nan, aged 77, has been a Non-executive Director of the Company since March 2013. He is also a member of the Remuneration Committee of the Board. Mr. Li has many years of experience in footwear business. He joined Yue Yuen group in 1992 and was responsible for the financial operations of Yue Yuen group. He was previously an executive director of Yue Yuen. He is currently the chairman of the board of directors of Yue Yuen Education Foundation in which he has been involving in the planning and execution of various projects of the Foundation. Mr. Li holds a Bachelor and a Master of Arts degree from National Chengchi University in Taiwan and a Master of Arts degree from the University of Southern California in the United States, respectively. Previously, Mr. Li was a non-executive director of Symphony Holdings Limited ("Symphony Holdings"), a publicly listed company in Hong Kong.

Mr. CHEN, Huan-Chung

CHEN, Huan-Chung, aged 63, has been an Independent Non-executive Director of the Company since April 2008. He is also the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee of the Board. Mr. Chen is a partner of Wong Tong & Co., CPAS (萬通聯合會計師事務所), a certified public accountant in Taiwan and a certified securities investment analyst in Taiwan. Mr. Chen has been an independent director and a member of the audit committee of PCC since June 2018 and once was a supervisor of PCC. PCC is a controlling shareholder of Yue Yuen and through Yue Yuen, is deemed to have interests in the shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of part XV of the SFO. Mr. Chen worked as a deputy manager in E. Sun Bills Finance Corporation of Taiwan (台灣玉山票券金融(股)公司). He received a Bachelor degree from the Department of Industrial Management of National Taiwan University of Science and Technology (formerly known as National Taiwan Institute of Technology) in 1983.

BIOGRAPHICAL DATA OF DIRECTORS (Continued)

Mr. HSIEH, Wuei-Jung

HSIEH, Wuei-Jung, aged 67, has been an Independent Non-executive Director of the Company and the chairman of the Remuneration Committee of the Board since March 2013. He received a Bachelor of Science degree in Nuclear Engineering from the National Tsing Hua University, Taiwan in 1973 and a Master degree of Business Administration, Finance from National Taiwan University in 1977. Mr. Hsieh started his career at Bank of America, National Trust and Savings Association, Taipei Branch (renamed to Bank of America N.A. Taipei Branch) as account officer in 1978 and later was promoted to vice president and country banking head respectively. He was a vice president and chief finance officer of Vanguard International Semiconductor Corporation, shares of which are traded on Taipei Exchange ("TPEx", formerly known as Gre Tai Securities Market) in Taiwan. He was also a member of the compensation committee of Motech Industries, Inc., shares of which are traded on TPEx. Mr. Hsieh currently serves as an independent director, the chairman of the audit committee and a member of the compensation committee of Anpec Electronics Corporation and an independent director, the chairman of the audit committee and a member of the compensation committee of the board of Xintec Inc. (the shares of these two companies are traded on TPEx).

Mr. FENG Lei Ming

FENG Lei Ming, aged 61, has been an Independent Non-executive Director of the Company, a member of the Audit Committee and a member of the Nomination Committee of the Board since 30 September 2018. He holds a Master of Business Administration degree granted by the University of Memphis in Tennessee of the United States. Mr. Feng has extensive experience in the Hong Kong securities industry. He is currently the managing director of Pro-Health (China) Co., Ltd., a director and the legal representative of Pro-Health (Beijing) Biotech Co., Ltd. and a vice-president of Beijing Association of Taiwan Investment Enterprises. He was a responsible officer of Ablelink Capital Limited and an independent non-executive director of Symphony Holdings.

BIOGRAPHICAL DATA OF SENIOR MANAGEMENT

Ms. CHANG, Su-Ching

CHANG, Su-Ching, aged 54, is currently in charge of Operation & Business Management Department and CEO Office of the Company, and also a director of various subsidiaries and a joint venture of the Company, and a supervisor of certain subsidiaries of the Company. She was appointed as the Vice President of Finance Department of the Company in September 2011. Ms. Chang graduated with a Master degree in Finance from National Taiwan University. She has more than 20 years' working experience in treasury, cash management and financial planning.

Mr. CHEN Hang

CHEN Hang, aged 53, is the General Manager of PONY Brand Management Department of the Company and also a director of certain subsidiaries of the Company at the same time. He joined the Company as Vice President of Marketing Management Department in September 2016 and once was Executive Vice President of Executive Office. He graduated from Oriental Institute of Technology, then studied Executive Master of Business Administration at National Chengchi University. Prior to joining the Company, Mr. Chen was the senior commercial director of an international sports brand company and has more than 25 years of experience in strategic planning, sales marketing, retail and operation management in sportswear field.

Ms. SHEN, Yuan-Fang

SHEN, Yuan-Fang, aged 52, was appointed as the Chief Financial Officer of the Company in July 2017. She is also a director of various subsidiaries of the Company. Ms. Shen received a Bachelor degree of Business Administration from National Chengchi University in Taiwan and a Master degree of Commerce, major in Accounting, from National Taiwan University. She passed the Certified Public Accountant Examination in Taiwan. Ms. Shen joined Procter & Gamble Taiwan, Ltd. as financial analyst in 1994 and was promoted to Greater China financial analysis manager and then assigned to Greater China tax manager. She then worked in Bristol-Myers Squibb Company ("Bristol-Myers Squibb") as finance director of Taiwan and Hong Kong and was later promoted and relocated to Shanghai, China to serve various managerial positions in both finance and commercial operations. She was mature product business lead, China of Bristol-Myers Squibb prior to joining the Company. Ms. Shen has extensive experiences in financial management.

Mr. WANG Jun

WANG Jun, aged 50, is the Executive Vice General Manager of Merchandise & Retail Business Unit of the Company and also a director of various subsidiaries of the Company at the same time. He joined the Company as the Vice President of Brand and Merchandising Management Department in April 2014. Mr. Wang graduated from the Department of Marketing of the Capital University of Economics and Business in Beijing. He has extensive experience and achievements in strategic planning, sales marketing, product branding, and retail operation.

The directors of Pou Sheng International (Holdings) Limited (the "Company" and the "Director(s)" or the "Board", respectively) are pleased to present this annual report (the "Annual Report") together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2018.

All references made below to other sections, reports or notes in the Annual Report shall form an integral part of this report.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are retailing of sportswear and distribution of licensed products.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2018 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 94 and 95.

The appropriations of profits of the Group during the year are set out in the Consolidated Statement of Changes in Equity on pages 98 to 99.

DIVIDENDS

The final dividend of HK$0.020 per Share for the year ended December 31, 2017 was paid to the shareholders of the Company (the "Shareholders") on June 25, 2018.

The Directors recommend the payment of a final dividend in respect of the year ended December 31, 2018 of HK$0.025 per Share (2017: HK$0.020 per Share) to the Shareholders whose names appear on the register of members of the Company (the "Register of Members") on Tuesday, June 11, 2019, amounting to approximately HK$133.9 million (2017: approximately HK$106.8 million), subject to approval by the Shareholders at the forthcoming annual general meeting (the "2019 AGM").

FIVE YEAR FINANCIAL SUMMARY

A financial summary of the Group for the past five financial years is set out on page 192.

BUSINESS REVIEW

A review of the business of the Group during the year as required pursuant to schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) is covered in different sections, reports or notes in the Annual Report, which shall form an integral part of this review.

Fair Review of Business

The information is provided in the Chairman's Statement on pages 6 to 11 and Management Discussion and Analysis on pages 12 to 20.

Principal Risks and Uncertainties

The Board and senior management continue to devote time and resources in screening for specific risks in the Group, and in developing a mindset of balanced risk minimisation. The Group has specific policies and management system in place to ensure that risks are properly evaluated and managed at the appropriate level within the Group.

The principal risks and uncertainties that could impact the Group's performance and its mitigating activities are discussed below. Details about the Group's financial risk management are set out in Note 32(b) to the consolidated financial statements.

Description and Impact of Risk and Uncertainty	Mitigation
Information Technology and Data Security	
The reliance of the Group's operation on information technology (the "IT") system is heavy. Any failure could cause adverse effects to our business operation.	The Group makes significant investment in technology infrastructure. The data stored in the system is regularly backed-up. Contingency and disaster recovery plans are in place to deal with any system failures.
The IT system might be subject to security breaches resulting in theft, leakage or corruption of key information, trade secrets and sensitive customer data, which could have a severe impact on the Group's reputation.	An information security regime is established. Confidential files are encrypted and/or password protected. Only employees with authority are allowed to have access to the sensitive data. Extensive and resilient controls, and vulnerability assessments are undertaken before updates are released to reduce risk of security breaches.
Human Resources	
Loss of key management personnel could cause disruption in delivery of the strategic objectives.	Effective retention system, succession plan and career development plan are established to develop and train talents, and ensure effective continuation of leadership and expertise without any interruption respectively.
The Group needs to attract talents and retain employees with relevant experience and knowledge in order to take advantage of all growth opportunities to achieve its strategic objectives.	The Group continues to seek to widen its talent pool. The performance management system is designed to provide reward, competitive remuneration structures and personal development opportunities to attract talents and retain employees.

BUSINESS REVIEW (Continued)

Principal Risks and Uncertainties (Continued)

Description and Impact of Risk and Uncertainty	Mitigation
Market	
The Group's business is affected by general seasonal trends. Prolonged unseasonal weather conditions could have a material adverse effect on the Group's business.	The Group strives to minimise the impact by altering its merchandise mix to reflect customers' demand. Diversification of the client base also allows for some smoothing when there are seasonal or sectorial changes in demand.
The Group operates in a highly competitive market with a wide variety of retailers, which place pressure on the Group's pricing strategy, margins and profitability.	The Group seeks to differentiate itself from other competitors by integrated sports product-and-service offerings and experience-rich physical stores. Exquisite sales management is applied to minimise the cost. Strong relationships with our suppliers also ensure competitively priced and high quality products.
Sportswear retailers are exposed to ever-changing consumers' fashion preferences which make it difficult for the Group to meet its customers' needs and building long-term relationships with customers.	Operations are digitalised. Timely and precise analysis systems are adopted to ensure expeditious decisions and actions. The brand and product portfolios are regularly reviewed. The Group also seeks to build customers' loyalty by engaging our customers with a full range and a full year schedule of sports services through various sales channels, social networks and online interfaces.
Strategy	
The Group's experience in market development of emerging brands is limited. Wrong brand positioning could have a material adverse effect on the sales performance of those emerging brands.	Experienced and suitable talents are recruited externally. Frequent and up-to-date performance reviews and market researches of those brands are conducted.
Majority of the revenue of the Group is derived from products of small number of major brands. Any strain in relationship with or failure of these major brands could have an adverse effect on the Group's business and financial condition.	The Group endeavors to strengthen its omni-sales channel capabilities in order to impress the major brands with its dedication and sincerity in being their most valuable partner. It also seeks to work with other different and new brand vendors to lower the reliance on those major brands.

BUSINESS REVIEW (Continued)

Principal Risks and Uncertainties (Continued)

Description and Impact of Risk and Uncertainty	Mitigation
Financial Defaults on receivables due from business partners could cause financial distress on cash flow to the Group.	Each business unit has established procedures and credit control policies on managing its receivables and will take proactive action when necessary. Credit evaluations are performed on all customers/partners requiring credit over a certain amount.
Impairment of goodwill and intangible assets depends on various assumptions. The change in any of those assumptions could impact the financial position of the Group.	The Group periodically reviews the assumptions and reassesses the useful life of these assets. Impairment review, which is a recurring task for the accounting department and the audit committee of the Board (the "Audit Committee"), is conducted regularly (please see Note 15 to the consolidated financial statements).
Regulatory environment and compliance The Group has to comply with a large number of different laws, rules, regulations and accounting standards, which are subject to continuing changes. Any breach and non-compliance could damage the Group's image and reputation.	The Group actively seeks to identify and meet its regulatory obligations and to respond to new requirements. Corporate governance policy is established to ensure good governance and ethical practices and proper controls are in place.
Economic and political environment The Group's business operations are mainly conducted in the PRC. Thus the Group's business and prospects are significantly affected by economic and political environments in the PRC. A downturn in the PRC economy and political unrest could have a significant negative effect on consumer spending.	The Group keeps monitoring the political and economic developments in the PRC on a proactive continuous basis to enable the Group to cope with the changes effectively. To arouse consumer sentiments, the Group keeps exploring and strengthening its brand and product portfolios, and sales strategies continuously.
Intellectual property Intellectual property plays an important role in the Group's business operations. Any failure in intellectual property management and protection could impair our competitiveness and harm our relationship with the brand vendors.	The Group endeavours to take all necessary precautions to protect all the intellectual property rights involved in the Group's business operations, including those of its partners.

BUSINESS REVIEW (Continued)

Future Development in Business

The information is provided in the Chairman's Statement on pages 6 to 11 and Management Discussion and Analysis on pages 12 to 20.

Financial Key Performance Indicators

The financial key performance indicators are provided in the Corporate Overview on page 4 and the relevant analysis is provided in the Chairman's Statement on pages 6 to 11 and Management Discussion and Analysis on pages 12 to 20.

Environmental Policies and Performance

The noticeable deterioration of the environment arising from climate change persuades us to improve our energy and resource consumption. The Group follows the local laws concerning environmental protection and also the relevant environmental policies, where there is no discrepancy, of the various brands distributed by the Group.

Owing to the nature of retail business, the Group's operation does not directly lead to any emission of hazardous pollutants, the pollution emission standards that the Group must comply with are relatively straightforward. We use our materials and resources as efficiently as possible. Standardised methods and tools are applied to ensure waste-optimised and low-emission processes covered the entire value chain.

More information is provided in the Environment, Social and Governance Report on pages 69 to 87.

Compliance with Laws and Regulations

During the year, the Group is not aware of any non-compliance with laws and regulations that have a significant impact on the operations of the Group.

BUSINESS REVIEW (Continued)

Relationships with Employees, Customers and Suppliers

Our relationship with employees

Our employees are the foundation of our success. Respect, appreciation and fairness are the tenets of our relationship with employees. When structuring our work environment, we have let all the tenets incorporated in it. We do not tolerate any behaviour of discrimination, harassment, vilification and victimisation under any circumstances in the workplace. We do not discriminate against any employees or candidates for employment because of their race, ethnic origin, religion, political affiliation, disability or age. We expect professional competence, exemplary management practices at all levels and effective team work. We demand our staff to be honest, responsible, trustworthy and willing to adopt our principles of corporate responsibility, and to set an example and to give their best contribution towards the Company's success in every aspect through applying the principles.

Our relationship with customers and suppliers

We aim to be a leading and innovative company in our industry. Sustainable customer and supplier relationships could only be built on the basis of honesty and trust. We believe that these principles will defend and bolster our success and our suppliers' success. The compliance guidelines and responsible supply chain management principles we adhere to will help us to achieve this aim. We consider our suppliers as partners who are able to make an important contribution to our business success. Our customers could choose to shop in-store or online or whichever they prefer. Best practices are adopted by the Group for ensuring customers are treated fairly and receive good customer service throughout their time with us. Regarding the wholesale business, the Group abides by the following: 1) usually transact on "cash on delivery" basis; 2) short term credits are provided to those retailers the Group deems creditworthy; and 3) endeavor to secure timely delivery as promised.

ANNUAL GENERAL MEETING

The 2019 AGM will be held on Friday, May 31, 2019 at 10:00 a.m. at 22nd Floor, C-Bons International Center, 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2019 AGM

For the purpose of ascertaining entitlement to attend and vote at the 2019 AGM (the"Entitlement to 2019 AGM"), the Register of Members will be closed from Monday, May 27, 2019 to Friday, May 31, 2019, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the 2019 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, May 24, 2019. The record date for Entitlement to 2019 AGM will be Friday, May 31, 2019.

Entitlement to the proposed final dividend

For the purpose of ascertaining entitlement to the proposed final dividend (the "Entitlement to Final Dividend"), the Register of Members will be closed from Tuesday, June 11, 2019 to Friday, June 14, 2019, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the proposed final dividend payable on Monday, June 24, 2019, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, June 10, 2019. Dividend warrants will be despatched on Monday, June 24, 2019. The record date for Entitlement to Final Dividend will be Tuesday, 11 June, 2019.

DONATIONS

During the year, the Group made donations totalling approximately RMB1.0 million (2017: RMB1.9 million).

SUBSIDIARIES AND JOINT VENTURES

Details of the principal subsidiaries and joint ventures of the Group as at December 31, 2018 are set out in Notes 34 and 16 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL/ISSUE OF EQUITY SECURITIES

During the year, 6,758,000 ordinary Shares were issued upon the exercise of share options previously granted under the share option scheme of the Company adopted on May 14, 2008 and duly amended on March 7, 2012 (the "Share Option Scheme"). The total consideration received for the issue was HK$8,312,340.

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

EQUITY-LINKED AGREEMENT

Save as disclosed in the section "Share Option Scheme", no equity-linked agreements that will or may result in the Company issuing Shares nor require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year or subsisted at the end of the year.

DISTRIBUTABLE RESERVES

As at December 31, 2018, the Company's reserves available for distribution consisted of contributed surplus of approximately RMB1,136.5 million (December 31, 2017: RMB1,136.5 million) plus accumulated profits of approximately RMB476.4 million (December 31, 2017: RMB538.1 million).

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than its liabilities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's Shares listed and traded on the Stock Exchange (2017: nil).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws (the "Bye-laws"), or the laws of Bermuda, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

DIRECTORS

The Directors during the year and up to the date of this report were as follow:

Executive Directors (the "EDs")

Wu, Pan-Tsu (Chairman)
Lee, Shao-Wu (CEO)

Non-executive Directors (the "NEDs")

Tsai Patty, Pei Chun
Li I-nan

Independent Non-executive Directors (the "INEDs")

Chen, Huan-Chung
Hsieh, Wuei-Jung
Feng Lei Ming (appointed on September 30, 2018)
Shan Xue (resigned on September 30, 2018)

Mr. Shan Xue has confirmed that he had no disagreement with the Board and there was no matter that needed to be brought to the attention of the Shareholders in relation to his resignation.

In accordance with the Bye-laws, Mr. Lee, Shao-Wu and Mr. Chen, Huan-Chung will retire by rotation at the 2019 AGM and, being eligible, will offer themselves for re-election. Mr. Feng Lei Ming, who was appointed to fill a causal vacancy as an INED on September 30, 2018, holds office until the 2019 AGM and, being eligible, will offer himself for re-election.

BIOGRAPHICAL DATA OF DIRECTORS AND SENIOR MANAGEMENT

Biographical data of the Directors and senior management of the Group are set out on pages 21 to 24.

DIRECTORS' SERVICE CONTRACTS

The terms of office of all Directors are three years and subject to retirement by rotation in accordance with the provisions of the Listing Rules and the Bye-laws.

None of the Directors being proposed for re-election at the 2019 AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, subject to the applicable laws and regulations, every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or about the execution of their duties in their respective offices provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty.

The permitted indemnity provision has been in force throughout the year ended December 31, 2018. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section "Continuing Connected Transactions" and Note 9(d) to the consolidated financial statements, no transaction, arrangement or contract of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director, or a controlling Shareholder or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at any time during the year or at the end of the year.

In addition, no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries subsisted at any time during the year or at the end of the year.

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

As at December 31, 2018, the interests or short positions of the Company's Directors, chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long Position in shares and underlying shares

(a) The Company

Ordinary shares of HK$0.01 each of the Company

		Number of Shares/underlying Shares held					
Name of Directors/ chief executive	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total	Percentage of the issued Shares[1]
Tsai Patty, Pei Chun	Beneficial owner	19,523,000	-	-	-	19,523,000	0.37%
Lee, Shao-Wu	Beneficial owner	2,000,000[2]	-	-	-	2,000,000	0.04%

notes:

1 The total number of issued Shares as at December 31, 2018 was 5,345,306,615.

2 Included interests in 1,700,000 awarded shares granted under the share award scheme of the Company (the "Share Award Scheme"), which are subject to certain vesting conditions and remain unvested as at December 31, 2018. Details of the awarded shares are set out in the section "Share Award Scheme".

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Long Position in shares and underlying shares (Continued)

(b) Associated Corporation – Yue Yuen

Ordinary shares of HK$0.25 each of Yue Yuen

		Number of shares/underlying shares held					
Name of Directors/ chief executive	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total	Percentage of the issued shares of Yue Yuen[1]
Wu, Pan-Tsu	Beneficial owner	40,000[2]	–	–	–	40,000	0.00%
Lee, Shao-Wu	Beneficial owner	78,000	–	–	–	78,000	0.00%

notes:

1 The total number of issued shares of Yue Yuen as at December 31, 2018 was 1,616,642,986.

2 40,000 awarded shares granted by Yue Yuen under the share award scheme of Yue Yuen (the "YY Share Award Scheme"), which are subject to certain vesting conditions and remain unvested as at December 31, 2018. Details of the awarded shares are set out in the section "Arrangement to Acquire Shares or Debentures".

Save as disclosed above, as at December 31, 2018, none of the Directors nor chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

In accordance with the register of interests in Shares and short positions of substantial Shareholders maintained by the Company pursuant to section 336 of the SFO, Yue Yuen is a controlling shareholder of the Company and holding approximately 62% indirect equity interests in the Company. Yue Yuen's principal activities are OEM/ODM footwear manufacturing business. During the reporting period, Ms. Tsai Patty, Pei Chun was a director and the managing director of Yue Yuen, Mr. Wu, Pan-Tsu was a director of certain subsidiaries of Yue Yuen and held 40,000 unvested awarded shares of Yue Yuen, and Mr. Lee, Shao-Wu held 78,000 shares of Yue Yuen, they therefore were considered as having interests in Yue Yuen.

However, the Company and Yue Yuen are separately listed entities and are mainly run by separate and independent management teams, which the Directors believe that the Company is capable of carrying on its business independently of, and at arm's length from, Yue Yuen. As the Company no longer has any footwear manufacturing business, it is expected that there will not be any competition between the Company and Yue Yuen in terms of the footwear manufacturing business.

Save as disclosed above, as at December 31, 2018, none of the Directors had any interest in a business which may compete with that of the Group and which is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors since the date of publication of the Company's 2018 interim report are set out below:

1. On September 30, 2018, Mr. Shan Xue resigned as an INED and a member of each of the Audit Committee and nomination committee of the Board (the "Nomination Committee").

2. On September 30, 2018, Mr. Feng Lei Ming was appointed as an INED and a member of each of the Audit Committee and Nomination Committee.

3. On December 31, 2018, Mr. Feng Lei Ming resigned as a responsible officer of Ablelink Capital Limited.

4. Details of changes in the Directors' remuneration are set out in Note 9(a) to the consolidated financial statements.

SHARE OPTION SCHEME

The Company recognises the importance of offering incentive and rewards through the grant of share-based incentive mechanism for attracting talents and retaining employees. The Company believes that this will align their interests with that of the Company.

The Share Option Scheme was adopted by the Shareholders on May 14, 2008, certain terms of which were amended on March 7, 2012, and was valid and effective for a period of ten years from the date of adoption. The Share Option Scheme expired at the end of the day on May 13, 2018, after which no further share options should be offered or granted. However, the share options granted prior to the expiration of the Share Option Scheme shall continue to be valid and exercisable within their respective prescribed exercisable periods.

Eligible participants of the Share Option Scheme include directors and full time employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the development and growth of the Group.

Pursuant to the terms of the Share Option Scheme, the total number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme should not exceed 10% of the total number of the issued Shares as at the date on which dealings in the Shares first commence on the Stock Exchange (i.e. June 6, 2008) (being 355,000,000 Shares, representing approximately 6.63% of the total number of issued Shares as at the date of this report). Unless approved by the shareholders of the Company and Yue Yuen, the maximum number of Shares issued and to be issued upon exercise of the share options granted to each grantee under the Share Option Scheme in any 12-month period should not exceed 1% of the Shares in issue for the time being.

All the share options granted under the Share Option Scheme should be exercised at any time during a period to be determined and notified by the Board at the time of making an offer and should not be exercised later than 10 years after the date of grant. The minimum period for which a share option must be held before it can be exercised should be determined by the Board. The exercise price of any share option should be determined by the Board but in any event should not be less than the higher of (i) the closing price of the Shares on the date of grant; (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share. For grantee who is an employee or director of the Group, he/she has to remain as an employee or director of the Group until the share options being vested on him/her.

SHARE OPTION SCHEME (Continued)

For the share options in respect of 11,663,190 Shares granted on November 14, 2016, upon the terms of the operation and share incentive agreement governing the grant, the total amount payable on acceptance of the share options was US$303,950.77 and the payment must be made within 5 days from the date on which the offer letters were delivered to the relevant grantees. Save for the aforesaid, under the rules of the Share Option Scheme, the amount payable on acceptance of an offer is HK$1.00 and the payment must be made within 28 days from the date on which the offer letter is delivered to the participant.

As at December 31, 2018, an aggregate of 19,584,000 ordinary Shares have been issued, an aggregate of 18,913,640 ordinary Shares, representing approximately 0.35% of the total number of issued Shares, are issuable on the exercise of share options; and an aggregate of 28,244,190 ordinary Shares may be issued upon fully exercise of all share options granted under the Share Option Scheme. As at the date of this report, the total number of Shares available for issue under the Share Option Scheme is 2,707,640, representing approximately 0.05% of the issued Shares.

Pursuant to the Share Option Scheme, movements in share options during the year are set out below:

				Number of underlying Shares comprised in the share options				
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Balance as at January 1, 2018	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Balance as at December 31, 2018
Employees/Consultants								
21.01.2010	1.620	21.01.2010-20.01.2011	21.01.2011–20.01.2018	1,557,450	-	-	(1,557,450)	-
		21.01.2010-20.01.2012	21.01.2012–20.01.2018	1,562,450	-	-	(1,562,450)	-
		21.01.2010-20.01.2013	21.01.2013–20.01.2018	3,179,900	-	-	(3,179,900)	-
		21.01.2010-20.01.2014	21.01.2014–20.01.2018	4,423,200	-	-	(4,423,200)	-
20.01.2011	1.230	20.01.2011-19.01.2012	20.01.2012–19.01.2019	2,112,500	-	(1,001,000)	-	1,111,500
		20.01.2011-19.01.2013	20.01.2013–19.01.2019	2,362,500	-	(955,000)	-	1,407,500
		20.01.2011-19.01.2014	20.01.2014–19.01.2019	2,526,500	-	(539,000)	-	1,987,500
		20.01.2011-19.01.2015	20.01.2015–19.01.2019	2,637,500	-	(433,000)	-	2,204,500
14.11.2016	2.494	14.11.2016-31.08.2017	01.09.2017–01.09.2019	1,166,320	-	-	-	1,166,320
		14.11.2016-31.08.2018	01.09.2018–01.09.2020	1,166,320	-	-	-	1,166,320
		14.11.2016-31.08.2019	01.09.2019–01.09.2021	1,166,320	-	-	-	1,166,320
		14.11.2016-31.08.2020	01.09.2020–01.09.2022	2,332,640	-	-	-	2,332,640
		14.11.2016-31.08.2021	01.09.2021–01.09.2023	5,831,590	-	-	-	5,831,590
Sub-total				32,025,190	-	(2,928,000)	(10,723,000)	18,374,190

SHARE OPTION SCHEME (Continued)

				Number of underlying Shares comprised in the share options				
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Balance as at January 1, 2018	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Balance as at December 31, 2018
Former Employees								
21.01.2010	1.620	21.01.2010-20.01.2011	21.01.2011-20.01.2018	1,965,000	-	-	(1,965,000)	-
		21.01.2010-20.01.2012	21.01.2012-20.01.2018	1,965,000	-	-	(1,965,000)	-
		21.01.2010-20.01.2013	21.01.2013-20.01.2018	2,946,000	-	-	(2,946,000)	-
		21.01.2010-20.01.2014	21.01.2014-20.01.2018	1,148,000	-	-	(1,148,000)	-
20.01.2011	1.230	20.01.2011-19.01.2012	20.01.2012-19.01.2019	7,375,000	-	(1,875,000)	-	5,500,000
		20.01.2011-19.01.2013	20.01.2013-19.01.2019	3,775,000	-	(1,080,000)	-	2,695,000
		20.01.2011-19.01.2014	20.01.2014-19.01.2019	1,437,500	-	(625,000)	-	812,500
		20.01.2011-19.01.2015	20.01.2015-19.01.2019	737,500	-	(250,000)	-	487,500
07.03.2012	1.050	07.03.2012-06.03.2013	07.03.2013-06.03.2020	375,000	-	-	-	375,000
Sub-total				21,724,000	-	(3,830,000)	(8,024,000)	9,870,000
Grand total				53,749,190	-	(6,758,000)	(18,747,000)	28,244,190

The weighted average closing price of the Shares immediately before the dates on which the share options were exercised during the year is HK$1.55 per Share.

Saved as disclosed above, no share options had been granted, exercised, lapsed or cancelled under the Share Option Scheme during the year.

Subsequent to the end of the reporting period and on January 20, 2019, all the outstanding share options that were exercisable into 5,040,000 Shares at the exercise price of HK$1.23 per Share and were granted on January 20, 2011 lapsed.

Further details of the Share Option Scheme are set out in Note 26(a) to the consolidated financial statements.

SHARE AWARD SCHEME

The Share Award Scheme was adopted on May 9, 2014 and duly amended on November 11, 2016 for recognising the contributions by certain persons, including Directors and employees of the Group, providing incentives to retain them for continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The scheme is valid and effective for a term of 10 years commencing on May 9, 2014. No further share awards should be granted upon termination or expiry of the term of the Share Award Scheme.

Any proposed award should be determined on the basis of individual performance and must be recommended by the remuneration committee of the Board (the "Remuneration Committee") and approved by the Board. All the share awards granted under the Share Award Scheme should be vested in accordance with the conditions (such as employment status and individual performance) as determined by the Board.

The total number of Shares to be awarded under the Share Award Scheme should not exceed 4% of the issued Shares as at the date of grant. The maximum number of Shares (including vested and non-vested Shares) which may be awarded to a selected participant should not exceed 1% of the issued Shares from time to time.

Eligible participant(s) selected by the Board for participation in the Share Award Scheme shall have no right to any dividend held under the trust before vesting which shall form part of the residual cash or any of the returned Shares. The trustee of the Share Award Scheme shall not exercise the voting rights in respect of any Shares held under the trust (including but not limited to the awarded Shares, the returned Shares, any bonus Shares and scrip dividend).

During the year ended December 31, 2018, 20,179,000 share awards were granted, 3,876,000 share awards lapsed or were cancelled and 13,538,680 share awards were vested under the Share Award Scheme. As at December 31, 2018, an aggregate of 43,843,450 share awards which are subject to certain vesting conditions, remain unvested.

SHARE AWARD SCHEME (Continued)

Pursuant to the Share Award Scheme, movements in awarded Shares during the year are set out below:

	Date of grant	Vesting period	Number of awarded Shares Balance as at January 1, 2018	Granted during the year	Vested during the year	Lapsed/ cancelled during the year	Balance as at December 31, 2018
Director							
Lee, Shao-Wu	25.03.2017	25.03.2017-24.03.2018	300,000	–	(300,000)	–	–
	25.03.2017	25.03.2017-24.03.2019	300,000	–	–	–	300,000
	25.03.2017	25.03.2017-24.03.2020	400,000	–	–	–	400,000
	11.08.2018	11.08.2018-10.09.2019	–	200,000	–	–	200,000
	11.08.2018	11.08.2018-10.09.2020	–	300,000	–	–	300,000
	11.08.2018	11.08.2018-10.03.2021	–	500,000	–	–	500,000
Sub-total			1,000,000	1,000,000	(300,000)	–	1,700,000
Employees							
	21.03.2015	21.03.2015-20.03.2018	5,358,000	–	(4,635,000)	(723,000)	–
	14.08.2015	14.08.2015-13.08.2018	8,110,000	–	(7,770,000)	(340,000)	–
	24.03.2016	24.03.2016-23.03.2019	3,220,000	–	–	(344,000)	2,876,000
	13.08.2016	13.08.2016-12.08.2019	5,460,000	–	–	(510,000)	4,950,000
	12.11.2016	12.11.2016-30.08.2019	600,000	–	–	–	600,000
	14.11.2016	14.11.2016-31.08.2018	833,680	–	(833,680)	–	–
	14.11.2016	14.11.2016-31.08.2019	833,680	–	–	–	833,680
	14.11.2016	14.11.2016-31.08.2020	1,667,360	–	–	–	1,667,360
	14.11.2016	14.11.2016-31.08.2021	4,168,410	–	–	–	4,168,410
	25.03.2017	25.03.2017-24.03.2020	4,528,000	–	–	(374,000)	4,154,000
	03.07.2017	03.07.2017-02.07.2020	300,000	–	–	–	300,000
	14.11.2017	14.11.2017-28.02.2018	270,000	–	–	(270,000)	–
	14.11.2017	14.11.2017-28.02.2019	315,000	–	–	(315,000)	–
	14.11.2017	14.11.2017-11.12.2019	300,000	–	–	–	300,000
	14.11.2017	14.11.2017-29.02.2020	315,000	–	–	(315,000)	–
	14.11.2017	14.11.2017-13.11.2020	3,800,000	–	–	(600,000)	3,200,000
	11.08.2018	11.08.2018-30.06.2019	–	140,000	–	–	140,000
	11.08.2018	11.08.2018-10.09.2019	–	3,695,800	–	(17,000)	3,678,800
	11.08.2018	11.08.2018-30.06.2020	–	210,000	–	–	210,000
	11.08.2018	11.08.2018-10.09.2020	–	5,543,700	–	(25,500)	5,518,200
	11.08.2018	11.08.2018-31.12.2020	–	350,000	–	–	350,000
	11.08.2018	11.08.2018-10.03.2021	–	9,239,500	–	(42,500)	9,197,000
Sub-total			40,079,130	19,179,000	(13,238,680)	(3,876,000)	42,143,450
Grand total			41,079,130	20,179,000	(13,538,680)	(3,876,000)	43,843,450

SHARE AWARD SCHEME (Continued)

The closing price of the Shares immediately before the grant of awarded Shares on August 11, 2018 is HK$1.50 per Share.

Further details of the Share Award Scheme are set out in Note 26(b) to the consolidated financial statements.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Mr. Lee, Shao-Wu, being a former executive director of Yue Yuen, was awarded 33,000 ordinary shares of Yue Yuen under the YY Share Award Scheme on October 3, 2016 during his employment with Yue Yuen. The 33,000 awarded shares of Yue Yuen were vested on October 2, 2018 as scheduled.

Mr. Wu, Pan-Tsu was awarded 40,000 ordinary shares of Yue Yuen under the YY Share Award Scheme on October 2, 2018. These awarded Yue Yuen shares remain unvested and to be vested on May 31, 2021 subject to certain vesting conditions.

Save as disclosed herein and as stated in the sections "Share Option Scheme" and "Share Award Scheme" above, at no time during the year was the Company or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2018, the register of interests in Shares and short positions of substantial Shareholders maintained by the Company pursuant to section 336 of the SFO showed that other than the interests disclosed in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", the following Shareholders had notified the Company of their relevant interests in the issued Shares:

Long Positions in the Shares

Name of Shareholders	*notes*	Capacity/ Nature of interest	Number of Shares held	Percentage of the issued Shares
Major Focus Management Limited ("Major Focus")	(a)	Beneficial owner	3,311,090,560	61.94%
Yue Yuen	(a), (b)	Interest of a controlled corporation/ Beneficial owner	3,311,090,560	61.94%
Wealthplus	(b)	Interest of a controlled corporation	3,311,090,560	61.94%
PCC	(b)	Interest of a controlled corporation	3,311,090,560	61.94%

notes:

The total number of issued Shares as at December 31, 2018 was 5,345,306,615.

(a) 3,311,090,560 Shares are held by Major Focus, a wholly-owned subsidiary of Yue Yuen.

(b) PCC is deemed to be interested in these Shares under the SFO by virtue of its interests in more than one-third of the voting shares in Wealthplus, which in turn is deemed to be interested in these Shares under the SFO by virtue of its interests in more than one-third of the voting shares in Yue Yuen. The entire issued share capital of Wealthplus is held by PCC.

Ms. Tsai Patty, Pei Chun, a Director, is also a director of Yue Yuen, Wealthplus and PCC. Mr. Chen, Huan-Chung, a Director, is also an independent director of PCC.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

Save as disclosed above, as at December 31, 2018, the Directors were not aware of any other person (other than Directors or chief executives of the Company) who had or was deemed to have an interest or short position in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to section 336 of the SFO, to be entered into the register referred to therein.

CONTINUING CONNECTED TRANSACTIONS

Purchase of footwear products from Yue Yuen

On November 11, 2016, the Company entered into a framework agreement with Yue Yuen (the "2016 Framework Agreement"), pursuant to which the Company might, through its subsidiaries, joint ventures and associates (the "PS Sub Group"), purchase from Yue Yuen's subsidiaries, joint ventures and associates (the "YY Sub Group") and/or any factories operated and/or appointed by members of the YY Sub Group (the "YY Factories") footwear products for the period from January 1, 2017 to December 31, 2018 subject to the following annual caps.

Year	Annual Cap
January 1, 2017 to December 31, 2017	RMB143,000,000
January 1, 2018 to December 31, 2018	RMB200,000,000

The annual caps for each of the aforesaid years were determined after taking into account (a) the unit price of the footwear products; (b) the historical purchase amounts of the footwear products; and (c) the expected increment of the purchase amounts of the footwear products from members of the YY Sub Group and/or the YY Factories.

Details of the transactions were set out in the announcement of the Company dated November 11, 2016.

During the year ended December 31, 2018, the total amount of transaction orders placed under the 2016 Framework Agreement was approximately RMB22.2 million. The determination of prices and terms of the transaction orders conducted has followed the pricing policies and guidelines as described in the announcement.

Since the 2016 Framework Agreement was due to expire on December 31, 2018, on November 13, 2018, the Company entered into a new framework agreement with Yue Yuen (the "2018 Framework Agreement"), pursuant to which the Company may, through the PS Sub Group, purchase from the YY Sub Group and/or YY Factories footwear products for the period from January 1, 2019 to December 31, 2021 subject to the following annual caps.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Purchase of footwear products from Yue Yuen (Continued)

Year	Annual Cap
January 1, 2019 to December 31, 2019	RMB30,000,000
January 1, 2020 to December 31, 2020	RMB35,000,000
January 1, 2021 to December 31, 2021	RMB40,000,000

The annual caps for each of the aforesaid years were determined after taking into account (a) the unit price of the footwear products; (b) the historical purchase amounts of the footwear products; (c) the expected change of the purchase amounts of the footwear products from members of the YY Sub Group and/or the YY Factories; and (d) the current market price of the footwear products.

Details of the transactions were set out in the announcement of the Company dated November 13, 2018.

Yue Yuen is a controlling shareholder of the Company holding 3,311,090,560 Shares (being approximately 61.8% of the issued Shares as at the date of this report) and is therefore a connected person of the Company. Accordingly, both the 2016 Framework Agreement and the 2018 Framework Agreement (collectively, the "Framework Agreements"), and the transactions contemplated thereunder therefore constitute continuing connected transactions for the Company under chapter 14A of the Listing Rules.

Ms. Tsai Patty, Pei Chun, a Director and also a director of Yue Yuen, is considered to have a material interest in the Framework Agreements by virtue of her Yue Yuen directorship and had abstained from voting at the Board meetings approving the Framework Agreements. In addition, each of Mr. Wu, Pan-Tsu and Mr. Lee, Shao-Wu is interested in 40,000 unvested awarded shares and 78,000 shares in Yue Yuen respectively. For good corporate governance, Mr. Wu, Pan-Tsu and Mr. Lee, Shao-Wu had voluntarily abstained from voting at the Board meeting approving the 2018 Framework Agreement.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Annual Review of Continuing Connected Transactions

Pursuant to rule 14A.55 of the Listing Rules, the INEDs have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms; and

(c) in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company's independent auditor was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor has issued an unqualified report containing its findings and conclusions in respect of the above continuing connected transactions and confirmed that nothing has come to their attention in relation to the above continuing connected transactions of the matters set out in rule 14A.56 of the Listing Rules.

RELATED AND CONNECTED PARTY TRANSACTIONS

Details of related and connected party transactions for the year are set out in Note 30 to the consolidated financial statements.

Save as disclosed herein and above in the section "Continuing Connected Transactions", the Company has not entered into other transactions with its connected parties which are required to be disclosed in the Annual Report in accordance with chapter 14A of the Listing Rules.

With regard to the related party transactions which also constitute connected transactions or continuing connected transactions, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in so far as they are applicable.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed, with management and the independent auditor of the Company, the Group's consolidated financial statements for the year ended December 31, 2018, the accounting principles and practices adopted by the Group and has discussed auditing, risk management and internal controls, and financial reporting matters.

MANAGEMENT CONTRACTS

No contracts, other than employment 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.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's five largest customers was less than 30% of the Group's total sales for the year.

Aggregate purchases attributable to the Group's largest and five largest suppliers were 54.40% and 99.98% of the Group's total purchases for the year, respectively.

None of the Directors or the close associates of the Directors or the Shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued Shares) have an interest in any of the Group's five largest customers or suppliers at any time during the year.

EMOLUMENT POLICY

The Group's emolument policy for employees is set up by the Board. The emoluments of the employees are determined on the basis of their merit, qualifications and competence, with reference to prevailing salary levels in the market. In addition, the Group provides other fringe benefits, such as social insurance, mandatory provident funds, medical coverage and training programs to employees based on their respective personal career development.

The emoluments of the Directors are recommended and reviewed by the Remuneration Committee and are decided by the Board, having regard to, inter alia, the Group's performance and financial position, individual performance and comparable market statistics.

The Company has adopted the Share Option Scheme (expired) and Share Award Scheme to provide its Directors and eligible employees with incentives and to recognise their contributions and ongoing efforts. Details of which are set out in the sections "Share Option Scheme" and "Share Award Scheme", and Note 26 to the consolidated financial statements.

PENSION SCHEME

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries of the Group are required to contribute to the retirement benefit schemes to fund the benefits at a defined percentage of employees' payroll. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group has also enrolled all its qualifying employees in Hong Kong into a Mandatory Provident Fund Scheme (the "MPF Scheme"). The assets of the MPF Scheme enrolled are held separately from those of the Group in trust under the management of independent trustees. In accordance with the relevant ordinances and regulations of MPF Scheme, the employer and its employees both are required to make contributions to the scheme at rate specified.

The Group contributed approximately RMB316.7 million to the above-mentioned schemes for the year ended December 31, 2018.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required by the Listing Rules throughout the year ended December 31, 2018 and up to the date of this report.

INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2018 have been audited by Messrs. Deloitte Touche Tohmatsu, certified public accountants, who will retire and, being eligible, offer themselves for re-appointment as independent auditor of the Company at the 2019 AGM.

On behalf of the Board

Wu, Pan-Tsu
Chairman
Hong Kong
March 22, 2019

The Board and the management of the Company recognise the importance of maintaining good corporate governance practices and procedures, hence corporate transparency and accountability can be practised. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and thereby enhancing Shareholders' value. The Board is committed to achieving a high standard of corporate governance and to leading the Group to grow in an efficient manner directed by the Group's vision and mission.

CORPORATE GOVERNANCE PRACTICES

During the year ended December 31, 2018, the Company has applied the principles of, and has complied with all code provisions contained in, the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules.

BOARD OF DIRECTORS

The Board

The Company is committed to the view that the Board should include a balanced composition of executive, non-executive and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Currently, the Board comprises the following seven Directors:

Executive Directors
Mr. Wu, Pan-Tsu (Chairman)
Mr. Lee, Shao-Wu (CEO)

Non-executive Directors
Ms. Tsai Patty, Pei Chun
Mr. Li I-nan

Independent Non-executive Directors
Mr. Chen, Huan-Chung
Mr. Hsieh, Wuei-Jung
Mr. Feng Lei Ming*

* Mr. Feng Lei Ming was appointed as an independent non-executive Director with effect from September 30, 2018 after the resignation of Mr. Shan Xue as an independent non-executive Director on September 30, 2018.

BOARD OF DIRECTORS (Continued)

The Board (Continued)

The biographical data of the Directors are set out in "Biographical Data of Directors and Senior Management" section on pages 21 to 24. Save as disclosed in that section, to the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board.

The Board has overall responsibility in formulating the strategic development of the Group, monitoring and controlling the Group's operation and financial performance, and performing the corporate governance duties.

The management is delegated with the authority and responsibility for the day-to-day operations of the Group under the leadership and supervision of the CEO. The CEO, working with the management team, is responsible for overseeing and managing the businesses of the Group, including the implementation of policies and strategies delegated and adopted by the Board and assuming full accountability to the Board for the operations of the Group.

Board meetings are scheduled to be held at approximately quarterly intervals and as required by business needs to discuss and review the overall strategy as well as the operation and financial performance of the Group and other duties of the Board. Ten Board meetings and three Shareholders' meetings were held during the year. The Chairman also during the year held a meeting with the NEDs (including the INEDs) without CEO's presence. The attendance record of Directors is set out in the table herein. The annual meetings schedule is made available to Directors in advance so that the Directors are given the opportunity to schedule for attending the meetings. For regular board meeting, notice of at least 14 days is given to all Directors to ensure that all Directors are given an opportunity to attend and to include matters for discussion in the agenda. Agenda and Board papers are normally sent to all Directors at least 3 days before each regular Board meeting to enable them to make informed decisions with adequate data. All Directors have full access to information of the Group and are able to obtain independent professional advice in performing their duties at the expense of the Company in appropriate circumstances or upon their request.

Minutes of all Board and committees meetings are kept by the Company Secretary. Draft minutes are circulated to all Directors or committee members for review and comment in a timely manner and final version for their records. Minutes are recorded in sufficient detail of the matters considered by the Board and decisions reached. The final versions of minutes/ resolutions of the Board and the committees are available for inspection by Directors. Any matters which are material and/or substantial Shareholder(s) or Directors and their close associates (as defined in the Listing Rules) with a material interest in or may cause potential conflicts of interests are discussed at physical Board meetings (instead of by circulating written resolutions of Directors) and relevant Directors will abstain from voting on the resolutions approving such transactions and are not counted in the quorum of the meetings.

BOARD OF DIRECTORS (Continued)

The Board (Continued)

The table below sets out the number of meetings of the Board and its committees, individual attendance by the Board and committee members at these meetings and the general meetings during the year:

Name of Directors	Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	General Meetings	Chairman and NEDs Meeting
	Number of meeting(s) attended/held					
Executive Directors						
Wu, Pan-Tsu	10/10	N/A	3/3	N/A	3/3	1/1
Lee, Shao-Wu	10/10	N/A	N/A	N/A	3/3	N/A
Non-executive Directors						
Tsai Patty, Pei Chun	8/10	3/4	N/A	N/A	3/3	0/1
Li I-nan	10/10	N/A	N/A	3/3	2/3	1/1
Independent Non-executive Directors						
Chen, Huan-Chung	10/10	4/4	3/3	3/3	3/3	1/1
Hsieh, Wuei-Jung	10/10	N/A	N/A	3/3	3/3	1/1
Feng Lei Ming[1]	3/3	1/1	1/1	N/A	N/A	1/1
Shan Xue[2]	7/7	3/3	2/2	N/A	0/3	N/A

notes:

1. Mr. Feng Lei Ming was appointed as an independent non-executive Director, a member of Audit Committee and a member of Nomination Committee with effect from September 30, 2018.

2. Mr. Shan Xue resigned as an independent non-executive Director, a member of Audit Committee and a member of Nomination Committee with effect from September 30, 2018.

BOARD OF DIRECTORS (Continued)

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. Wu, Pan-Tsu and the CEO is Mr. Lee, Shao-Wu.

Save as disclosed below, the roles and responsibilities of the Chairman and CEO are separate during the year and set out in writing in the Statement of Policy on Corporate Governance of the Company. The Chairman is responsible for the leadership, governance to and effective running of the Board. The CEO is responsible for overseeing the overall strategy, planning and leading the management in the day-to-day operations of the Group.

Non-executive Directors and Independent Non-executive Directors

All NEDs (including INEDs) are appointed for a specific term of three years. All Directors including INEDs are subject to retirement by rotation and re-election at least once every three years in accordance with the provisions of the Listing Rules and the Bye-laws.

At all times during the year ended December 31, 2018, the Company has complied with the requirements under Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three INEDs, representing at least one-third of the Board and with at least one of them possessing appropriate professional accounting and financial management expertise.

The Company has received from each of the INEDs, namely Mr. Chen, Huan-Chung, Mr. Hsieh, Wuei-Jung and Mr. Feng Lei Ming, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Although Mr. Chen, Huan-Chung has been serving the Company as an INED for over 9 years, he does not have any executive or management role in the Company nor has he been under the employment of any member of the Group. The Board considers that he has made considerable contributions to the Company with his relevant experience and knowledge throughout his years of service and he has maintained an independent view in relation to the Company's affairs. The Company considers that all INEDs are independent in accordance with the independence guidelines as set out in the Listing Rules and will continue to bring valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

BOARD OF DIRECTORS (Continued)

Appointment and Re-election of Directors

The appointment of a new Director is made on the recommendation of the Nomination Committee and by approval of the Board or by the Shareholders in a general meeting.

In assessing potential candidates for the Board, the Nomination Committee considers gender, age, cultural background, qualifications (including professional qualifications, skills, knowledge and experience), reputation for integrity, independence, professional and educational background, potential time commitment for the Board and/or Board committee responsibilities, potential contributions to the Group, Director succession plan and Board Diversity Policy and any measureable objectives for achieving diversity on the Board. The recommendations of the Nomination Committee are then put to the full Board for decision. All newly appointed Directors are subject to re-election by the Shareholders at the first general meeting following their appointments.

Besides that, at least one-third of Directors shall retire from office every year at the Company's annual general meeting. All Directors are subject to retirement by rotation at least once every three years and re-election in accordance with the provisions of the Listing Rules and the Bye-laws. The key terms and conditions of the Directors' appointments are set out in their respective letter of appointment and/or service contract.

Directors' Induction and Training

Each newly appointed Director is provided with a tailored induction to ensure that he or she has a proper understanding of the operations and business of the Group and is fully aware of his or her responsibilities under applicable legal requirements and the business and corporate governance policies of the Group.

The Company continuously updates the Directors on the Group's business and the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

Pursuant to Code Provision A.6.5 of the CG Code, the Directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Company organised two briefing sessions relating to corporate governance and introduction to The Codes on Takeovers and Mergers conducted by Reed Smith Richards Butler for the Directors. Besides, materials relating to briefing of bribery and ethics of directors and updates of Listing Rules are distributed to Directors for their self-studying.

BOARD OF DIRECTORS (Continued)

Directors' Induction and Training (Continued)

According to the records provided by the Directors, the Directors had participated in the following trainings during the year:

Name of Directors	Attending briefings/ seminars/ conferences/forums	Reading/studying training or other materials
Executive Directors		
Wu, Pan-Tsu	✓	✓
Lee, Shao-Wu	✓	✓
Non-executive Directors		
Tsai Patty, Pei Chun	✓	✓
Li I-nan	✓	✓
Independent Non-executive Directors		
Chen, Huan-Chung	✓	✓
Hsieh, Wuei-Jung	✓	✓
Feng Lei Ming*	✗	✓
Shan Xue**	✓	✓

* Mr. Feng Lei Ming was appointed as an independent non-executive Director, a member of Audit Committee and a member of Nomination Committee with effect from September 30, 2018.

** Mr. Shan Xue resigned as an independent non-executive Director, a member of Audit Committee and a member of Nomination Committee with effect from September 30, 2018.

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee, the Nomination Committee and the Disclosure Committee (collectively the "Board Committees") to oversee various aspects of the Group's affairs.

Audit Committee

The Audit Committee has been in place since May 2008 with specific written terms of reference, which are available for viewing on the websites of the Stock Exchange and the Company.

The Audit Committee currently consists of one NED and two INEDs: Mr. Chen, Huan-Chung (Chairman), Ms. Tsai Patty, Pei Chun and Mr. Feng Lei Ming. Mr. Chen, Huan-Chung is an INED possessing the appropriate professional accounting and financial management expertise as required under the Listing Rules.

The primary functions of the Audit Committee are, inter alia, to assist the Board in fulfilling its responsibilities, to maintain appropriate relationship with external auditors, to review the Group's financial control, risk management and internal control, to review the annual and interim reports and other financial information provided by the Company to its Shareholders, the public and others, and to deal with other matters within the scope of its terms of reference.

The Audit Committee is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Group.

The following is the summary of work performed by the Audit Committee during the year:

- reviewed and recommended the quarterly results, and interim and annual reports of the Group to the Board for approval;
- reviewed and discussed the various audit issues as reported by the external auditor;
- recommended the re-election of the external auditor;
- reviewed the internal control or internal audit issues as reported by the Company's internal audit department (the "Internal Audit Department") covering the investigation findings and recommendations;
- reviewed and recommended amendments to the terms of reference for the Audit Committee to the Board for approval;
- reviewed the adequacy and effectiveness of the Company's financial controls, risk management and internal control systems;
- reviewed the ongoing connected transactions of the Group;
- reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and
- reviewed the audit and non-audit services provided by the external auditor.

The Audit Committee held four meetings during the year. The attendance record of the members of the Audit Committee meetings is set out in the table under "Board of Directors" section.

BOARD COMMITTEES (Continued)

Remuneration Committee

The Remuneration Committee has been in place since May 2008 with specific written terms of reference, which are available for viewing on the websites of the Stock Exchange and the Company.

The Remuneration Committee currently consists of one NED and two INEDs: Mr. Hsieh, Wuei-Jung (Chairman), Mr. Chen, Huan-Chung and Mr. Li I-nan.

The primary functions of the Remuneration Committee include making recommendations to the Board on remuneration policy, structure and packages of the Directors and senior management of the Group and other related matters. A remuneration policy for Directors has been established. In recommendation of the remuneration package of Directors, the Remuneration Committee considers the qualifications and experience of each Director and also remuneration policies of other comparable listed companies of similar business and size, time commitment and responsibilities of the Directors, employment conditions of the Group and the desirability of performance-based remuneration. The Remuneration Committee also ensures that the levels of remuneration should be sufficient to attract and retain the Directors to run the Company successfully but would avoid paying more than necessary for this purpose. No Directors or any of their respective associates are involved in determining their own remunerations.

The following is the summary of work performed by the Remuneration Committee during the year:

- reviewed and recommended the remuneration of Directors to the Board for approval;
- reviewed and recommended the remuneration package of an INED to the Board for approval;
- reviewed the remuneration package and renewal of the service agreement of an ED and recommended to the Board;
- reviewed the effectiveness of the Remuneration Committee;
- recommended the grant, vest and cancellation of share awards of the Group to the Board for approval; and
- reviewed the status of the share options under the Share Option Scheme and the share awards under the Share Award Scheme.

The Remuneration Committee held three meetings during the year. The attendance record of the members of the Remuneration Committee meetings is set out in the table under “Board of Directors” section.

BOARD COMMITTEES (Continued)

Nomination Committee

The Nomination Committee has been in place since December 2011 with specific written terms of reference, which are available for viewing on the websites of the Stock Exchange and the Company.

The Nomination Committee currently consists of one ED and two INEDs: Mr. Wu, Pan-Tsu (Chairman), Mr. Chen, Huan-Chung and Mr. Feng Lei Ming.

The primary functions of the Nomination Committee are to assist the Board in identification of suitable individuals qualified to become Board members, review the structure, size, composition and diversity of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

The following is the summary of work performed by the Nomination Committee during the year:

- recommended the appointment of an INED to the Board for approval;
- assessed the independence of INEDs;
- reviewed the retirement and nominated the re-election of retiring Directors at the 2018 AGM;
- reviewed and recommended amendments to the terms of reference for the Nomination Committee to the Board for approval;
- reviewed the structure, size, composition and diversity of the Board; and
- reviewed and recommended the nomination policy for Directors (the "Nomination Policy") to the Board for approval.

The Nomination Committee held three meetings during the year. The attendance record of the Nomination Committee meetings is set out in the table under "Board of Directors" section.

Board Diversity

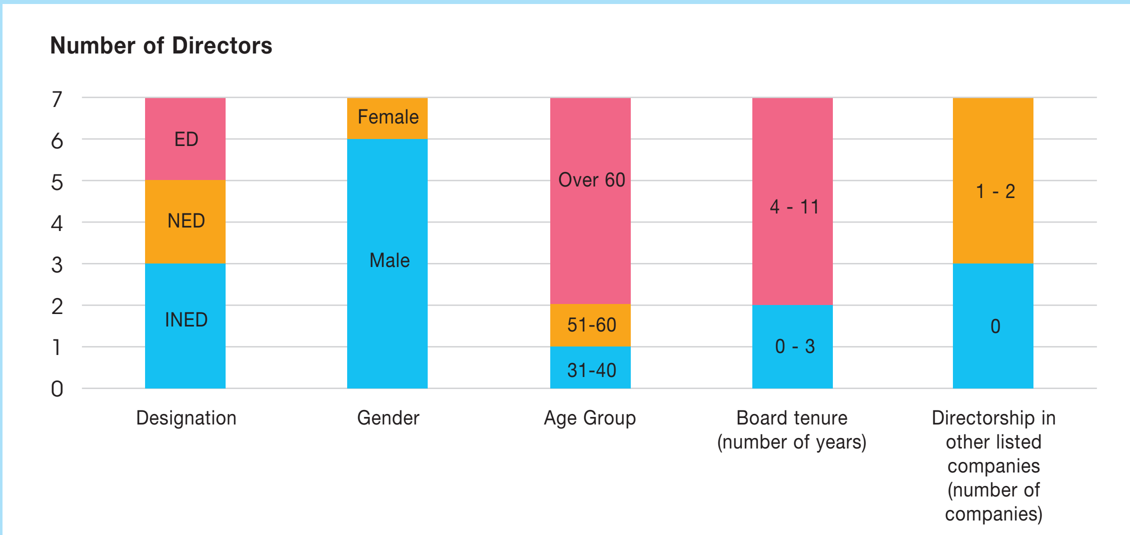
On August 13, 2013, the Board has adopted a Board Diversity Policy. The Company considers increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All appointments of Directors will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The composition of the Board reflects an appropriate mix of skills, experience and diversity among its members that are relevant to the Group's strategy and business. The policy is available for viewing on the website of the Company.

The Nomination Committee is also responsible to review the Board Diversity Policy, the measurable objectives and monitor the implementation of the Board Diversity Policy.

BOARD COMMITTEES (Continued)

Board Diversity (Continued)

An analysis of the Board's current composition based on the measurable objectives of the existing Directors is set out below:



Academic Background		Experience/Expertise	
Banking	14%	Sportswear Industry	57%
Business Administration	43%	Accounting Expertise	14%
Economics/ Finance	29%	Equity Investment/ Financial Services	100%
Others	71%		

BOARD COMMITTEES (Continued)

Nomination Policy

On November 13, 2018, the Board has adopted a Nomination Policy for Directors. The key objective of the Nomination Policy includes, inter alia, the following:

(a) to guide the Board in relation to appointments/re-election of Directors; and

(b) to devise a policy on the size and composition of the Board and to ensure the diversity and balance of the Board in terms of skills, experience, knowledge and diversity of perspectives are appropriate to the requirements of the Company's business.

The Nomination Policy shall be reviewed periodically to ensure that it remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice.

Director Succession Plan

The purpose of the Director Succession Plan is to ensure the orderly identification and selection of new directors in the event of an opening on the Board, whether such opening exists by reason of an anticipated retirement, an unanticipated departure, the expansion of the size of the Board, or otherwise. As provided in the terms of reference for Nomination Committee, the Nomination Committee shall make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive.

Disclosure Committee

The Disclosure Committee has been in place since March 22, 2019 with specific written terms of reference, which are available for viewing on the websites of the Stock Exchange and the Company.

The Disclosure Committee currently consists of two EDs: Mr. Wu, Pan-Tsu (Chairman) and Mr. Lee, Shao-Wu.

The primary functions of the Disclosure Committee are to assist the Board in considering matters associated with compliance with the Company's continuous disclosure obligations and inside information provisions under the SFO.

The Disclosure Committee shall meet from time to time as and when circumstances require. In the ordinary course, the Disclosure Committee may discuss and deal with matters by way of communication through electronic mail and/or telephone conference.

CORPORATE GOVERNANCE FUNCTION

The Board has adopted a Statement of Policy on Corporate Governance and is collectively responsible for performing the corporate governance duties set out in the Code Provision D.3.1 of Appendix 14 to the Listing Rules including:

(a) to develop, review and implement the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

(f) to develop, review and monitor the implementation of the Shareholders' communication policy to ensure its effectiveness.

The Board has reviewed and/or performed the abovementioned corporate governance function during the year and up to the date of the annual report.

INDEPENDENT AUDITOR'S REMUNERATION

During the year ended December 31, 2018, the remuneration paid or to be payable to Messrs. Deloitte Touche Tohmatsu ("Deloitte"), the Company's external auditor, in respect of audit services rendered is approximately RMB3,731,000 (2017: approximately RMB3,849,000 and in respect of non-audit services rendered is approximately RMB992,000 (2017: approximately RMB1,184,000). The non-audit services fees include the review of interim financial statements and professional services rendered in connection with profits tax and consolidation system implementation.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities with respect to the financial statements of the Group and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group in a timely manner.

A statement made by the external auditor of the Company, Deloitte with regard to their responsibilities for the audit of the Group's consolidated financial statements is set out in the Independent Auditor's Report on pages 88 to 93.

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by Directors. Following specific enquiry by the Company to all Directors, each of them has confirmed that he/she has complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the year ended December 31, 2018.

The Company has also established and adopted internal guidelines for securities transactions by relevant employees (the "Employees Guidelines") which are on no less exacting terms than the Model Code. Specified employees who are likely to be in possession of unpublished inside information related to the Company and its securities must comply with the Employees Guidelines.

DIVIDEND POLICY

The Company has adopted the dividend policy, pursuant to which the Company may declare and distribute dividends to the Shareholders, provided that the profit of the Company shall be retained for self-development and returns to the Shareholders.

The recommendation of the payment of any dividend is subject to the absolute discretion by the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Company's current and future operations and earnings, business development strategies, financial position, capital requirements and surplus, contractual restrictions, payments by subsidiaries of cash dividends to the Company, the amount of distributable profits based on the Bye-laws, the applicable laws and regulations, the Shareholders' request and intention, and other factors that the Board deems relevant.

Subject to the foregoing, the Company shall distribute as dividends approximately 20% to 30% of the net profits available for distribution in each financial year.

COMPANY SECRETARY

Mr. Fan Kam Wing, the Company Secretary, who was also the financial controller of the Group, confirmed that he has complied with all the required qualifications, experience and training requirements as specified under the Listing Rules during the year under review.

SHAREHOLDERS' RIGHTS

1. Procedures by which Shareholders may convene a special general meeting

1.1 Shareholders holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company as at the date of the deposit of the requisition are entitled to require the Board to convene a special general meeting by depositing a requisition at the registered office of the Company for the attention of the Board or the Company Secretary.

1.2 The requisition must specify the purposes of the meeting, signed by the requisitionists and may consist of several documents in like form each signed by one or more of those requisitionists.

1.3 The signatures and the requisition will be verified by the Company's share registrar. The Board will proceed to convene a special general meeting for the transaction of any business specified in the requisition within 21 days from the date of deposit of such requisition if it has been validly raised.

1.4 If the Board does not within 21 days from the date of the deposit of a valid requisition, proceed duly to convene such meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

2. Procedures for putting forward enquiries to the Board

Shareholders may put forward enquiries to the Board through the Company Secretary, whose contact details are as follows:

The Company Secretary
Pou Sheng International (Holdings) Limited
22nd Floor, C-Bons International Center
108 Wai Yip Street, Kwun Tong
Kowloon, Hong Kong

Tel. No.: +852 3182 5800
Fax No.: +852 3182 5808

SHAREHOLDERS' RIGHTS (Continued)

3. Procedures for putting forward proposals at Shareholders' meeting

3.1 In general, subject to paragraph 3.2 below, no resolution may be proposed at a Shareholders' meeting (whether it is a special general meeting or an annual general meeting) if such resolution is not included in the notice convening the general meeting. However, if the proposal is to amend an existing ordinary resolution set out in the notice convening the general meeting and such amendment is within the scope of the notice, such amendment may be made if approved by the Shareholders by ordinary resolution.

3.2 On the requisition in writing of either (i) any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates, or (ii) not less than 100 Shareholders, the Company shall be under a duty to:

(a) give to Shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and/or

(b) circulate to Shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

3.3 Notice of any such intended resolution under paragraph 3.2 shall be given, and any such statement shall be circulated, to Shareholders entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such Shareholder in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other Shareholders by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meetings of the Company.

3.4 The requisition under paragraph 3.2 must be signed by the requisitionists and deposited at the registered office of the Company (i) in the case of a requisition requiring notice of a resolution, not less than 6 weeks before the meeting; and (ii) in the case of any other requisition, not less than 1 week before the meeting.

INVESTOR RELATIONS AND COMMUNICATION

The Company endeavors to maintain good relationship with the Shareholders and potential investors. To ensure effective ongoing dialogue with the Shareholders, the Board has adopted the Shareholders Communication Policy on March 5, 2012 and duly amended on March 22, 2019 which is regularly reviewed to ensure its effectiveness.

Information in relation to the Group is disseminated to the Shareholders in a timely manner through a number of communication channels including interim and annual reports, announcements and circulars published in accordance with the Listing Rules. Such published documents, together with the latest corporate information and news, are also available for viewing on the Company's website.

Shareholders are encouraged to attend the Company's general meetings, at which the Chairman of the Board, the chairmen of the Board Committees (or in their absence, another member of the Board Committees), appropriate management executives and/or external auditors are available to answer the Shareholders' questions.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year.

INTERNAL CONTROL AND RISK MANAGEMENT

Responsibility

The Board has the overall responsibility to evaluate and determine the nature and extent of risks the Group is willing to take in achieving the Group's objectives. It is also responsible for the introduction and the on-going maintenance and review of appropriate and effective risk management and internal control systems of the Group. The Board has delegated to the management with defined structure and scope of authority, to conduct reviews on and maintenance of all material controls to ensure compliance with relevant legislations and regulations.

The Company has established its own Internal Audit Department which is independent of the Company's management in assessing and monitoring the control on the risk management and internal control systems of the Company. On quarterly basis, Head of Internal Audit reports on reviews of the business processes and activities, including action plans to address any identified control weaknesses to the Audit Committee. If the Internal Audit Department suspects the weakness will materially affect the Group, they will report to the Audit Committee when necessary on timely basis. Regular follow up actions will be carried out until condition is improved.

The Board has entrusted the Audit Committee with the responsibility to review the financial controls, risk management and internal control systems of the Group. The Audit Committee, on behalf of the Board, reviews the Internal Audit Department's work and findings through internal audit reports on a quarterly basis. It reports to the Board especially on any material matters including but not limited to financial, operational and compliance controls that have arisen from the Audit Committee's review on the risk management and internal control processes on a quarterly basis. The Board has also conducted an annual review of the effectiveness of the Group's risk management and internal control systems, including changes in the nature and severity of significant risks for the year, the Group's ability to cope with external environmental changes, the ability to monitor the scope and quality of the risk and internal control systems, internal audit work, the major weaknesses detected and their related impacts, the Group's financial reports and compliance with the relevant regulations, etc.

INTERNAL CONTROL AND RISK MANAGEMENT (Continued)

Risk Management Framework

The Company has put in place the policy and procedures, including the parameters of delegated authority, which provide a framework for the identification and management of risk. The procedures are designed to identify, evaluate, manage and minimise risks that could adversely impact the achievement of the Group's business objectives but do not provide absolute assurance against material misstatement, errors, losses, fraud or non-compliance.

The Group's risk management and internal control systems are characterised by a clear governance structure, policy procedures and reporting mechanism to facilitate the management of the Group's business risk.

Responsible Unit	Function
Board	• Has overall responsibility for the Group's risk management system • Final decision, guidance and instruction on the risk management system and its mitigation
Audit Committee	• Oversee the implementation of the control on risk management • Report the results of risk management to the Board
Internal Audit Department	• Co-ordinate the operation of risk management mechanism • Conduct independent review on the mechanism • Oversee the control and follow up of the risk and report the result to the Audit Committee
Internal risk management committee	• Establish and continuously modify the risk management system • Execute identification and estimation of risks • Manage, monitor and control risks • Report on risk management
Risk management unit	• Implement risk management system • Co-ordinate and assist the internal risk management committee • Implement mitigation of risks • Arrange training for and introduce risk management
Functional and operation unit	• Communicate between risk management unit and departments • Guide, structure and co-ordinate risk management work • Identify risks, assess and mitigation review, and investigate on risk management work and its improvement

INTERNAL CONTROL AND RISK MANAGEMENT (Continued)

Process

The Group's methodology for its risk assessment comprises four core stages:

a) Risk Identification
Department/functional heads identify risks in the operations they are responsible for as well as risks they believe are relevant to the Group as a whole. All the identified risks are consolidated into a risk inventory.

b) Risk Assessment
Risks in the risk inventory are evaluated by assessment participants from the Group using predefined risk assessment criteria associated with two risk dimensions – (i) impact of each risk; and (ii) the Group's vulnerability to each risk. The risk scoring and prioritisation process is then performed.

c) Risk Response
The prioritised risk ranking is then submitted to the internal risk management committee for review. Risk owners are assigned for each selected risk, with more significant risks being assigned to more senior individuals. Risk owners also formulate risk mitigation plans for the significant risks identified and relating to their areas of responsibility.

d) Risk Monitoring and Reporting
Risk monitoring and reporting are key components of the enterprise risk management system as they enable the Board of Directors, the Audit Committee, the internal risk management committee and department/functional heads to determine whether the system is functioning effectively. This includes ensuring that risks are identified, prioritised and communicated to those responsible for taking actions to address them, and that such actions have been taken and are being operated effectively.

Risk owners are responsible for monitoring the implementation and effectiveness of risk mitigation plans. They provide periodic updates to the internal risk management committee regarding the progress of the implementation of their risk mitigation plans and on the performance of these plans, according to the frequency specified in each plan. Risk management monitoring activities and the effectiveness of the implementation of risk mitigation plans are made subject to review by the Internal Audit Department and are included in its internal audit plans.

INTERNAL CONTROL AND RISK MANAGEMENT (Continued)

Control Effectiveness

In respect of the year ended December 31, 2018, after reviewing the effectiveness of the risk management and internal control systems as reported by the Audit Committee, the Board considers the risk management and internal control systems be effective and adequate.

Inside Information

The Company has adopted an inside information policy in compliance with the SFO under which procedures are established for handling and disseminating inside information and to guard against possible mishandling of inside information within the Group.

The Board has delegated to its Disclosure Committee the authority to consider matters associated with compliance with the Company's continuous disclosure obligations. The disclosure committee members review the materiality of the relevant information and assess any possible impact on the Group in order to determine the appropriate course of actions and, if considered appropriate, a Board meeting may be convened to consider and decide whether or not the information constitutes inside information and disclosure shall be made immediately. The Board may seek independent professional advice, if and when appropriate, to ensure that the Company can timely comply with the disclosure requirements.

Upholding the business philosophy of "healthiness, leisure, sports, fashion, green", the Group strives to create value for its shareholders, as well as to promote quality living and healthy lives, and in order to become a sustainable and joyful enterprise. To inform all stakeholders about the environmental, social and governance (the "ESG") policies, measures and performance of the Group, we have prepared this ESG report (the "Report") pursuant to the Environmental, Social and Governance Reporting Guide (the "ESG Guide") as set out in Appendix 27 to the Listing Rules and have complied with all "comply or explain" provisions set out in the ESG Guide.

This Report covers the retail of sportswear products, distribution of licensed products and sports services businesses for the period commenced from January 1, 2018 and ended on December 31, 2018. All principal subsidiaries, stores as well as the management and employees of all functions have participated in the preparation of this Report, so as to assist the Group in conducting operation review and identification of ESG issues, and to assess the materiality of such issues to our businesses and stakeholders. The table below summarises the ESG issues that are significant to the Group included herein:

Aspects of ESG Guide	Significant ESG Issues
A. Environmental	
A1. Emissions	Waste treatment and carbon emission
A2. Use of resources	Consumption of energy, water and packaging materials
A3. Environment and natural resources	Environmental impact management
B. Social	
B1. Employment	Employee remuneration, benefits, diversity and equal opportunity
B2. Health and safety	Occupational health and safety
B3. Development and training	Staff development and training
B4. Labour standards	Prevention of child labour or forced labour
B5. Supply chain management	Supply chain management
B6. Product responsibility	Product and service safety and quality, customer service and information privacy policy
B7. Anti-corruption	Anti-bribery and anti-corruption
B8. Community investment	Community charity

Note: As a retailer of sportswear and distributor of licensed products, the Group has no significant gas emission or hazardous waste produced during the reporting period. Hence the relevant disclosure requirements under the ESG Guide (KPI A1.1, A1.3 and A1.5) are not applicable to the Group.

A. ENVIRONMENTAL

A1 Emissions

The Group is always dedicated to protecting the environment and promoting green living. Thus, it selects the product mix very carefully and exercises strict control over the safety and eco-quality of products, thereby assuring our nature-loving stakeholders that no harm will be done to the Earth and to stick up for a healthy green Earth together.

As a retailer of sportswear and distributor of licensed products, the Group does not engage in business operation that directly generates hazardous wastes and air, water and land pollution, which are usually regulated under the relevant environmental laws and regulations. During the reporting period, the Group found no significant violation of relevant environmental laws and regulations (such as Environmental Protection Law of the People's Republic of China).

Waste treatment

The Group actively implements green measures and all of its subsidiaries and stores are required to strictly comply with the internal environmental management system to reduce waste in the course of daily operation and business activities while maintaining compliance with the relevant statutory requirements strictly based on the waste management system.

Non-hazardous waste produced by the Group comprised mainly renovation waste and domestic waste, which included paper, carton, ink cartridges, toner cartridges, plastic bottles, paper cups and ink ribbons for printers, etc. Total amount and intensity of non-hazardous waste produced by the Group during the reporting period are as follows:

Non-hazardous waste	2018	2017
Domestic waste		
Total amount (tonnes)	**89.2**	62.4
Intensity (tonnes/operation unit)	**0.0155**	0.0111
Renovation waste		
Total amount (tonnes)	**1,125**	990
Intensity (tonnes/operation unit)	**0.1949**	0.1769

Note: The above statistics included non-hazardous waste produced in the course of operation by various operating units of the Group (including: directly operated stores, department store counters, sports cities and offices) located in mainland China, Taiwan and Hong Kong, but excluded those produced by customers or from other sources over which the Group had no direct control.

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

Waste treatment (Continued)

We are dedicated to maintain strict compliance with the waste management system and adopt waste separation. Upon separation, the waste is handed over to qualified treatment companies for processing and recycling. We engage contractors to collect and transport renovation waste to the disposal sites as designated by the municipal construction waste office.

In term of waste reduction, we mainly exercise control at the source, i.e. minimise resources consumption and wastage, thereby reducing waste production. To this end, the Group implemented the following initiatives during the reporting period:

- Adopted electronic office platform for paperless operation and reused used paper, which saved the paper usage by 5%;

- Replaced bottled water and disposable cups with eco-friendly cups at most of our conferences and receptions. By not using disposable cups, 8,000 paper cups were saved per year, which is the equivalent of one big tree;

- Collected and stored reusable materials and equipment (such as shelves, props, air conditioners and televisions) which were demolished when stores shut down or underwent renovation at our regional warehouses for reuse at next store opening; and

- Recycled used paper and toner cartridges, used carton were collected by professional recyclers.

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

Carbon emission

Our main sources of carbon emission included energy consumption in the forms of electricity, gasoline and diesel. We will continue to monitor the environmental impacts of our business operation and implement a wide range of conservation measures to reduce carbon emissions. Details are set out in the following section "Use of Resources". Carbon emission resulting from our business operation during the reporting period is as follows:

	2018	2017
Carbon dioxide equivalent		
Emission (tonnes)	**57,554.29**	47,725.17
Intensity (tonnes/operation unit)	**9.9730**	8.5269

Note: Carbon dioxide emission equivalent is calculated based on the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI), the Reporting Guidance on Environmental KPIs issued by the Stock Exchange and the Baseline Emission Factors for Regional Power Grids in China promulgated by the Department of Climate Change under the National Development and Reform Commission of the PRC and the electricity emission factors by the Bureau of Energy under the Ministry of Economic Affairs of Taiwan.

A. ENVIRONMENTAL (Continued)

A2 Use of Resources

In pursuit of green operation, the Group has long been monitoring resources consumption of its subsidiaries and stores, and in compliance with Energy Conservation Law of the People's Republic of China.

We are dedicated to enhance energy efficiency and reduce wastage, so as to achieve the best usage of resources. We encourage employees to switch off the lighting system, computers and electronic equipment in idle to save energy, minimise the use of paper, communicate and hold meetings via videoconferencing and other means in place of business trips to reduce business flights.

The Group not only promoted energy saving initiatives to employees, but also established a variety of energy consumption indicators for all subsidiaries and stores, which were under regular monitoring to ensure efficient use of energy. At the same time, the Group organised promotion, education and training for employees in this regard.

Apart from raising employees' green awareness, the Group is dedicated to promote green awareness of customers as well; such as using lesser packaging materials and encouraging consumers to bring their own eco-bags.

Energy consumption

Total energy consumption and intensity of the Group during the reporting period are as follows:

Energy type	2018	2017
Electricity		
Consumption (kWh)	**86,800,835**	68,666,339
Intensity (kWh/operation unit)	**15,040.8655**	12,268.4186
Gasoline		
Consumption (litre)	**52,201**	45,834
Intensity (litre/operation unit)	**9.0453**	8.1890
Diesel		
Consumption (litre)	**26,956**	33,945
Intensity (litre/operation unit)	**4.6710**	6.0649
Natural gas		
Consumption (m^3)	**2,037**	N/A
Intensity (m^3/operation unit)	**0.3530**	N/A

Note: The above statistics included major energy consumption by various operating units of the Group (including: directly operated stores, department store counters, sports cities and offices), but excluded energy consumption which the Group had no direct control.

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

Energy consumption (Continued)

The Group implemented the following energy saving and emission reduction measures during the reporting period:

- Gradually replacing aging light tubes with LED lighting at offices, which reduced electricity consumption by approximately 15%;
- Adopted outdoor lightboxes made of LED resin and other energy-saving materials;
- Turned off outdoor lightboxes and spotlights for billboards (accounting for 20% of power consumption of store lighting) in the morning and turned them on only at night;
- Turned off air-conditioning and power connection during lunch breaks and all lightings and computers, etc. before leaving the offices; conducted regular inspections and monitoring by dedicated staff, which reduced electricity consumption by approximately 5%;
- Implemented light zoning at stores when cleaning the stores before and after opening hours, which reduced electricity consumption by 3-5%;
- Installed energy-saving lightings and equipment as possible when renovating offices and adopted space planning that reduce energy consumption;
- Adopted video conferencing and multi-party teleconferencing for communication with clients and subsidiaries, which reduced business trips by approximately 20%. During the current financial year, over half of the meetings of the Board and its committees were conducted through video or teleconferencing;
- Set air conditioning temperature strictly in line with the national requirements (i.e. air-conditioned temperature not lower than 26°C in summer and not higher than 25°C in winter) and performed irregular inspections, which reduced electricity consumption by approximately 5%; and
- Unplugged electrical appliances that were fully charged to reduce power wastage and reserve battery life, which saved electricity consumption by approximately 1-2%.

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

Water consumption

The main water consumption of the Group is for staff's domestic utilisation. To support environmental protection, the Group provides direct drinking water instead of bottled water for most offices, so as to reduce secondary contamination and environmental impact. Total water consumption and intensity of the Group during the reporting period are as follows:

	2018	2017
Water		
Consumption (m^3)	**201,197**	85,739
Intensity (m^3/operation unit)	**34.8634**	15.3187

Note: The above statistics include water consumption of various operating units of the Group (including: directly operated stores, department store counters, sports cities and offices), but excluded the consumption borne by the landlord.

The Group implemented the following measures to reduce water consumption during the reporting period:

- Posted signs and notices by the washbasins to raise awareness towards water conservation;
- Carried out inspection by dedicated staff to check if the taps were closed and whether there was any leakage in water tanks, which reduced water consumption by 5%; and
- Installed sensors at water taps to control water consumption, which reduced water consumption by approximately 5%.

Use of packaging materials

We strive to reduce packaging materials. Since 2013, we have replaced paper bags with eco-shopping bags at most of our stores. In 2018, our consumption of packaging materials mainly comprised shopping bags offered to customers, which included plastic bags, eco-bags and paper bags. Total consumption and intensity of packaging materials used by the Group during the reporting period are as follows:

Packaging materials	**2018**	2017
Shopping bags		
Consumption (tonnes)	**1,316**	1,078
Intensity (tonnes/operation unit)	**0.2280**	0.1926
Plastic wrap		
Consumption (tonnes)	**7**	N/A
Intensity (tonnes/operation unit)	**0.0012**	N/A

A. ENVIRONMENTAL (Continued)

A3 Environment and natural resources

The Group closely monitors the potential environmental impacts caused by its subsidiaries and stores, with the aim of minimising the damages to the environment as a result of our operation.

Environmental impact management

Apart from the aforementioned measures for non-hazardous waste and resources consumption, during the reporting period, the Group took actions to manage other significant environmental impacts caused by our operation as well, including dusts, odours and noises from renovation works. Meanwhile, the lightboxes installed outside street shops and sports cities are mainly in two forms: (1) lightboxes made of LED resin for signboards displaying brand names and logos; and (2) spotlights used to illuminate the billboards and signboards at nights.

To better control and reduce the environmental impacts, the Group has adopted the following principal measures:

- *Construction materials:* we followed stringent criteria in selecting construction materials and contractors, so as to protect employees and customers from the harmful effects of odour and toxic substances after decoration.

- *Dusts and odours:* we erected site hoardings around the worksites and reduced airborne dusts and odours by water sprays.

- *Noises:* we erected site hoardings with rock wools around the worksites to reduce noises.

- *Lightboxes:* the Group regularly reviewed and considered shortening the operating hours of the lightboxes at night to reduce light pollution and energy consumption.

B. SOCIAL

B1 Employment

Employee remuneration and benefits

Talents are the Group's most valuable assets, hence nurturing them has become one of our major development goals. The philosophies of our talent development strategies are as follows:

- Enhancing soft power: Introduce and enhance our employees' recognition of our corporate core values, namely dedication, loyalty, innovation and service, and incorporate such values in the performance evaluation to set up standards for mind-sets and behaviours, so as to ensure that their attitudes and behaviours embody and conform to our corporate culture;

- Boosting hard power: Establish the highly efficient organisational structure, staff evaluation system, recruitment platform and system, and formulate plans for the sustainable career development of employees based on the development strategies;

- Enhancing employees' knowledge and skills by on-going and well-planned talent nurturing system, so as to maximise efficiency and productivity;

- Incentive strategy characterised by high-compensation for talents with remarkable performance and high-contribution;

- Building of comprehensive employer brand; and

- Providing opportunities to achieve personal ambition to talents who share the same vision with the Group, making the Group the best and desirable employer.

B. SOCIAL (Continued)

B1 Employment (Continued)

Employee remuneration and benefits (Continued)

The Group has a sound employment system in place, which is designed for systematic management of staff recruitment, remuneration and benefits, promotion, termination and dismissal. We conduct open recruitment online and recruit employees that meet the position requirements and our corporate culture based on the business nature and employment criteria of such positions. Furthermore, we sign, renew, terminate or dismiss labour contracts with employees in accordance with the relevant national and local laws and regulations (such as Labour Law of the People's Republic of China and Labour Contract Law of the People's Republic of China). We also fulfil our obligations as agreed in the labour contracts.

The Group offers competitive, fair and just remuneration and benefits. We conduct salary market research annually, for the purpose of maintaining the competitiveness of the overall remuneration package, which is also the cornerstone of talent attraction and retention. We also review staff remuneration annually based on individual performance and the remuneration system of the Group. To share our success with staff, attract talents and retain employees, the Group has adopted two share-based incentive schemes, namely (1) the Share Option Scheme (expired in the year) and (2) the Share Award Scheme, details of which are set out in "Share Option Scheme" and "Share Award Scheme" in the Directors' Report. Furthermore, the Group maintains social insurance as required by the labour laws and provides various benefits and allowances, such as mandatory provident fund, staff discounts and healthcare benefits.

Furthermore, we believe a healthy working environment that emphasises on work-life balance can enhance employees' belongingness to the Group and bring us more vitality. Thus, the Group offers reasonable work hours and paid leaves to employees. Apart from maternal leaves and paternity leaves as required by local laws, employees are also entitled to marriage leaves, bereavement leaves and examination leaves. We organise a wide range of relaxing and socialising activities for our employees on a regular basis, which include travel trips, sports and recreation events, health, staff caring and community service activities.

B. SOCIAL (Continued)

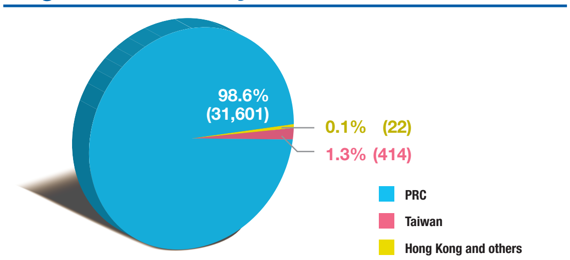
B1 Employment (Continued)

Diversity and equal opportunity

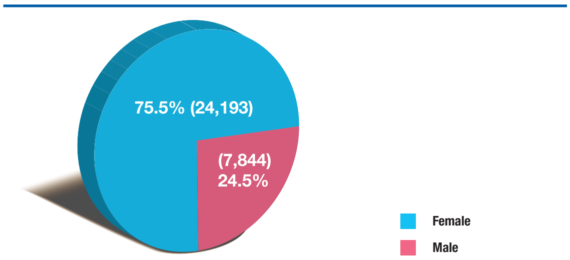
With equal opportunities in mind, the Group is committed to create a workplace that is inclusive and free from discrimination. It aims to treat all employees equally and respect their differences. In doing so, we do not discriminate our staff on the grounds of gender, race, ethnic origin, religion, political affiliation, disability or age. This covers all employment arrangements, such as employment, deployment, recruitment, training, promotion, conduct, rates of pay and benefits, so as to ensure all employees and job applicants are entitled to equal opportunities and fair treatment. In addition, the Group employs people with disabilities as appropriate pursuant to the Law of the PRC on the Protection of Disabled Persons.

During the reporting period, the Group found no significant non-compliance with laws and regulations regarding human resources management (such as Trade Union Law of the People's Republic of China, Social Insurance Law of the People's Republic of China and Law of the People's Republic of China on the Protection of Women's Rights and Interests). As at December 31, 2018, the Group has a total of approximately 32,000 employees. Below sets out the details of our employee distribution:

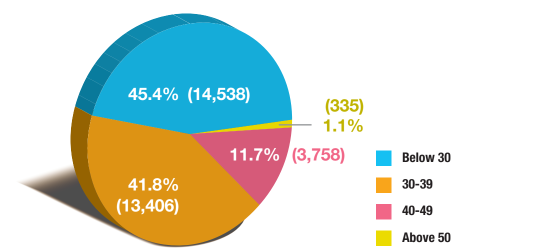
Region/Nationality



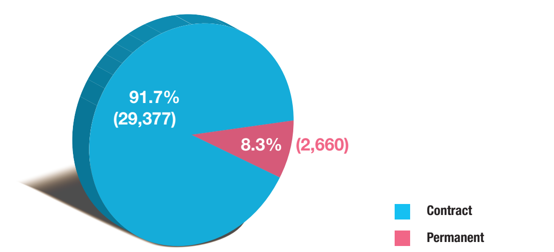
Gender



Age Group



Employment Type



B. SOCIAL (Continued)

B1 Employment (Continued)

Diversity and equal opportunity (Continued)

Below sets out the turnover of our employees by gender, age group and region/nationality in 2018:

By gender	
Male	65%
Female	43%

By age group	
Below 30	88%
30-39	45%
40-49	38%
Above 50	46%

By region/nationality	
Mainland China	64%
Taiwan	48%
Hong Kong and others	27%

B2 Health and safety

Occupational health and safety

The Group recognises its employees as the most valuable assets, hence it is dedicated to provide a desirable and safe working environment by implementing appropriate measures, such as regular body checks and health counselling to ensure their health and safety. As to employees who need to work under unusual temperature conditions (for example, warehouse), the Group will provide subsidies and supports (offering cold drinks, warm clothes and reminding them to take rest) in strict compliance with relevant requirements. Dedicated electrical technicians and mechanics are assigned to subsidiaries of the Group for periodic safety inspection and prompt rectification of potential safety risks, so as to prevent accidents and protect our employees. All of our operation units have passed fire inspection and we actively cooperate with the shopping malls in regular emergency drills and replacing relevant equipment. The administration department also conduct regular safety inspection at offices and make improvements and recommendations when necessary.

We put emphasis on employees' mental and physical well-being. For example, the human resources department interviews employees and checks on their work and lives during regular store visits.

During the reporting period, the Group found no significant violation of laws and regulations regarding health and safety at workplace (such as Laws of the People's Republic of China on Prevention and Control of Occupational Diseases, Provisions on the Supervision and Administration of Occupational Health at Work Sites and Fire Protection Law of the People's Republic of China).

B. SOCIAL (Continued)

B3 Development and training

Staff development

We give priority to internal promotion and offer a platform for employees' career development. With reference to the job nature and individual ambitions, ability and development needs, we offer different career development plans. Meanwhile, employees of the finance department, human resources and administration department, information technology department and legal department are able to gain exposure to different business segments through job or project rotation, which allows them to broaden their horizons.

Staff training

We encourage continuous learning and offer specific on-the-job training, counselling and lectures to employees to enhance their capacity, professional skills and knowledge as well as keeping abreast of the latest market developments and trend. This does not only facilitate their on-going personal development, work performance and fulfilment of potential, but also supports the long-term growth of the Group. Our training for employees covers corporate constitution, corporate culture, management capability, career planning, professional knowledge and skills, etc.

Besides, an e-learning platform named "Pou Sheng Academy" has been set up, which allows employees to assess with mobile communication devices and learn anywhere and anytime at their own pace.

B. SOCIAL (Continued)

B3 Development and training (Continued)

Staff training (Continued)

The table below shows the percentage of employees trained and the average training hours per employee in 2018:

By Gender	% of Employee trained	Average Training Hours
Male	62%	16.4
Female	77%	19.1

By Employee Category	% of Employee trained	Average Training Hours
Senior	77%	4.6
Middle-level	55%	16.3
Supervisory-level	54%	28.5
General	69%	17.3
Shop	75%	18.3

The above statistics include all full-time, part-time and contract employees of the Group.

B4 Labour standards

Prevention of child labour or forced labour

All of our subsidiaries, stores and offices are in strict compliance with the local statutory requirements such as Provisions on the Prohibition of Using Child Labour and expressly prohibit any forced or child labour.

The Group complies with the local labour laws and ensures that all employees must attain the local minimum legal working age. Job applicants are required to present identification documents at interviews for us to verify their ages and conduct background checks. The human resources department also carries out comprehensive recruitment screening procedures to ensure the information provided by the applicants is accurate and correct.

Moreover, the Group will regularly review its business operation to check if any child or forced labour is employed. During the reporting period, the Group found no significant violation of laws and regulations regarding the prevention of child or forced labour.

B5 Supply chain management

Supply chain management

In pursuit of close cooperation and mutual development with international and domestic leading brands, we adopt stringent criteria in selecting suppliers and require them to maintain high standards in terms of quality control, service quality and environmental policies. We implement stringent ecological quality and safety standards for materials and manufacturing processes of suppliers. We also assess suppliers based on their quality, price, delivery timeliness, overall capabilities and experience objectively. In addition, their operation must be in compliance with all relevant environmental and social regulations, and observe business ethics.

B. SOCIAL (Continued)

B5 Supply chain management (Continued)

Supply chain management (Continued)

In the meantime, the Group insists on offering equal opportunities to all potential partners, participates actively in market competition and complies with Anti-Unfair Competition, of the People's Republic of China to fulfil the various needs of different stakeholders. This allows us to enhance product quality, achieve cost minimisation, rapidly respond to clients' needs and provide more options. The Group will continue to provide high quality products and omni-channel consumer experience to diverse customers centring on the concept of innovation and service offering, so as to establish its leading position as the best retailer in the sports-inspired and lifestyle industry in the PRC.

B6 Product responsibility

Product and service safety and quality

The Group's products and services do not involve any form of unfair commercial practices. We are committed to provide high-quality products as well as all-rounded consumer experience and services to diverse consumers in the sports-inspired and lifestyle industry. To safeguard consumers' health and safety, the Group upholds its commitment to quality assurance and offers excellent and qualified products. Therefore, we carefully select our product and service mix and strictly control their safety. Our procurement and service procedures are designed to enhance information transparency and safety of products and services. We make sure that the labels and advertisements of our products truly reflect their features, quality standards and authenticity. Besides, we have made our customer rights policy publicly available, and implemented it in our operation, so that our products and services will not jeopardise consumers' rights. The Group is in strict compliance with regulations and international standards relating to its products and services (such as Advertising Law of the People's Republic of China, Product Quality Law of the People's Republic of China and Law of the People's Republic of China on the Protection of Consumer Rights and Interests). Besides, it prohibits fraudulent, misleading, deceptive or any other behaviours that may undermine customers' confidence and their rights.

Customer service

We adopt a business model centring on customers' needs and aspirations so as to provide products with highest quality and fulfil their requirements. In pursuing the ultimate goal of providing the best services, we carry out inspection in line with our commitment. In the event of complaints, an independent investigation will be conducted in accordance with the internal guidelines.

B. SOCIAL (Continued)

B6 Product responsibility (Continued)

Information privacy

Brand vendor

The Group ensures strict compliance with the laws in maintaining high level of security and privacy protection of all brand information (such as Contract Law of the People's Republic of China, Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements, Law of the People's Republic of China on the Protection of Intellectual Property Rights and Trademark Law of the People's Republic of China). We attach great importance to the privacy of such information, which include all intellectual property and confidential information related to the brand, such as design layouts, information of the brand vendor, trademark information, development and production information, operation manual and inspection results, as well as confidential information of any form with implied property interests or economic value. We are dedicated to safeguarding and protecting such information. We also require suppliers and other partners who are working with us to execute relevant agreements for brand privacy protection. Unless required by the laws or notice is given in advance, we will not transfer or disclose the information of suppliers or brand vendors to any entities other than members of the Group without the consent of the relevant parties. In addition, appropriate security system and measures are in place to prevent unauthorised use of such information. Once any suppliers or employees are found to be responsible for any leakage of information, we will strictly enforce the relevant provisions under the signed agreements or our internal regulations for reward and punishment.

Consumer

We deeply believe that protecting the personal information of the consumer is the key to establish a mutual trust relationship with the consumer. The Group holds a vast group of members and their personal information. Therefore, safeguarding the privacy of our members is one of our most concerned issues. The information technology department of the Group has been implementing the comprehensive data security system and standardised informationalisation security management in compliance with the relevant national laws and regulations, regulatory requirements of the industry as well as relevant confidentiality provisions of the Company. As a result, the data collected by us is well-protected and the privacy of our customers is respected and secured.

As to the promotional and advertising messages of the Group, we will not send any commercial messages to our members without their consent or upon their refusal. The privacy information of our members is kept in strict confidence by the Group, and will not be disclosed, transferred, rented/sold to third parties without the consent of the members or otherwise prescribed by laws.

During the reporting period, the Group found no significant violation of laws and regulations regarding product responsibility (such as Criminal Law of the People's Republic of China, Network Security Law of the People's Republic of China and Tort Law of the People's Republic of China).

B. SOCIAL (Continued)

B7 Anti-corruption

Anti-bribery and anti-corruption

"Loyalty" is one of the Group's core values. We define "honesty and integrity" as the commitment to follow the rules and regulations of the Group, dedication to do the right things and zero tolerance to corruption or any other misconduct that is against the Group's interest.

We always endeavour to uphold the core value of integrity. The Group requires all employees to observe personal and professional conduct. Apart from maintaining strict compliance with the laws and regulations (such as Criminal Law of the People's Republic of China, Anti-Money Laundering Law of the People's Republic of China, Interim Provisions on Banning Commercial Bribery and Regulations of the People's Republic of China for Suppression of Corruption) to prevent bribery, extortion, fraud and money laundering, we also stipulate anti-bribery and anti-corruption policy and the relevant punishments in the employee handbook. We issue self-disciplinary requirements and set up relevant reporting channel and procedure, as well as reviewing the effectiveness of the internal management on a regular basis. These all help to ensure that the Group can uphold its professional morality, abide by its operation integrity and maintain a stable development. We encourage our employees to be self-disciplined and self-introspective, willing to come forward to admit their mistakes when there is wrong-doing, and correct the mistakes timely; to tell right from wrong, and not to have favoritism and defend others shortcomings; to have occupational morality, literacy, and conduct that can stand all tests; to match words to deeds, keep promises and able to develop trustworthy relationships with others. To ensure and regulate our employees to be honest and self-disciplined in external business interactions and internal business management activities, the Group also issues regulation on the gift giving/receiving. Anti-corruption and business ethics is one of the topics in management training.

During the reporting period, the Group found no significant violation of relevant laws and regulations.

B8 Community investment

Community charity

Corporate social responsibility is always our priority. The Group has attaches great importance to community charity, with the aims of better serving the community and giving back to society at various levels. For years, it has been actively participated in community events such as promoting sports development for teenagers, disaster relief, poverty alleviation and donation for school establishment and operation. We also strive to carry out charity events more effectively by gradually integrating diverse resources and organising efforts, so as to boost community engagement and gain public recognition.

B. SOCIAL (Continued)

B8 Community investment (Continued)

Community charity (Continued)

To realise the vision of "Make sports your life!" and promote the public awareness in sports, the Group leverages its own business operation and takes initiatives to support sports development for teenagers. Since 2015, the Group has been working with the "Yao Foundation", which was founded by the famous basketball player Mr. Yao Ming, to use basketball as a vehicle in promoting sports among teenagers, in particular those in deprived regions. By participating in the "Yao Foundation Hope Primary School Basketball Season" and providing sports equipment and subsidies, we helped teenagers to develop a sporty and happy living style. In April 2018, the Group organised a basketball shoes donation event at 926 stores of the Group across 26 districts, with the aim of raising public (consumers) awareness and engagement of sports development for teenagers.

Following last year, the Group has organised 3v3 basketball tournament again with other well-known corporations in the year. The tournament is titled "Dou Dao Di" 3 on 3 basketball league. The tournament covers 14 cities with 23 stopovers, attracting 4,400 players of 1,100 teams nationwide to participate.

As a sports goods distributor and retailer, the Group also cares about the career change of retired athletes. In August 2018, to further support the career change of athletes and to encourage the athletes to turn over a new leaf and to make employment advancement, the Group, together with the China Foundation for Youth Entrepreneurship and Employment and Champion Foundation, initiated a community internship program for the athletes called "Start from Zero – Sports Service Trainers Growth Program". Internship bases were setup in the subsidiaries of the Group to provide occupational development and professional skills training and internship opportunities to retired athletes in order to help them to accumulate working experience and enhance vocational literary and business skills, so as to assisting the former top athletes to become workplace elites.

B. SOCIAL (Continued)

B8 Community investment (Continued)

Community charity (Continued)

To conclude, in the financial year, the Group systematically organised and participated in a wide range of charity events, including but not limited to:

- 2018 Yao Foundation Hope Primary School Basketball Season;
- "Dou Dao Di" 3 on 3 Basketball League;
- Shanghai Headquarter's "All for One, One for All" staff blood donation campaign, with 18,400 ml of blood was donated;
- Basketball shoes donation campaign, with 1,035 pairs of shoes donated to Hope Primary School;
- Start from Zero – Sports Service Trainers Growth Program; and
- more than 20 charity events organised by different regional offices, including "You Are My Eyes" 10km Charity Blind Run and YYSports Basketball 2 on 2 competition.

Deloitte. 德勤

TO THE MEMBERS OF
POU SHENG INTERNATIONAL (HOLDINGS) LIMITED
寶勝國際(控股)有限公司
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Pou Sheng International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 94 to 191, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. 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 are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 year. 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 (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill allocated to the business of distribution and retailing of sportswear and footwear products and leasing of large scale commercial spaces to retailers and distributors for concessionaire sales (the "Retail Business") as a key audit matter due to the complexity and significant judgments involved in the assessment process of the management of the Group. As disclosed in note 15 to the consolidated financial statements, the carrying amount of goodwill as at December 31, 2018 was RMB532,808,000. Determining whether goodwill is impaired requires the management's estimation of the value in use of the cash generating units ("CGUs") to which the goodwill has been allocated. In estimating the value in use of the Retail Business as a group of CGUs, key assumptions used by the management included discount rate, growth rates, budgeted sales and gross margin and their related cash inflow and outflow patterns. The management also engaged an independent valuer to determine the discount rate. The Retail Business as a group of CGUs containing goodwill did not suffer any impairment during the year ended December 31, 2018.	Our procedures in relation to the impairment assessment of goodwill included: • Evaluating the competence, capabilities and objectivity of the independent valuer; • Evaluating the assumptions underpinning the discounted cash flow models, including growth rates, budgeted sales and gross margin through assessing the reasonableness of forecasted future cash flows by reference to the future business plan of the Group as well as industry trend; • Involving our team of internal valuation experts to assess the discount rate applied underpinning the discounted cash flow models by performing re-calculations based on market data and certain company specific parameters, as well as evaluating the reasonableness of parameters applied by the independent valuer; • Evaluating the reasonableness of and reperforming the sensitivity analysis provided by the management of the Group to assess the extent of impact on the value in use; and • Evaluating the historical accuracy of the forecasted future cash flows by comparing them to actual results in the current year on a sample basis and understanding the causes for the significant variances.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Assessment of net realisable value of finished goods	
We identified the assessment of net realisable value of finished goods as a key audit matter due to the significant judgments involved in the determination of the net realisable value of these finished goods by the management of the Group. As disclosed in notes 19 and 8 to the consolidated financial statements, the carrying amount of finished goods included in the inventories balances as at December 31, 2018 was RMB6,694,022,000 and the net changes in allowance for finished goods credited to the consolidated income statement for the year ended December 31, 2018 was RMB62,590,000, respectively. As explained in note 4(b)(ii) to the consolidated financial statements, the management of the Group reviewed the aging of the inventories at the end of the reporting period and made allowance for obsolete and slow-moving inventory items identified that are no longer saleable in the market. The management of the Group estimated the net realisable value for those items based primarily on the inventories condition, current market conditions and the latest transaction prices.	Our procedures in relation to assessment of net realisable value of finished goods included: • Evaluating the assumptions for no allowance made on new and fast-moving finished goods based on the Group's pricing policies and historical net realisable value; • Comparing the estimated selling prices of finished goods in prior year to their actual selling price in the current year, on a sample basis, to evaluate the reasonableness of methodologies, judgments and assumptions adopted by the management of the Group on the assessment of net realisable value of finished goods; • Evaluating the accuracy of aging analysis of finished goods by utilising computer assisted audit techniques and checking, on a sample basis, to the invoices and other relevant supporting documents; and • Reperforming the calculation of allowance made by management of the Group.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 Those Charged with Governance 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 HKFRSs issued by the HKICPA and the disclosure requirements of CO, 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. Those charged with governance are 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 solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 HKSAs 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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 those charged with governance 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We also provide those charged with governance 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 those charged with governance, 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 Woo King Wa.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 22, 2019

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2018

	NOTES	2018 RMB'000	2017 RMB'000
Revenue	5	22,677,375	18,833,313
Cost of sales		(15,078,824)	(12,239,725)
Gross profit		7,598,551	6,593,588
Other operating income and gains (losses)	6(a)	281,307	228,026
Selling and distribution expenses		(6,099,595)	(5,326,027)
Administrative expenses		(813,382)	(725,195)
Operating profit		966,881	770,392
Finance costs		(149,843)	(106,908)
Finance income		6,260	6,386
Finance costs – net	6(b)	(143,583)	(100,522)
Share of results of joint ventures		(929)	(3,583)
Other gain (losses)	6(c)	–	(9,068)
Profit before taxation		822,369	657,219
Income tax expense	7	(261,475)	(242,187)
Profit for the year	8	560,894	415,032
Attributable to:			
Owners of the Company		542,888	394,322
Non-controlling interests		18,006	20,710
		560,894	415,032
		RMB cents	RMB cents
Earnings per share	11		
– Basic		10.39	7.57
– Diluted		10.31	7.50

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 RMB'000	2017 RMB'000
Profit for the year	560,894	415,032
Other comprehensive income (expense)		
An item that will not be reclassified subsequently to profit or loss		
Gain on revaluation of properties transferred from property, plant and equipment and prepaid lease payments to investment properties, net of tax	–	6,381
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on the translation of foreign operations	637	(1,238)
Reclassification upon deregistration of a subsidiary	1,247	–
Other comprehensive income for the year	1,884	5,143
Total comprehensive income for the year	562,778	420,175
Attributable to:		
Owners of the Company	544,307	399,438
Non-controlling interests	18,471	20,737
	562,778	420,175

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2018

	NOTES	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Investment properties	12	94,700	94,700
Property, plant and equipment	13	1,131,676	1,054,005
Deposits paid for acquisition of property, plant and equipment		59,823	51,181
Prepaid lease payments		109,357	112,571
Rental deposits and prepayments		168,693	154,865
Intangible assets	14	378,648	502,435
Goodwill	15	532,808	532,612
Interests in joint ventures	16	38,074	39,003
Loan to a joint venture	16	3,000	3,000
Available-for-sale investment	17	–	2,190
Equity instrument at fair value through other comprehensive income	17	2,231	–
		2,519,010	2,546,562
CURRENT ASSETS			
Inventories	19	6,694,022	5,589,344
Trade and other receivables	20	3,292,935	2,844,993
Taxation recoverable		546	2,207
Bank balances and cash	21(a)	730,956	487,004
		10,718,459	8,923,548
CURRENT LIABILITIES			
Trade and other payables	23(a)	2,097,581	2,104,417
Contract liabilities	23(b)	283,145	–
Taxation payable		178,453	137,746
Bank and other borrowings	24	3,531,259	2,532,169
Bank overdrafts	21(b)	–	109,617
		6,090,438	4,883,949
NET CURRENT ASSETS		4,628,021	4,039,599
TOTAL ASSETS LESS CURRENT LIABILITIES		7,147,031	6,586,161

AT DECEMBER 31, 2018

	NOTES	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITY			
Deferred tax liabilities	18	111,494	144,632
NET ASSETS		7,035,537	6,441,529
CAPITAL AND RESERVES			
Share capital	25	46,588	46,530
Reserves		6,820,979	6,344,162
Equity attributable to owners of the Company		6,867,567	6,390,692
Non-controlling interests		167,970	50,837
TOTAL EQUITY		7,035,537	6,441,529

The consolidated financial statements on pages 94 to 191 were approved and authorised for issue by the Board of directors of the Company on March 22, 2019 and are signed on its behalf by:

Wu, Pan-Tsu
CHAIRMAN AND
EXECUTIVE DIRECTOR

Lee, Shao-Wu
CHIEF EXECUTIVE OFFICER
AND EXECUTIVE DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

	Equity attributable to owners of the Company																
	Share capital RMB'000 (Note 25)	Share premium RMB'000	Special reserve RMB'000 (note (i))	Other reserve RMB'000 (note (ii))	Revaluation reserve RMB'000 (note (iii))	Merger reserve RMB'000 (note (iv))	Property revaluation reserve RMB'000	Shares held under share award scheme RMB'000	Share awards reserve RMB'000	Share-based compensation reserve RMB'000	Non-distributable reserve RMB'000 (note (v))	Translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2017	46,523	5,144,095	676,506	(1,445,655)	55,395	29,544	–	(138,275)	9,848	27,956	401,098	(13,097)	1,309,593	6,103,531	29,980	6,133,511
Gain on revaluation of properties transferred from property, plant and equipment and prepaid lease payments to investment properties	–	–	–	–	–	–	6,381	–	–	–	–	–	–	6,381	–	6,381
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	–	(1,265)	–	(1,265)	27	(1,238)
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	394,322	394,322	20,710	415,032
Total comprehensive income (expenses) for the year	–	–	–	–	–	–	6,381	–	–	–	–	(1,265)	394,322	399,438	20,737	420,175
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	–	–	–	–	–	–	–	–	9,617	3,017	–	–	–	12,634	–	12,634
Share awards vested	–	–	–	–	–	–	–	5,248	(3,093)	–	–	–	(2,155)	–	–	–
Exercise of share options	7	1,377	–	–	–	–	–	–	–	(493)	–	–	–	891	–	891
Dividends recognised as distribution (Note 10)	–	–	–	–	–	–	–	–	–	–	–	–	(92,667)	(92,667)	–	(92,667)
Acquisition of remaining interests in a subsidiary	–	–	–	(33,135)	–	–	–	–	–	–	–	–	–	(33,135)	33,135	–
Disposal of subsidiaries (Note 22)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(33,015)	(33,015)
Transfer	–	–	–	–	–	–	–	–	–	–	66,869	–	(66,869)	–	–	–
At December 31, 2017	46,530	5,145,472	676,506	(1,478,790)	55,395	29,544	6,381	(133,027)	16,372	30,480	467,967	(14,362)	1,542,224	6,390,692	50,837	6,441,529
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	–	297	–	297	340	637
Reclassification upon deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	1,122	–	1,122	125	1,247
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	542,888	542,888	18,006	560,894
Total comprehensive income for the year	–	–	–	–	–	–	–	–	–	–	–	1,419	542,888	544,307	18,471	562,778
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	–	–	–	–	–	–	–	–	12,260	2,120	–	–	–	14,380	–	14,380
Transfer upon lapse of share options	–	–	–	–	–	–	–	–	–	(13,367)	–	–	13,367	–	–	–
Share awards vested	–	–	–	–	–	–	–	14,400	(7,888)	–	–	–	(6,512)	–	–	–
Exercise of share options	58	10,950	–	–	–	–	–	–	–	(3,889)	–	–	–	7,119	–	7,119
Realisation on deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	(959)	–	959	–	(347)	(347)
Dividends recognised as distribution (Note 10)	–	–	–	–	–	–	–	–	–	–	–	–	(87,298)	(87,298)	–	(87,298)
Capital contribution by non-controlling interests	–	–	–	(1,633)	–	–	–	–	–	–	–	–	–	(1,633)	99,009	97,376
Transfer	–	–	–	–	–	–	–	–	–	–	77,108	–	(77,108)	–	–	–
At December 31, 2018	46,588	5,156,422	676,506	(1,480,423)	55,395	29,544	6,381	(118,627)	20,744	15,344	544,116	(12,943)	1,928,520	6,867,567	167,970	7,035,537

notes:

(i) The special reserve represents the difference between the nominal value of the share capital issued by the Company and the share premium and the nominal value of the share capital of the subsidiaries comprising the Group prior to the group reorganisation in 2008.

(ii) The other reserve represents the difference between the fair value of the consideration paid or received and the relevant share of carrying value of the subsidiaries' net assets acquired from or disposed of to the non-controlling interests.

(iii) The revaluation reserve represents the fair value adjustments on intangible assets attributable to the equity interest previously held by the Group at the date of acquisition of subsidiaries. The amount recognised in the revaluation reserve will be transferred to accumulated profits upon disposals of these subsidiaries or the relevant assets, whichever is earlier.

(iv) The merger reserve represents the difference in the fair value of the consideration paid to Yue Yuen (as defined in Note 1) for the acquisition of subsidiaries controlled by Yue Yuen and the share capital and premium of the acquired subsidiaries.

(v) According to the relevant laws in the People's Republic of China (the "PRC"), the subsidiaries of the Company established in the PRC are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The non-distributable reserve fund can be used to offset the previous years' losses, if any.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	822,369	657,219
Adjustments for:		
Depreciation of property, plant and equipment	383,399	316,630
Release of prepaid lease payments	3,214	3,971
Amortisation of intangible assets	123,849	112,317
Net changes in allowance for inventories	(62,590)	88,203
Impairment losses recognised on trade receivables	11,707	8,730
Impairment losses recognised on other receivables	15,943	4,456
Interest expenses	149,843	106,908
Interest income	(6,260)	(6,386)
Share of results of joint ventures	929	3,583
Recognition of equity-settled share-based payments	14,380	12,634
Dividend income from an equity instrument at fair value through other comprehensive income/an available-for-sale investment	(562)	(240)
Loss on disposal of a joint venture	–	5,105
Loss on disposal of subsidiaries	–	4,363
Loss on deregistration of a subsidiary	1,247	–
Loss on disposal of property, plant and equipment	48,024	56,274
Fair value changes on investment properties	–	(400)
Operating cash flows before movements in working capital	1,505,492	1,373,367
Increase in rental deposits and prepayments	(29,924)	(83,016)
Increase in trade and other receivables	(463,465)	(442,144)
Increase in inventories	(1,042,156)	(1,310,325)
Increase in trade and other payables	312,878	460,415
Decrease in contract liabilities	(36,734)	–
Cash generated from (used in) operations	246,091	(1,703)
Income tax paid	(252,255)	(197,983)
NET CASH USED IN OPERATING ACTIVITIES	(6,164)	(199,686)

FOR THE YEAR ENDED DECEMBER 31, 2018

	NOTE	2018 RMB'000	2017 RMB'000
INVESTING ACTIVITIES			
Placement of structured bank deposits		(555,000)	(1,170,000)
Payment for acquisition of property, plant and equipment/deposits paid for acquisition of property, plant and equipment		(531,695)	(574,866)
Advance to a non-controlling interest of a subsidiary		(80,000)	(80,000)
Advance to a joint venture		(58)	(911)
Release of structured bank deposits		555,000	1,170,000
Repayment of advance to a non-controlling interest of a subsidiary		80,000	80,000
Proceeds from disposal of property, plant and equipment		14,320	11,103
Interest received		6,260	6,386
Repayment of advances to joint ventures		4,026	16,839
Dividends received from an equity instrument at fair value through other comprehensive income/ an available-for-sale investment		562	240
Repayment of consideration payable for acquisition of a business		–	(60,439)
Addition of prepaid lease payment		–	(1,522)
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed of)	22	–	20,618
Proceeds from disposal of a joint venture		–	900
NET CASH USED IN INVESTING ACTIVITIES		(506,585)	(581,652)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 RMB'000	2017 RMB'000
FINANCING ACTIVITIES		
New bank and other borrowings raised	6,892,856	4,916,087
Advances from related and connected parties	276,781	1,185,927
Capital contribution by non-controlling interests	97,376	–
Proceeds from issue of shares upon exercise of share options	7,119	891
Repayment of bank borrowings	(5,894,856)	(3,759,842)
Repayment of advances from related and connected parties	(276,772)	(1,475,216)
Interest paid	(149,843)	(106,908)
Dividends paid	(87,298)	(91,524)
NET CASH FROM FINANCING ACTIVITIES	865,363	669,415
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	352,614	(111,923)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	955	(2,707)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	377,387	492,017
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	730,956	377,387
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	730,956	487,004
Bank overdrafts	–	(109,617)
	730,956	377,387

1. GENERAL INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The immediate holding company of the Company is Major Focus Management Limited, a company incorporated in the British Virgin Islands ("BVI") and the ultimate holding company of the Company is Pou Chen Corporation, a company listed on the Taiwan Stock Exchange Corporation. The shares of an intermediate holding company of the Company, Yue Yuen Industrial (Holdings) Limited ("Yue Yuen"), an exempted company incorporated in Bermuda with limited liability, are also listed on the Stock Exchange.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Group are set out in Notes 5 and 34.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies, amounts reported and/or disclosures as described below.

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, January 1, 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that had not been completed at January 1, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and related interpretations.

Upon adoption of HKFRS 15, receipt in advance from customers included in trade and other payables amounting to RMB319,879,000 was reclassified to contract liabilities as at the date of initial application, January 1, 2018 and the contract liabilities of RMB283,145,000 stated in the consolidated statement of financial position as at December 31, 2018 would have been adjusted to trade and other payables without application of HKFRS 15.

Impact on the consolidated statement of cash flows

For the year ended December 31, 2018, the increase in trade and other payables of RMB312,878,000 and decrease in contract liabilities of RMB36,734,000 arising from operating activities stated in the consolidated statement of cash flows would have been adjusted to RMB276,144,000 and nil, respectively, without application of HKFRS 15.

Information about the Group's accounting policies resulting from application of HKFRS 15 are disclosed in Note 3.

Other than reclassification of contract liabilities, the adoption of HKFRS 15 does not have material impact on the Group's financial performance and position.

2.2 HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments". HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities; and (2) expected credit losses ("ECL") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at January 1, 2018. The difference between carrying amounts as at December 31, 2017 and the carrying amounts as at January 1, 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

2.2 HKFRS 9 "Financial Instruments" (Continued)

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 3.

Classification and measurement of financial assets
Equity instrument designated at Fair Value Through Other Comprehensive Income ("FVTOCI")

At the date of initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in an equity instrument at FVTOCI.

At the date of initial application of HKFRS 9, RMB2,190,000 were reclassified from available-for-sale investment to equity instrument at FVTOCI, all of which related to unquoted equity investment previously measured at cost less impairment under HKAS 39. No fair value change relating to the unquoted equity investment previously carried at cost less impairment were adjusted to equity instrument at FVTOCI and FVTOCI reserve as at January 1, 2018.

Investment in equity instruments at FVTOCI is initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends on these investment in equity instrument is recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other operating income and gains (losses)" line item in profit or loss.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL for trade receivables, trade receivables from customers have been grouped based on aging status of trade receivables in terms of its Retail Business (as defined in Note 5).

Most of the banks which the Group placed deposits at are reputable credit ratings. Therefore, these deposits are considered to be low credit risk investments and the loss allowance is measured on 12-month ECL ("12m ECL").

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

2.2 HKFRS 9 "Financial Instruments" (Continued)

Impairment under ECL model (Continued)

Except for those which had been determined as credit-impaired under HKAS 39, ECL for other financial assets at amortised cost, including amounts due from related parties, amount due from a non-controlling interest of a subsidiary, other receivables and loan to a joint venture, are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition, except for certain other receivables which are assessed and measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

As at January 1, 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. No additional credit loss allowance has been recognised against accumulated profits.

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, January 1, 2018.

	Available-for-sale investment RMB'000	Equity instrument at FVTOCI RMB'000
Balance at December 31, 2017 – HKAS 39	2,190	–
Effect arising from initial application of HKFRS 9:		
Reclassification (note)	(2,190)	2,190
Balance at January 1, 2018	–	2,190

note: The Group elected to present in other comprehensive income for the fair value changes of its equity investment previously classified as available-for-sale investment, of which RMB2,190,000 related to unquoted equity investment previously measured at cost less impairment under HKAS 39. The investment is not held for trading and not expected to be sold in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after January 1, 2019

2 Effective for annual periods beginning on or after a date to be determined

3 Effective for annual periods beginning on or after January 1, 2021

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020

5 Effective for annual periods beginning on or after January 1, 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group. Upfront prepaid lease payments will continue to be presented as investing cash flow.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 "Leases" (Continued)

As at December 31, 2018, the Group has non-cancellable operating lease commitments of RMB2,218,146,000 as disclosed in Note 29. The Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB210,337,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an arrangement contains a lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee.

Amendments to HKFRS 3 "Definition of a Business"

The amendments clarify the definition of a business and provide additional guidance with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. Furthermore, an optional concentration test is introduced to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments will be mandatorily effective to the Group prospectively for acquisition transactions completed on or after 1 January 2020.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Other than the above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

For investment properties and financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity (other reserve) and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in a joint venture.

Business combinations

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combination involving entities under common control (Continued)

The consolidated income statement and consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment assessment, goodwill is allocated to each of the Group's cash-generating units ("CGU"), or groups of CGU, that are expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment. A CGU (or group of CGU) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGU) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU (or group of CGU) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill, and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGU). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU or any of the CGU within the group of CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGU), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGU) retained.

The Group's policy for goodwill arising on the acquisition of a joint venture is described below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Any retained portion of an investment in a joint venture that has not been classified as held for sale shall be accounted for using the equity method. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and the comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of joint ventures exceeds the Group's interest in those joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in joint ventures), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in joint ventures, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in joint ventures (Continued)

When the Group ceases to have significant influence over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Revenue from contracts with customers (upon application of HKFRS 15)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (prior to January 1, 2018)

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

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Rental income, including rentals invoiced in advance, from land and buildings under operating lease is recognised on a straight-line basis over the period of the respective leases.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment, including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy, if any. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised to write off the cost of assets other than construction in progress less their residual values, over their estimated useful lives, using the straight-line method. The estimated useful life, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant prepaid lease payments) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Contingent rentals and concessionaire fees, which are not fixed but based on factors such as percentage of sales, are recognised as expenses in the periods in which they are incurred. Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

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

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated income statement because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Retirement benefit costs

Payments to defined contribution retirement benefit plan, state managed retirement benefit schemes and the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term and other long-term employee benefits (Continued)

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets (or a CGU) of the unit. An impairment loss is recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

Equity-settled share-based payment transactions

Share option scheme

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based compensation reserve).

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

When share options are exercised, the amount previously recognised in share-based compensation reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to accumulated profits.

When the share options are cancelled during the vesting period, the Group accounts for the cancellation as an acceleration of vesting, and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. The amount previously recognised in share-based compensation reserve will also be transferred to accumulated profits.

Share award scheme

When the trustee of the share award scheme purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held under share award scheme and deducted from total equity. No gain or loss is recognised on the transactions of the Company's own shares.

The fair value of services received determined by reference to the fair value of shares awarded at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share awards reserve).

When the trustee transfers the Company's shares to grantees upon vesting, the related costs of the granted shares vested are reversed from shares held under share award scheme. Accordingly, the related expense of the granted shares is reversed from the share awards reserve. The difference arising from such transfer is debited/credited to accumulated profits. When share awards are forfeited after the vesting date, the amount previously recognised in share awards reserve will be transferred to accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Share award scheme (Continued)

When the share awards are cancelled during the vesting period, the Group accounts for the cancellation as an acceleration of vesting, and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. The amount previously recognised in share awards reserve will also be transferred to accumulated profits.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since January 1, 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (Continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instrument designated at FVTOCI

Investment in an equity instrument at FVTOCI is subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and is not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investment, and will be transferred to accumulated profits.

Dividends from the investments in equity instrument is recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other operating income and gains (losses)" line item in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including amounts due from related parties, amount due from a non-controlling interest of a subsidiary, trade and other receivables, loan to a joint venture and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. Except for debtors that are credit-impaired, the ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on bank balances has not increased significantly since initial recognition as the bank balances are determined to have low credit risk at the reporting date.

The bank balances are considered to have low credit risk as they are deposited with the financial institutions with high credit rating.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due for more than 120 days;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)
Financial assets (Continued)
Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the below basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and bank balances and cash are each assessed as a separate group. Loans to related parties and loan to a joint venture are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on January 1, 2018)

Financial assets are classified into the following specified categories: loans and receivables and available-for-sale financial asset. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loan to a joint venture amounts due from related parties/a non-controlling interest of a subsidiary and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate.

(ii) Available-for-sale financial asset

Available-for-sale financial asset is non-derivatives that is either designated as available-for-sale or is not classified as loans and receivables, held-to-maturity investment or financial asset at FVTPL.

Available-for-sale equity investment that does not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period.

Impairment of financial assets (before application of HKFRS 9 on January 1, 2018)

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on January 1, 2018) (Continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on January 1, 2018) (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investment, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Other financial liabilities, including trade and other payables, bank overdrafts, and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(a) Critical judgments in applying the Group's accounting polices

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group continues to recognise deferred taxes on changes in fair value of investment properties on the basis that the carrying amounts of these properties were recovered through use.

(b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the Retail Business (as defined in Note 5) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the Retail Business containing goodwill using a suitable discount rate. Where the expected future cash flows arising from the Retail Business differ from the original estimation, an impairment loss may arise. Details of the recoverable amount calculation are disclosed in Note 15. As at December 31, 2018, the carrying amount of goodwill is RMB532,808,000 (2017: RMB532,612,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

(ii) Allowance for inventories

The management of the Group reviews the aging of the inventories amounting to RMB6,694,022,000 (2017: RMB5,589,344,000) at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer saleable in the market. The management estimates the net realisable value for such items based primarily on the inventories condition, latest transaction prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete and slow-moving inventory items. Where the actual transaction prices are less than expected, a loss may arise. The net changes in allowance for finished goods credited to consolidated income statement for the year ended December 31, 2018 was RMB62,590,000 (2017: RMB88,203,000 charged to consolidated income statement) upon review of salability of the inventory balance remained at the end of the reporting period.

(iii) Income taxes

As at December 31, 2018, the Group had unused tax losses of approximately RMB701.7 million (2017: approximately RMB682.3 million) available for offset against future profits and no deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The reliability of the deferred tax asset arising from the unused tax losses is mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more or less than expected, a material provision or reversal of deferred tax asset may arise, which would be recognised in profit or loss for the period in which such a provision or reversal takes place.

In addition, the Group provides deferred tax liabilities in relation to the earnings expected to be distributed from its subsidiaries and joint ventures in the PRC and overseas. Deferred tax liabilities have not been provided on all distributable profits of these entities as the Group plans to retain the profits in the respective entities for their daily operations and future developments. In case where the actual distribution of profits are larger than expected, material tax liabilities will arise, which will be recognised in profit or loss in the period in which such profits are declared or the future development plan of the Group is vanished, whichever is earlier.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

(iv) Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on aging status of trade receivables as groupings of various debtors that have similar historical loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables that are credit-impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 32(b) and Note 20.

5. REVENUE AND SEGMENTAL INFORMATION

The Group is principally engaged in the distribution and retailing of sportswear and footwear products and leasing of large scale commercial spaces to retailers and distributors for concessionaire sales (the "Retail Business"). Information is reported on a regular basis to the chief operating decision maker, being the Board of directors of the Company, for the purposes of resource allocation and assessment of segment performance. As there is only one reportable segment, no segment information is presented other than entity-wide disclosures.

Revenue from major business products

The following is an analysis of the Group's revenue from its major business products recognised at a point in time:

	2018 RMB'000	2017 RMB'000
Sales of sportswear and footwear products	22,545,025	18,717,318
Commissions from concessionaire sales	132,350	115,995
	22,677,375	18,833,313

5. REVENUE AND SEGMENTAL INFORMATION (Continued)

Revenue from major business products (Continued)

The Group sells the sportswear and footwear products to the wholesale market and directly to customers both through its own retail stores and counters in department stores and through internet sales. Revenue is recognised at the point when control of the goods has been physically transferred to customers.

For the commission from concessionaire sales, revenue is recognised at the point upon the sale of goods by the relevant concessionaries.

Information about major customers

The directors of the Company are not aware of any customer that individually contributed over 10% of the consolidated revenue from external customers for the year.

Geographical information

The Group's operations are mainly located in the PRC.

The following table provides an analysis of the Group's revenue by geographical location of customers, irrespective of the origin of the goods and information about its non-current assets by geographical location of the assets.

	Revenue from external customers		Non-current assets (note)	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
PRC	22,575,642	18,711,050	2,450,224	2,467,406
Hong Kong	–	7,994	1,094	1,537
Other locations	101,733	114,269	24,387	33,426
	22,677,375	18,833,313	2,475,705	2,502,369

note: Non-current assets exclude interests in joint ventures, loan to a joint venture and an equity instrument at FVTOCI/an available-for-sale investment.

6. OTHER INCOME AND GAINS (LOSSES)

(a) Other operating income and gains (losses)

	2018 RMB'000	2017 RMB'000
Included in the balance is the following items:		
Subsidies, rebates and other income from suppliers	237,166	148,423
Net exchange (loss) gain	(16,780)	11,573
Dividend income from an equity instrument at FVTOCI/an available-for-sale investment	562	240
Loss on disposal of property, plant and equipment	(48,024)	(56,274)
Impairment losses recognised on trade receivables – goods	(11,707)	(8,730)
Impairment losses recognised on other receivables (note)	(15,943)	(4,456)

note: During the year ended December 31, 2018, impairment losses of RMB15,943,000 (2017: RMB4,456,000) arising from other receivables were recognised based on the impairment assessment under ECL model (2017: incurred credit loss model) with regard to (i) the Group's past experience of collecting payment and (ii) an actual or expected significant deterioration in the operating results of the receivables that decrease the counterparties' ability to meet their debt obligations.

(b) Finance income and costs

	2018 RMB'000	2017 RMB'000
Interest expenses on:		
– bank overdrafts and bank and other borrowings	(149,072)	(101,454)
– advances from related parties	(771)	(5,454)
	(149,843)	(106,908)
Interest income from:		
– bank deposits	4,672	3,800
– amount due from a joint venture	397	1,541
– advance to a non-controlling interest of a subsidiary	1,191	1,045
	6,260	6,386
Finance costs, net	(143,583)	(100,522)

6. OTHER INCOME AND GAINS (LOSSES) (Continued)

(c) Other gains (losses) arising other than operating activities

	2018 RMB'000	2017 RMB'000
Loss on disposal of a joint venture	–	(5,105)
Loss on disposal of subsidiaries	–	(4,363)
Fair value changes on investment properties	–	400
	–	(9,068)

7. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
Taxation attributable to the Company and its subsidiaries:		
PRC Enterprise Income Tax ("EIT") (note ii)		
– current year	293,749	272,701
– overprovision in prior years	(1,362)	(2,484)
Current tax charge – total	292,387	270,217
Withholding tax (note iii)	2,236	–
Deferred tax credit (Note 18)	(33,148)	(28,030)
	261,475	242,187

notes:

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit for both years.

7. INCOME TAX EXPENSE (Continued)

notes: (Continued)

(ii) PRC

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant enterprise income tax law, implementation rules and notices in the PRC (the "EIT Law of PRC"), except as follows:

Pursuant to《財政部、海關總署、國家税務總局關於深入實施西部大開發戰略有關税收政策問題的通知》(Caishui【2011】No. 58) and the Bulletin of the State Administration of Taxation【2012】No. 12 issued in 2011 and 2012, during the period from January 1, 2011 to December 31, 2020, any enterprise that is located in the Western Regions of the PRC and engaged in the business activities as listed in the "Catalogue of Encouraged Industries in Western Regions" (the "New Catalogue") as its major business from which the annual revenue accounts for more than 70% of its total revenue for the financial year, is entitled to pay EIT at the rate of 15% after its application is approved by the in-charge taxation authorities. Certain subsidiaries of the Company which are located in the specified provinces of Western Regions of the PRC and engaged in the business activities under the New Catalogue. The directors of the Company consider that the relevant subsidiaries are eligible for the preferential tax rate of 15% in both years.

(iii) Pursuant to EIT Law of PRC and the Detailed Implementation Rules, distribution of the profits earned by the subsidiaries in the PRC since January 1, 2008 to holding companies is subject to the PRC withholding tax at the applicable tax rate of 10%.

7. INCOME TAX EXPENSE (Continued)

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2018 RMB'000	2017 RMB'000
Profit before taxation	822,369	657,219
Tax at income tax rate of 25% (note)	205,592	164,305
Tax effect of share of results of joint ventures	232	896
Tax effect of expenses not deductible for tax purposes	26,613	70,874
Tax effect of income not taxable for tax purposes	(16,196)	(3,365)
Effect of tax holidays and concessions granted to PRC subsidiaries	(23,260)	(21,132)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,748	1,424
Effect of tax losses not recognised	70,200	51,656
Utilisation of tax losses previously not recognised	(4,328)	(19,987)
Overprovision of tax in prior years	(1,362)	(2,484)
Withholding tax on distributed profits of a PRC subsidiary	2,236	–
Income tax expenses for the year	261,475	242,187

note: The income tax rate in the jurisdiction where the operations of the Group substantially based is used.

8. PROFIT FOR THE YEAR

	2018 RMB'000	2017 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' and chief executives' emoluments (Note 9)	2,133	2,046
Retirement benefit scheme contributions, excluding directors and the chief executive	316,706	260,445
Equity-settled share-based payments, excluding directors and the chief executive	13,825	12,057
Other staff costs	2,100,815	1,827,536
Total staff costs	2,433,479	2,102,084
Auditor's remuneration	4,723	5,033
Depreciation of property, plant and equipment	383,399	316,630
Net changes in allowance for inventories	(62,590)	88,203
Release of prepaid lease payments	3,214	3,971
Amortisation of intangible assets (included in selling and distribution expenses)	123,849	112,317
Share of taxation of joint ventures (included in share of results of joint ventures)	–	33

For the years ended December 31, 2017 and 2018, cost of inventories recognised as an expense represents cost of sales as shown in the consolidated income statement.

9. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS AND INTEREST OF DIRECTORS

(a) Directors' and chief executives' emoluments

Details of emoluments of each of the eight (2017: eight) directors of the Company for the year disclosed pursuant to the applicable Listing Rules and CO, are set out as follows:

	Fees RMB'000	Salaries and other allowances RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
For the year ended December 31, 2018				
Executive directors:				
Wu, Pan-Tsu	–	–	–	–
Lee, Shao-Wu (note ii)	–	876	555	1,431
Non-executive directors:				
Tsai Patty, Pei Chun	–	–	–	–
Li I-nan	127	–	–	127
Independent non-executive directors:				
Chen, Huan-Chung	254	–	–	254
Hsieh, Wuei-Jung	254	–	–	254
Feng Lei Ming (note iv)	67	–	–	67
Shan Xue (note iii)	–	–	–	–
	702	876	555	2,133

9. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS AND INTEREST OF DIRECTORS (Continued)

(a) Directors' and chief executives' emoluments (Continued)

	Fees RMB'000	Salaries and other allowances RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
For the year ended December 31, 2017				
Executive directors:				
Wu, Pan-Tsu	–	–	–	–
Lee, Shao-Wu (note ii)	–	815	577	1,392
Kwan, Heh-Der (note i)	–	–	–	–
Non-executive directors:				
Tsai Patty, Pei Chun	–	–	–	–
Li I-nan	132	–	–	132
Independent non-executive directors:				
Chen, Huan-Chung	261	–	–	261
Hsieh, Wuei-Jung	261	–	–	261
Shan Xue	–	–	–	–
	654	815	577	2,046

9. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS AND INTEREST OF DIRECTORS (Continued)

(a) Directors' and chief executives' emoluments (Continued)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

notes:

(i) Mr. Kwan, Heh-Der resigned as an executive director and the chief executive officer of the Company on January 6, 2017.

(ii) Mr. Lee, Shao-Wu was appointed as an executive director and the acting chief executive officer of the Company on February 6, 2017 and was subsequently re-designated as an executive director and the chief executive officer of the Company on March 24, 2017. His emoluments disclosed above include those for services rendered by him as an executive director and the Chief Executive for the period from the date of appointment to December 31, 2018.

(iii) Mr. Shan Xue resigned as an independent non-executive director of the Company on September 30, 2018.

(iv) Mr. Feng Lei Ming was appointed as an independent non-executive director of the Company on September 30, 2018. His emoluments disclosed above included those services rendered by him as an independent non-executive director for the period from the date of appointment to December 31, 2018.

9. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS AND INTEREST OF DIRECTORS (Continued)

(b) Emoluments of senior management

Of the six (2017: six) senior management of the Company for the year ended December 31, 2018, two (2017: two) of them were directors of the Company and their remuneration has been disclosed in Note 9(a). The emoluments of the remaining four (2017: four) individuals for the year are within the following bands:

	2018 Number of employees	2017 Number of employees
HK$500,001 to HK$1,000,000	–	1
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	2	1
HK$3,000,001 to HK$3,500,000	1	1
HK$5,500,001 to HK$6,000,000	1	–
	4	4

9. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS AND INTEREST OF DIRECTORS (Continued)

(c) Five highest paid employees

Of the five employees with the highest emoluments in the Group for the year ended December 31, 2018, none of them (2017: none of them) are directors nor the chief executive of the Company. The emoluments of the five (2017: five) individuals for the year are as follows:

	2018 RMB'000	2017 RMB'000
Salaries and other allowances	7,693	6,369
Bonus	4,894	3,904
Equity-settled share-based payment	2,420	1,349
	15,007	11,622

Their emoluments were within the following bands:

	2018 Number of employees	2017 Number of employees
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	–	2
HK$2,500,001 to HK$3,000,000	2	–
HK$3,000,001 to HK$3,500,000	1	–
HK$3,500,001 to HK$4,000,000	1	1
HK$4,000,001 to HK$4,500,000	–	1
HK$5,500,001 to HK$6,000,000	1	–
	5	5

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid employees (including directors and the chief executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors nor the chief executive has waived any emoluments during both years.

9. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS AND INTEREST OF DIRECTORS (Continued)

(d) Transactions, arrangements or contracts in which directors of the Company have material interests

The Company and Yue Yuen entered into a framework agreement on November 11, 2016 and November 13, 2018, respectively, pursuant to which, the Company may, through its subsidiaries, purchase from Yue Yuen's subsidiaries, and/or any factories operated and/or appointed by members of the Yue Yuen's subsidiaries footwear products, for two years from January 1, 2017 to December 31, 2018 and for three years from January 1, 2019 to December 31, 2021, respectively, subject to the various annual caps. Details of relevant transactions are set out in Note 30(a).

Mr. Wu, Pan-Tsu was interested in 40,000 (2017: nil) shares award in Yue Yuen, all of them were remained unvested and subject to certain vesting conditions.

Mr. Lee, Shao-Wu was interested in 78,000 (2017: 78,000) shares and underlying shares in Yue Yuen, none of them (2017: 33,000) were share awards remained unvested and subject to certain vesting conditions.

10. DIVIDENDS

	2018 RMB'000	2017 RMB'000
Dividends recognised as distribution during the year:		
2017 Final dividend of HK$0.020 per share (2017: 2016 final dividend of HK$0.020 per share)	87,298	92,667

Subsequent to the end of the reporting period, final dividend in respect of the year ended December 31, 2018 of HK$0.025 per share (2017: HK$0.020 per share) has been proposed by the directors of the Company and will be paid to the shareholders of the Company whose names appear on the register of members of the Company on Tuesday, June 11, 2019.

The proposed final dividend is subject to approval by the shareholders of the Company at the forthcoming 2019 annual general meeting.

11. EARNINGS PER SHARE

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

	2018 RMB'000	2017 RMB'000
Earnings:		
Earnings for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	542,888	394,322

	2018	2017
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,223,525,689	5,209,876,859
Effect of dilutive potential ordinary shares:		
– Share options	4,225,868	4,715,854
– Unvested awarded shares	39,093,273	41,694,148
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,266,844,830	5,256,286,861

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the trustee of the share award scheme of the Company (see Note 26(b)).

12. INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
At January 1, 2017	–
Transfer from property, plant and equipment (Note 13)	43,731
Transfer from prepaid lease payments	29,588
Revaluation gain on transfer from property, plant and equipment and prepaid lease payments	6,381
Additions	14,600
Net increase in fair value recognised in profit or loss	400
At December 31, 2017 and 2018	94,700

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

As at December 31, 2017 and 2018, the fair value of the Group's investment properties situated in the PRC has been arrived at based on a valuation carried out by APAC Asset Valuation and Consulting Limited ("APAC Asset Valuation") which is independent qualified professional valuer not connected with the Group. The fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties. The market yield is determined by reference to the yields derived from analysing the sales transactions of similar properties in the PRC.

One of the key inputs used in valuing the investment properties situated in the PRC was the market yield, which ranged from 3.5% to 5.5% (2017: 3.8% to 5.1%). A significant increase in the market yield used would result in a significant decrease in fair value measurement of the respective investment properties, and vice versa.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

All of the Group's investment properties are commercial properties located in the PRC and classified as Level 3 fair value hierarchy. There were no transfers into or out of Level 3 during the year.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Office and shopping mall buildings RMB'000	Factory buildings and warehouses RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture, fixture and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST									
At January 1, 2017	58,523	94,444	337,125	36,453	1,208,752	204,400	23,722	2,073	1,965,492
Additions	–	–	5	1,559	492,914	72,139	1,331	10,961	578,909
Disposals	–	–	–	–	(263,556)	(20,805)	(2,575)	–	(286,936)
Transfer to investment properties (Note 12)	–	(56,456)	–	–	(1,566)	–	–	–	(58,022)
Exchange realignment	–	–	–	–	221	116	16	–	353
At December 31, 2017	58,523	37,988	337,130	38,012	1,436,765	255,850	22,494	13,034	2,199,796
Additions	–	34,705	1,417	711	413,152	62,529	2,582	7,957	523,053
Disposals	–	–	–	(2,788)	(326,919)	(14,255)	(2,401)	–	(346,363)
Transfer from construction in progress	–	–	20,991	–	–	–	–	(20,991)	–
Exchange realignment	–	–	–	24	417	252	7	–	700
At December 31, 2018	58,523	72,693	359,538	35,959	1,523,415	304,376	22,682	–	2,377,186
DEPRECIATION AND IMPAIRMENT									
At January 1, 2017	14,743	16,606	142,282	34,628	726,673	113,057	14,771	–	1,062,760
Provided for the year	1,249	1,961	9,074	330	262,396	38,336	3,284	–	316,630
Transfer to investment properties (Note 12)	–	(13,227)	–	–	(1,064)	–	–	–	(14,291)
Eliminated on disposals	–	–	–	–	(197,071)	(20,080)	(2,343)	–	(219,494)
Exchange realignment	–	–	–	–	87	98	1	–	186
At December 31, 2017	15,992	5,340	151,356	34,958	791,021	131,411	15,713	–	1,145,791
Provided for the year	1,249	1,368	11,451	290	314,940	52,163	1,938	–	383,399
Eliminated on disposals	–	–	–	(816)	(270,586)	(10,591)	(2,026)	–	(284,019)
Exchange realignment	–	–	–	3	226	108	2	–	339
At December 31, 2018	17,241	6,708	162,807	34,435	835,601	173,091	15,627	–	1,245,510
CARRYING VALUE									
At December 31, 2018	41,282	65,985	196,731	1,524	687,814	131,285	7,055	–	1,131,676
At December 31, 2017	42,531	32,648	185,774	3,054	645,744	124,439	6,781	13,034	1,054,005

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

All buildings, office and shopping mall buildings and factory buildings and warehouses are erected on land with medium-term land use rights in the PRC.

The shopping mall buildings are held mainly for the Group's Retail Business.

In the opinion of the directors of the Company, the leasehold land and building element of certain of the Group's properties in the PRC cannot be allocated reliably. Accordingly, they are presented on a combined basis as leasehold land and buildings above.

During the year ended December 31, 2017, the Group changed the use of certain of its shopping mall buildings and had leased them out to independent third parties for rental income. Upon the transfer from property, plant and equipment, these properties were revalued with a gain on the revaluation of RMB6,381,000 in the property revaluation reserve.

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings/office and shopping mall buildings/factory buildings and warehouses	2% – 3%
Plant and machinery	5% – 15%
Leasehold improvements	10% – 50%
Furniture, fixture and equipment	20% – 30%
Motor vehicles	20% – 30%

14. INTANGIBLE ASSETS

	Customer relationship RMB'000	Brand names RMB'000	Licensing agreements RMB'000	Non-compete agreements RMB'000	Total RMB'000
COST					
At January 1, 2017	53,404	467,340	100,114	444,843	1,065,701
Written off	–	–	–	(30,542)	(30,542)
Exchange realignment	–	–	93	–	93
At December 31, 2017	53,404	467,340	100,207	414,301	1,035,252
Written off	–	–	–	(265,201)	(265,201)
Exchange realignment	–	–	113	–	113
At December 31, 2018	53,404	467,340	100,320	149,100	770,164
AMORTISATION AND IMPAIRMENT					
At January 1, 2017	43,168	59,559	42,539	305,757	451,023
Provided for the year	5,096	70,305	10,125	26,791	112,317
Eliminated on written off	–	–	–	(30,542)	(30,542)
Exchange realignment	–	–	19	–	19
At December 31, 2017	48,264	129,864	52,683	302,006	532,817
Provided for the year	2,571	84,370	10,117	26,791	123,849
Eliminated on written off	–	–	–	(265,201)	(265,201)
Exchange realignment	–	–	51	–	51
At December 31, 2018	50,835	214,234	62,851	63,596	391,516
CARRYING VALUE					
At December 31, 2018	2,569	253,106	37,469	85,504	378,648
At December 31, 2017	5,140	337,476	47,524	112,295	502,435

The management of the Group considers customer relationship, brand names, licensing agreements and non-compete agreements have finite useful lives and are amortised on a straight-line basis over the following periods:

Customer relationship	8 years
Brand names	5 years
Licensing agreements	10 years
Non-compete agreements	5 to 20 years

15. GOODWILL

	RMB'000
COST AND CARRYING VALUE	
At January 1, 2017	532,450
Exchange realignment	162
At December 31, 2017	532,612
Exchange realignment	196
At December 31, 2018	532,808

For the purpose of impairment assessment, goodwill of the Group is allocated to the Retail Business as a group of CGUs.

The basis of recoverable amount of each of the group of CGUs in the Retail Business has been determined based on the higher of its value in use calculation and fair value less cost of disposal (which can be referenced to disposal proceeds from anticipated disposal of the entity forming the CGUs), and assessed by the management as at December 31, 2017 and 2018.

These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and discount rates of 13% (2017: 15%), determined by independent valuer using the Capital Assets Pricing Model, for the group of CGUs in the Retail Business. The cash flows beyond the five-year period are extrapolated using a steady growth rate of 3% (2017: 3%) for all of the above CGUs. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculation relates to the estimation of cash inflows/outflows which included budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the CGU to fall below its carrying amount.

None of goodwill allocated to the Retail Business as a group of CGUs had suffered any impairment during the year ended December 31, 2017 or 2018.

16. INTERESTS IN JOINT VENTURES/LOAN TO A JOINT VENTURE

	2018 RMB'000	2017 RMB'000
Cost of unlisted investments in joint ventures (note i)	70,427	90,427
Share of post-acquisition losses, net of dividends received	(28,407)	(29,478)
Less: impairment losses	(3,946)	(21,946)
	38,074	39,003
Loan to a joint venture (note ii)	3,000	3,000

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of entity	Form of entity	Place of incorporation or operation	Class of shares held	Proportion of issued and fully paid up capital indirectly held by the Company		Proportion of voting rights held by the Group		Principal activity
				2018	2017	2018	2017	
Sky Grace Investments Limited	Limited liability	Hong Kong	Ordinary	50%	50%	50%	50%	Investment holding

During the year ended December 31, 2018, the Group disposed of the entire interests in a joint venture to the previous joint venture partner for a consideration of RMB1 (2017: RMB4,100,000) and recognised a gain on disposal of RMB1 (2017: loss on disposal of RMB5,105,000), calculated as the difference between the net disposal proceeds and the carrying amount of the joint venture.

notes:

(i) Included in cost of investments in joint ventures as at December 31, 2017 and 2018 was goodwill of RMB13,932,000 arising from the acquisition of a joint venture in prior years.

(ii) The loan to a joint venture is secured by the equity interest in the relevant joint venture held by the other joint venture partners, interest bearing at the prevailing lending rate of People's Bank of China (the "PBOC") and have no fixed terms of repayment. Before offering any new loans to joint ventures, the Group assesses the joint ventures' credit qualities and the intended usages of the loans by the joint ventures. The recoverability of the loans is reviewed throughout the tenure of the loans.

16. INTERESTS IN JOINT VENTURES/LOAN TO A JOINT VENTURE (Continued)

There are no significant restrictions on the ability of joint ventures to transfer funds to the Group in form of cash dividends or to repay loans or advance made by the Group.

During the year ended December 2018, in respect of the joint ventures that are not individually material, the Group's aggregate share of loss of joint ventures and total comprehensive expense is RMB929,000 (2017: RMB3,583,000).

The unrecognised share of joint ventures is as follows:

	2018 RMB'000	2017 RMB'000
The unrecognised share of loss of joint ventures for the year	–	10,964
Cumulative unrecognised share of loss of joint ventures	40,884	58,722

17. EQUITY INSTRUMENT AT FVTOCI/AVAILABLE-FOR-SALE INVESTMENT

The amount at December 31, 2017 represents unlisted equity securities issued by a private entity incorporated overseas and is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates was so significant that the directors of the Company are of the opinion that their fair value could not be measured reliably. With the application of HKFRS 9, the unlisted equity securities is reclassified as equity instrument at FVTOCI, as they believe that the unlisted equity securities is held under passive investment strategy.

18. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised and movements thereon during current and prior years:

	Undistributed earnings of PRC and overseas entities RMB'000	Fair value adjustments of intangible assets on business combination RMB'000	Total RMB'000
At January 1, 2017	19,321	153,328	172,649
Credit to profit or loss (Note 7)	–	(28,030)	(28,030)
Exchange realignment	–	13	13
At December 31, 2017	19,321	125,311	144,632
Credit to profit or loss (Note 7)	(2,236)	(30,912)	(33,148)
Exchange realignment	–	10	10
At December 31, 2018	17,085	94,409	111,494

As at December 31, 2018, the Group had unused tax losses of approximately RMB701.7 million (2017: approximately RMB682.3 million) available for offset against future profits and no deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of PRC subsidiaries amounting to approximately RMB6,243 million (2017: approximately RMB4,619 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

19. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	–	968
Work in progress	–	1,364
Finished goods	6,694,022	5,587,012
	6,694,022	5,589,344

20. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables (note i)	1,739,803	1,609,167
Deposits, prepayments and other receivables	1,553,132	1,235,826
	3,292,935	2,844,993
Deposits, prepayments and other receivables represent:		
Rental deposits and prepaid rentals	245,551	229,455
Deposits and prepayments paid to suppliers	657,299	424,645
Value-added tax recoverable	449,873	335,027
Amounts due from related parties (note ii)	4,178	12,514
Amount due from a non-controlling interest of a subsidiary (note iii)	20,000	20,000
Other prepaid expenses	95,422	150,549
Prepaid lease payments	3,207	3,207
Other deposits and receivables	77,602	60,429
	1,553,132	1,235,826

20. TRADE AND OTHER RECEIVABLES (Continued)

notes:

(i) As at December 31, 2017, included in trade receivables are trade balances with joint ventures of RMB864,000 (2018: nil). Details of the relevant transactions are set out in Note 30.

(ii) The amounts represent amounts due from certain joint ventures of RMB2,108,000 (2017: RMB12,450,000) and certain entities controlled by Yue Yuen and its substantial shareholders of RMB2,070,000 (2017: RMB64,000), and are unsecured and expected to be recovered within one year. Except for the amount of RMB9,907,000 as at December 31, 2017 due from a joint venture which carried fixed interest rate 6.72% per annum, the remaining balance was interest-free.

(iii) The amount is unsecured and expected to be recovered within one year and carries fixed interest rate of 6.53% (2017: 6.53%) per annum.

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

The Group generally allows an average credit period of 30 days to 60 days which are agreed with each of its trade customers. The aged analysis of the Group's trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates, is as follows:

	2018 RMB'000	2017 RMB'000
0 – 30 days	1,495,483	1,417,271
31 – 90 days	230,681	181,900
Over 90 days	13,639	9,996
	1,739,803	1,609,167

As at December 31, 2017, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of RMB43,602,000, of which RMB40,293,000 and RMB3,309,000 were past due by 31 - 90 days and over 90 days, respectively, at the end of the reporting period and for which the Group has not provided for impairment loss because management is of the opinion that the fundamental credit quality of these customers has not deteriorated. The Group does not hold any collateral over these balances.

20. TRADE AND OTHER RECEIVABLES (Continued)

Movements in the allowance for credit losses are as follows:

	2017 RMB'000
Balance at beginning of the year	105,744
Impairment loss recognised on trade receivables (Note 6(a))	8,730
Amount written off as uncollectible	(14,222)
Balance at the end of the year	100,252

Details of impairment assessment of trade and other receivables for the year ended December 31, 2018 are set out in Note 32(b).

21. BANK BALANCES AND CASH/BANK OVERDRAFTS

(a) Bank balances and cash

The bank balances are interest-bearing at market interest rates. All deposits have an original maturity of three months or less.

During the year ended December 31, 2018, the bank deposits carried variable interest rates ranging from 0.01% to 3.70% (2017: 0.01% to 3.40%) per annum.

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

	2018 RMB'000	2017 RMB'000
United States dollars ("USD")	17,536	12,997
Hong Kong dollars	1,576	1,167
RMB	398	285
	19,510	14,449

(b) Bank overdrafts

At December 31, 2017, the bank overdrafts were unsecured and carried interest at market rates ranging from 4.35% to 4.87% per annum.

22. DISPOSAL OF SUBSIDIARIES

During the year ended December 31, 2017, the Group disposed of its entire interest in Profit Concept Group Limited ("Profit Concept") and its subsidiaries (collectively referred to as the "Disposal Group"), which are principally engaged in retailing of sportswear, to Excel Effect Investments Limited, the non-controlling interest holder of Profit Concept, for a consideration of RMB30,000,000. The aggregate amounts of assets and liabilities attributable to the Disposal Group on the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Inventories	138,683
Trade and other receivables	199,161
Bank balances and cash	9,382
Other assets	18,048
Trade and other payables	(297,896)
Total net assets	67,378
Less: non-controlling interests	(33,015)
	34,363
Loss on disposal of subsidiaries:	
Consideration received	30,000
Net assets disposed of	(34,363)
Loss on disposal	(4,363)
Net cash inflow arising on disposal:	
Cash consideration received	30,000
Less: bank balances and cash disposed of	(9,382)
	20,618

During the year ended December 31, 2017, the Disposal Group did not contribute significantly to the results and cash flows of the Group prior to the disposal.

23. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES

(a) Trade and other payables

	2018 RMB'000	2017 RMB'000
Trade payables (note i)	648,037	548,365
Bills payables	2,872	14,479
Receipt in advance from customers	–	319,879
Deposits from customers	344,464	272,994
Amounts due to related and connected parties (note ii)	6,620	6,611
Accrued staff costs	361,434	289,480
Sales discount and rebate payables	48,809	33,648
Other tax payables	137,252	111,877
Other accruals and payables (note iii)	548,093	507,084
	2,097,581	2,104,417

notes:

(i) Included in the amount are trade balances with joint ventures of nil (2017: RMB363,000) and certain entities controlled by Yue Yuen of RMB5,596,000 (2017: nil). Details of the relevant transactions are set out in Note 30.

(ii) The amounts represent amount due to a non-controlling interest of a subsidiary of RMB2,800,000 (2017: RMB2,800,000) and certain entities controlled by Yue Yuen and its substantial shareholders of RMB3,820,000 (2017: RMB3,811,000), and are unsecured and repayable on demand.

(iii) The amounts mainly included the renovation costs payable, accrued rental expenses, accrued insurance expenses and other accrued expenses.

The aged analysis of the Group's trade and bills payables, presented based on the invoice date at the end of the reporting period, is as follows:

	2018 RMB'000	2017 RMB'000
0 – 30 days	646,275	558,534
31 – 90 days	3,079	976
Over 90 days	1,555	3,334
	650,909	562,844

The average credit period for payment of purchases of goods is ranging from 30 days to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

23. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES (Continued)

(b) Contract liabilities

	2018 RMB'000	At January 1, 2018* RMB'000
Sales of sportswear and footwear products	283,145	319,879

* The amount in this column is after the reclassification adjustment from the application of HKFRS 15.

The contract liabilities recorded at the beginning of the year had been fully recognised as revenue during the year.

The Group receives the prepayments from wholesale customers when they sign the sale and purchase agreements which are recognised as contract liabilities.

24. BANK AND OTHER BORROWINGS

(a) Bank borrowings

The unsecured bank borrowings amounting to RMB2,600,259,000 (2017: RMB2,532,169,000), interest-bearing at variable rates, are repayable within one year.

The Group's variable rate borrowings carry interests at margins over Hong Kong Interbank Offer Rate ("HIBOR"), London Interbank Offer Rate ("LIBOR") or prevailing rate of the PBOC, as appropriate. Interest is repriced every one to six months.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2018	2017
Effective interest rate:		
Variable rate borrowings	1.49% – 6.70%	1.36% – 15.88%

The Group's bank borrowings that are denominated in a currency other than the functional currency of the relevant group entities are set out below:

	2018 RMB'000	2017 RMB'000
USD	205,896	224,364

(b) Other borrowings

As at December 31, 2018, the loans from certain entities controlled by Yue Yuen's substantial shareholder and its affiliate amounting to RMB864,000,000 and RMB67,000,000, respectively (2017: nil) carried fixed interest rate of 4.35% per annum, are unsecured and repayable within one year.

25. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At January 1, 2017, December 31, 2017 and 2018	30,000,000,000	300,000
Issued and fully paid:		
At January 1, 2017	5,337,748,615	53,377
Exercise of share options	800,000	8
At December 31, 2017	5,338,548,615	53,385
Exercise of share options	6,758,000	68
At December 31, 2018	5,345,306,615	53,453

	2018 RMB'000	2017 RMB'000
Shown in the consolidated financial statements	46,588	46,530

26. SHARE OPTION SCHEME AND SHARE AWARD SCHEME

(a) Share Option Scheme

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a shareholders' resolution passed on May 14, 2008 and amended on March 7, 2012 for the primary purpose to attract and retain personnel, to provide incentives to eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole, and has expired on May 13, 2018. Under the Share Option Scheme, the Board of directors of the Company may grant options to eligible persons, including directors and employees of the Company and its subsidiaries, to subscribe for shares in the Company.

Without prior approval from the Group's shareholders, (i) the total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at date of listing; (ii) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any twelve-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time; and (iii) options in excess of 0.1% of the shares of the Company in issue and with a value in excess of HK$5 million may not be granted to substantial shareholders or independent non-executive directors or any of their respective associates, in the twelve-month period up to and including the date of such grant.

26. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Continued)

(a) Share Option Scheme (Continued)

Options are exercisable over the vesting periods to be determined by the Board of directors of the Company, but in no case after the tenth anniversary of the date of grant. The exercise price is determined by the Board of directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The following tables disclose movements in the Company's share options under the Share Option Scheme during the two years ended December 31, 2018:

				Number of share options					
	Date of grant	Exercise price HK$	Exercisable period	Outstanding at January 1, 2017	Exercised during the year	Outstanding at December 31, 2017	Exercised during the year	Lapsed during the year	Outstanding at December 31, 2018
Current and former employees/ consultants of the Group	21.01.2010	1.620	21.01.2011 – 20.01.2018	3,538,450	(16,000)	3,522,450	–	(3,522,450)	–
	21.01.2010	1.620	21.01.2012 – 20.01.2018	3,572,450	(45,000)	3,527,450	–	(3,527,450)	–
	21.01.2010	1.620	21.01.2013 – 20.01.2018	6,164,900	(39,000)	6,125,900	–	(6,125,900)	–
	21.01.2010	1.620	21.01.2014 – 20.01.2018	5,571,200	–	5,571,200	–	(5,571,200)	–
	20.01.2011	1.230	20.01.2012 – 19.01.2019	9,512,500	(25,000)	9,487,500	(2,876,000)	–	6,611,500
	20.01.2011	1.230	20.01.2013 – 19.01.2019	6,212,500	(75,000)	6,137,500	(2,035,000)	–	4,102,500
	20.01.2011	1.230	20.01.2014 – 19.01.2019	4,264,000	(300,000)	3,964,000	(1,164,000)	–	2,800,000
	20.01.2011	1.230	20.01.2015 – 19.01.2019	3,675,000	(300,000)	3,375,000	(683,000)	–	2,692,000
	07.03.2012	1.050	07.03.2013 – 06.03.2020	375,000	–	375,000	–	–	375,000
	14.11.2016	2.494	01.09.2017 – 01.09.2019	1,166,320	–	1,166,320	–	–	1,166,320
	14.11.2016	2.494	01.09.2018 – 01.09.2020	1,166,320	–	1,166,320	–	–	1,166,320
	14.11.2016	2.494	01.09.2019 – 01.09.2021	1,166,320	–	1,166,320	–	–	1,166,320
	14.11.2016	2.494	01.09.2020 – 01.09.2022	2,332,640	–	2,332,640	–	–	2,332,640
	14.11.2016	2.494	01.09.2021 – 01.09.2023	5,831,590	–	5,831,590	–	–	5,831,590
Total				54,549,190	(800,000)	53,749,190	(6,758,000)	(18,747,000)	28,244,190
Exercisable as at January 1, 2017, December 31, 2017 and December 31, 2018				42,886,000		43,252,320			18,913,640

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$1.69 (2017: HK$1.77).

During the year ended December 31, 2018, the Group recognised a net expense of RMB2,120,000 (2017: RMB3,017,000) as equity-settled share-based payments in the consolidated income statement under the Share Option Scheme with reference to the share options' respective vesting periods and the share options lapsed prior to their vesting dates after recognising share option expenses.

26. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Continued)

(b) Share Award Scheme

The Company's share award scheme (the "Share Award Scheme") was adopted pursuant to a board resolution passed on May 9, 2014 and amended on November 11, 2016. The objective of the Share Award Scheme is to recognise the contributions by certain persons, including directors of the Company and employees of the Group (the "Selected Participants") and to provide incentives to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The Share Award Scheme became effective on May 9, 2014 and, unless otherwise terminated or amended, will remain in force for 10 years.

The Share Award Scheme is operated through a trustee which is independent of the Group. After the notification and instruction by the Company, the trustee has the right to, among other conditions, in its sole discretion, determine whether the shares are to be purchased on or off the Stock Exchange from time to time, unless during the year at which the directors of the Company are prohibited by the Listing Rules or any corresponding codes or securities dealing restrictions adopted by the Company.

The directors of the Company would notify the trustee of the Share Award Scheme in writing upon the making of any award to any participants. Upon the receipt of such notice, the trustee would set aside the appropriate number of awarded shares in the pool of shares. The relevant awarded shares shall vest in accordance with the conditions and timetable as set out in the relevant letter of award issued to the Selected Participant. Vesting of the award shares will be conditional on the Selected Participants remaining an employee of the Group on a vesting date and the Board of Directors has not determined to vary or cancel such an award for any reason (including but not limited to exceptionally poor performance, misconduct or material breach of the terms of employment or rules or policies of the Company). An award shall automatically lapse forthwith when a Selected Participant has taken unpaid leave of absence and does not return to work before the expiry of 24 months from the original vesting date, or ceases to be an employee of the Group, or the subsidiary employing the Selected Participant ceases to be a subsidiary of the Company, or an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company, or Selected Participant's employment is terminated for cause if the award has not been vested.

No ordinary shares was acquired by the Company during the year ended December 31, 2017 and December 31, 2018. A total of 111,527,640 ordinary shares (2017: 125,066,320 ordinary shares) of the Company were held by the trustee of the Share Award Scheme as at December 31, 2018.

26. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Continued)

(b) Share Award Scheme (Continued)

The following table discloses movements in the Company's share awards under the Share Award Scheme during the two years ended December 31, 2018:

	Date of grant	Vesting date	Number of share awards outstanding at January 1, 2017	Granted during the year	Lapsed/ cancelled during the year	Vested during the year	Number of share awards outstanding at December 31, 2017	Granted during the year	Lapsed/ cancelled during the year	Vested during the year	Number of share awards outstanding at December 31 2018
Director											
Kwan, Heh-Der	01.09.2014	01.09.2017	1,200,000	–	(1,200,000)	–	–	–	–	–	–
(resigned on January 6, 2017)	13.05.2016	31.08.2018	1,400,000	–	(1,400,000)	–	–	–	–	–	–
Lee, Shao-Wu	25.03.2017	25.03.2018	–	300,000	–	–	300,000	–	–	(300,000)	–
	25.03.2017	25.03.2019	–	300,000	–	–	300,000	–	–	–	300,000
	25.03.2017	25.03.2020	–	400,000	–	–	400,000	–	–	–	400,000
	11.08.2018	11.09.2019	–	–	–	–	–	200,000	–	–	200,000
	11.08.2018	11.09.2020	–	–	–	–	–	300,000	–	–	300,000
	11.08.2018	11.03.2021	–	–	–	–	–	500,000	–	–	500,000
Employees	01.09.2014	01.09.2017	7,100,000	–	(3,000,000)	(4,100,000)	–	–	–	–	–
	21.03.2015	21.03.2018	7,783,000	–	(2,425,000)	–	5,358,000	–	(723,000)	(4,635,000)	–
	14.08.2015	14.08.2018	8,330,000	–	(220,000)	–	8,110,000	–	(340,000)	(7,770,000)	–
	24.03.2016	24.03.2019	4,920,000	–	(1,700,000)	–	3,220,000	–	(344,000)	–	2,876,000
	13.08.2016	13.08.2019	5,460,000	–	–	–	5,460,000	–	(510,000)	–	4,950,000
	12.11.2016	31.08.2019	600,000	–	–	–	600,000	–	–	–	600,000
	14.11.2016	01.09.2017	833,680	–	–	(833,680)	–	–	–	–	–
	14.11.2016	01.09.2018	833,680	–	–	–	833,680	–	–	(833,680)	–
	14.11.2016	01.09.2019	833,680	–	–	–	833,680	–	–	–	833,680
	14.11.2016	01.09.2020	1,667,360	–	–	–	1,667,360	–	–	–	1,667,360
	14.11.2016	01.09.2021	4,168,410	–	–	–	4,168,410	–	–	–	4,168,410
	25.03.2017	25.03.2020	–	5,026,000	(498,000)	–	4,528,000	–	(374,000)	–	4,154,000
	03.07.2017	03.07.2020	–	300,000	–	–	300,000	–	–	–	300,000
	14.11.2017	01.03.2018	–	270,000	–	–	270,000	–	(270,000)	–	–
	14.11.2017	01.03.2019	–	315,000	–	–	315,000	–	(315,000)	–	–
	14.11.2017	01.03.2020	–	315,000	–	–	315,000	–	(315,000)	–	–
	14.11.2017	12.12.2019	–	300,000	–	–	300,000	–	–	–	300,000
	14.11.2017	14.11.2020	–	3,800,000	–	–	3,800,000	–	(600,000)	–	3,200,000
	11.08.2018	01.07.2019	–	–	–	–	–	140,000	–	–	140,000
	11.08.2018	01.07.2020	–	–	–	–	–	210,000	–	–	210,000
	11.08.2018	01.01.2021	–	–	–	–	–	350,000	–	–	350,000
	11.08.2018	11.09.2019	–	–	–	–	–	3,695,800	(17,000)	–	3,678,800
	11.08.2018	11.09.2020	–	–	–	–	–	5,543,700	(25,500)	–	5,518,200
	11.08.2018	11.03.2021	–	–	–	–	–	9,239,500	(42,500)	–	9,197,000
Total			45,129,810	11,326,000	(10,443,000)	(4,933,680)	41,079,130	20,179,000	(3,876,000)	(13,538,680)	43,843,450

26. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Continued)

(b) Share Award Scheme (Continued)

The fair values of the share awards as at the date of grant, determined by APAC Asset Valuation using the Black-Scholes Option Pricing Model, amounted to HK$20,802,000 (equivalent to approximately RMB17,611,000) (2017: HK$11,357,000 (equivalent to approximately RMB9,897,000)). The key inputs into the Black-Scholes Option Pricing Model are as follows:

Date of grant	August 11, 2018	November 14, 2017	July 3, 2017	March 25, 2017
Closing share price at the date of grant	HK$1.50	HK$1.17	HK$1.48	HK$1.87
Annual risk free rate	1.49 – 1.81%	0.83 – 1.26%	0.85%	0.62 – 1.14%
Expected volatility	56 – 62%	54 – 57%	58%	48 – 59%
Vesting period	0.89 – 2.58 years	0.3 – 3 years	3 years	1 – 3 years
Expected dividend yield	1.0%	2.0%	3.0%	2.0%

The Black-Scholes Option Pricing Model has been used to estimate the fair value of the share awards. The variables and assumptions used in computing the fair value of the share awards are based on the directors' best estimate. The value of a share award varies with different variables of certain subjective assumptions.

The closing prices of the Company's shares immediately before the grant of the share awards on August 11, 2018 was HK$1.50 (March 25, 2017: HK$1.87, July 3, 2017: HK$1.40 and November 14, 2017: HK$1.47) per share.

During the year ended December 31, 2018, the Group recognised a net expense of RMB12,260,000 (2017: RMB9,617,000) as equity-settled share-based payments in the consolidated income statement under the Share Award Scheme with reference to the share awards' respective vesting periods and the share awards lapsed prior to their vesting dates after recognising share award expenses.

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividends payable RMB'000	Bank and other borrowings RMB'000	Amounts due to related and connected parties RMB'000 (Note 23(a))
At January 1, 2017	–	1,375,826	295,900
Financing cash flows	(91,524)	1,054,791	(294,743)
Foreign exchange translation	(1,143)	98	–
Interest expenses	–	101,454	5,454
Dividend declared	92,667	–	–
At December 31, 2017	–	2,532,169	6,611
Financing cash flows	(87,298)	848,928	(762)
Foreign exchange translation	–	1,090	–
Interest expenses	–	149,072	771
Dividend declared	87,298	–	–
At December 31, 2018	–	3,531,259	6,620

28. RETIREMENT BENEFIT PLANS

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group also operates a MPF Scheme for all its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules.

During the years ended December 31, 2017 and 2018, the Group did not forfeit any contributions for employees who left the plans prior to vesting fully in such contributions.

The total cost of RMB316,706,000 (2017: RMB260,445,000) charged to profit or loss represents contribution paid or payable to the above retirement benefit plans by the Group for the year.

At the end of the reporting period, the Group had no significant obligation apart from the contribution as stated above.

29. OPERATING LEASES

(a) The Group as lessee

The Group made the following lease payments during the year:

	2018 RMB'000	2017 RMB'000
Operating lease rentals and concessionaire fees in respect of:		
Minimum lease payments:		
– street level stores	291,532	248,128
– shopping mall stores	536,820	428,881
– other properties	57,778	68,308
	886,130	745,317
Contingent rentals:		
– shopping mall stores	1,776,769	1,649,883
	2,662,899	2,395,200
Representing:		
– shopping malls/retail stores/warehouses (included in selling and distribution expenses)	2,617,545	2,348,749
– offices (included in administrative expenses)	45,354	46,451
	2,662,899	2,395,200

29. OPERATING LEASES (Continued)

(a) The Group as lessee (Continued)

At the end of the reporting period, the Group had commitments for non-cancellable future minimum lease payments for retail stores and other properties under non-cancellable operating leases which fall due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	861,886	659,038
In the second to fifth year inclusive	1,167,323	947,893
Over five years	188,937	185,112
	2,218,146	1,792,043

The above lease commitments represent basic rents only and do not include contingent rents payable in respect of certain retail stores leased by the Group. In general, these contingent rents are calculated with reference to the relevant retail stores revenue using pre-determined formulae. It is not possible to estimate in advance the amount of such contingent rents payable.

Majority of the leases are negotiated for lease terms of 2 to 5 years.

(b) The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease receipts in respect of shopping mall counter areas rented out:

	2018 RMB'000	2017 RMB'000
Within one year	70,807	75,419
In the second to fifth year inclusive	137,851	142,931
Over five years	52,234	70,380
	260,892	288,730

In addition to the basic rental receipts as disclosed above, the lease agreements with the tenants also include provision for the payment of contingent rents to the Group. In general, these contingent rents are calculated with reference to the revenue generated by the tenants operating in the Group's retailing complex using pre-determined formulae. It is not possible to estimate in advance the amount of such contingent rents receivable. Rental income received by the Group during the year amounted to RMB132,350,000 (2017: RMB115,995,000), included in which was contingent rental income arising from contingent terms of lease contracts of RMB60,824,000 (2017: RMB69,177,000).

30. RELATED AND CONNECTED PARTY DISCLOSURES

(a) Transactions and trade balances

The Group had the following related and connected party transactions and trade balances:

Relationship	Nature of transactions/balances	2018 RMB'000	2017 RMB'000
Yue Yuen and its affiliates	Purchase of footwear products by the Group (note)	20,416	23,133
	Interest expense payable by the Group (note)	771	821
	Rental expenses for offices payable by the Group (note)	1,441	3,815
	Trade payables of the Group at the end of the reporting period	5,596	–
Substantial shareholders of Yue Yuen and their affiliates	Interest expenses payable by the Group (note)	18,704	4,633
	Rental income receivable by the Group (note)	759	–
Joint ventures of the Group	Sales of sportswear products by the Group	2,659	8,081
	Interest income receivable by the Group	397	1,541
	Trade receivables of the Group at the end of the reporting period	–	864
	Trade payables of the Group at the end of the reporting period	–	363

note: Other than these transactions, none of the other transactions in the table above falls under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) under the Listing Rules.

(b) Non-trade balances

Details of the Group's non-trade balances with related and connected parties are set out in the consolidated statement of financial position and in Notes 16, 20, 23 and 24(b).

30. RELATED AND CONNECTED PARTY DISCLOSURES (Continued)

(c) Compensation of key management personnel

	2018 RMB'000	2017 RMB'000
Short term benefits	20,016	17,945
Post-employment benefits	–	15
Equity-settled share-based payments	3,719	1,814
	23,735	19,774

The remuneration of directors and key executives is determined having regard to the performance of the individuals.

31. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which include the borrowings disclosed in Note 24, and equity attributable to owners of the Company, comprising issued share capital, various reserves and accumulated profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, directors of the Company assess the annual budget prepared by the accounting and treasury department and consider and evaluate the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares as well as the issue of new debt or the redemption of the existing debt.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 RMB'000	2017 RMB'000
Financial assets		
Amortised cost	2,626,398	–
Equity instrument at FVTOCI	2,231	–
Loans and receivables (including cash and cash equivalents)	–	2,231,567
Available-for-sale investment measured at cost less impairment	–	2,190
Financial liabilities		
Amortised cost	4,419,943	3,407,178

(b) Financial risk management objectives

The Group's major financial instruments include loan to a joint venture, an available-for-sale investment, an equity instrument at FVTOCI, trade and other receivables, amounts due from related parties, amount due from a non-controlling interest of a subsidiary, bank balances and cash, trade and other payables, bank overdrafts and bank and other borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk and foreign exchange risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 21), loan to a joint venture (Note 16), bank overdrafts (Note 21) and bank borrowings (Note 24(a)). Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate amount due from a non-controlling interest of a subsidiary (Note 20), amount due from a joint venture (Note 20) and other borrowings (Note 24(b)).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. Fluctuations of HIBOR, LIBOR and prevailing rate quoted by the PBOC are the major sources of the Group's cash flow interest rate risks.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates of the financial instruments set out above. The analysis is prepared assuming all of the above amounts outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis points increase or decrease for bank balances in the PRC and 50 basis points for other financial assets and financial liabilities set out above are used and represent management's assessment of the reasonably possible change in interest rates for each of the two years ended December 31, 2018.

If interest rates on the above interest-bearing financial assets had been 10 or 50 basis points higher/lower, as appropriate, and all other variables were held constant, the Group's profit for the year would increase/decrease by RMB548,000 (2017: increase/decrease by RMB423,000).

If interest rates on the above interest-bearing financial liabilities had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by RMB9,776,000 (2017: decrease/increase by RMB9,907,000).

In management's opinion, the sensitivity analysis does not necessarily represent the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Market risk (Continued)

(ii) Foreign exchange risk

Certain subsidiaries of the Company have foreign currency bank balances and bank borrowings as detailed in Notes 21 and 24(a), respectively, which expose the Group to foreign exchange risk, whilst over 99% (2017: over 99%) of the Group's sales and purchases are denominated in the respective group entities' functional currency.

Sensitivity analysis

The following is the Group's sensitivity to a 5% increase and decrease in RMB against USD. 5% is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis mainly includes the Group's USD bank balances and bank borrowings. Where RMB strengthens against USD by 5%, the Group's profit for the year would increase by RMB7,064,000 (2017: increase by RMB7,926,000), while a 5% weakening of RMB against USD, there would be an equal and opposite impact on the profit.

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

Credit risk and impairment assessment

As at December 31, 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which covered over 99% (2017: over 99%) of its total receivables as at December 31, 2018. There is no significant concentration of credit risk on trade receivables.

The Group's customer base is diverse and the trade receivables consist of a large number of customers. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred credit loss model) on trade balances based on provision matrix.

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment on trade receivables and other financial assets-comprise the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	N/A	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	N/A	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	N/A	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2018	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount RMB'000
Financial assets at amortised cost				
Trade receivables – goods	20	(note 2)	Lifetime ECL (Provision matrix)	1,739,803
		Loss	Credit-impaired	103,452
				1,843,255
Loan to a joint venture	16	Doubtful	Lifetime ECL (not credit-impaired)	3,000
Amounts due from related parties	20	Low risk	12m ECL	4,178
Amount due from a non-controlling interest of a subsidiary	20	Low risk	12m ECL	20,000
Bank balances and cash	21	(note 1)	12m ECL	730,956
Other receivables	20	Low risk/ watch list	12m ECL	128,461
		Loss	Credit-impaired	56,015
				184,476

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Credit risk and impairment assessment (Continued)

notes:

1. The credit risk on bank balance is limited because the counterparties are banks with reputable credit ratings.

2. The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors that are credit-impaired, the Group determines the ECL on these items by using a provision matrix, grouped by aging of receivables.

Provision matrix – trade receivables' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its Retail Business because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at December 31, 2018 within lifetime ECL (not credit-impaired). Debtors that are credit-impaired with gross carrying amounts of RMB103,452,000 as at 31 December 2018 were assessed individually.

Gross carrying amount assessed based on provision matrix

	Average loss rate %	Trade receivables RMB'000
Current (not past due)	–	1,516,692
1 – 120 days past due	0.6	223,111
		1,739,803

The average loss rates are estimated based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about trade receivables is updated.

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (credit-impaired) RMB'000
As at December 31, 2017 under HKAS 39 and at January 1, 2018 under HKFRS 9	100,252
Changes due to financial instruments recognised as at 1 January:	
– Impairment losses recognised	11,707
– Write-offs	(8,507)
As at December 31, 2018	103,452

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Liquidity risk

The Group relies on bank borrowings as a significant source of liquidity. Details of which are set out in Note 24(a).

With regard to the Group's liquidity risk, the management monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

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

	Weighted average interest rate %	0 to 30 days RMB'000	31 to 90 days RMB'000	91 to 365 days RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at December 31, 2018						
Amortised cost						
Non-interest bearing	–	884,050	3,079	1,555	888,684	888,684
Fixed interest rate instruments	4.35	–	–	971,499	971,499	931,000
Variable interest rate instruments	4.42	1,986,844	74,845	557,513	2,619,202	2,600,259
		2,870,894	77,924	1,530,567	4,479,385	4,419,943

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Liquidity risk (Continued)

	Weighted average interest rate %	0 to 30 days RMB'000	31 to 90 days RMB'000	91 to 365 days RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at December 31, 2017						
Amortised cost						
Non-interest bearing	–	761,081	976	3,335	765,392	765,392
Variable interest rate instruments	4.47	1,646,672	825,574	181,803	2,654,049	2,641,786
		2,407,753	826,550	185,138	3,419,441	3,407,178

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to changes if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurements of financial instruments

(i) There were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial instruments or any reclassification of financial instruments in the year.

(ii) *Fair value of financial instruments that are recorded at amortised cost*

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	1,094	1,537
Investments in subsidiaries	4,747,997	1,473,357
	4,749,091	1,474,894
CURRENT ASSETS		
Other receivables	6,732	2,924
Amounts due from subsidiaries	650,422	5,301,262
Bank balances and cash	2,431	2,345
	659,585	5,306,531
CURRENT LIABILITIES		
Other payables	10,938	16,351
Amounts due to subsidiaries	–	720,867
Bank borrowings	560,256	1,160,941
	571,194	1,898,159
NET CURRENT ASSETS	88,391	3,408,372
NET ASSETS	4,837,482	4,883,266
CAPITAL AND RESERVES		
Share capital	46,588	46,530
Reserves (note)	4,790,894	4,836,736
	4,837,482	4,883,266

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

note:

Movement in the Company's reserves:

	RMB'000
At January 1, 2017	4,227,445
Profit and total comprehensive income for the year	688,440
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	12,634
Exercise of share options	884
Dividends recognised as distribution (Note 10)	(92,667)
At December 31, 2017	4,836,736
Profit and total comprehensive income for the year	20,015
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	14,380
Exercise of share options	7,061
Dividends recognised as distribution (Note 10)	(87,298)
At December 31, 2018	4,790,894

34. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at December 31, 2017 and 2018:

Name of subsidiary	Country/ place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i)		Principal activities
			2018	2017	
YY Sports Holdings Limited ("YY Sports") (note i)	BVI	USD1	100%	100%	Investment holding
A-Grade Holdings Limited	BVI	USD9,000	100%	100%	Investment holding
Bao Sheng Dao Ji (Beijing) Trading Company Ltd. 寶盛道吉(北京)貿易有限公司 (note ii)	PRC	USD65,000,000	100%	100%	Retailing of sportswear
Brightup Group Limited	HK	HK$1	100%	100%	Investment holding
Dalian Shengdao Sports Production Development Company Limited# 大連勝道運動產業發展有限公司 (note ii)	PRC	RMB200,000,000	100%	100%	Retailing of sportswear
Dragonlight Group Limited	BVI	USD1	100%	100%	Investment holding
Dragonlight (China) Sporting Goods Co., Ltd.# 龍光(中國)體育用品有限公司 (note ii)	PRC	USD66,000,000	100%	100%	Investment holding
Farsighted International Limited	BVI	USD100	100%	100%	Investment holding
Favour Mark Holdings Limited	HK	HK$19,152,135	100%	100%	Investment holding

34. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Country/ place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) 2018	2017	Principal activities
Fujian Baomin Sporting Goods Co., Ltd. 福建寶閩體育用品有限公司 (note ii)	PRC	USD4,500,000	90%	90%	Retailing of sportswear
Guangzhou Baoyuen Trading Company Limited# 廣州寶元貿易有限公司 (note ii)	PRC	USD23,310,000	100%	100%	Retailing of sportswear
Guizhou Baosheng Sports Goods Company Limited# 貴州寶勝體育用品有限公司(note ii)	PRC	USD10,000,000	100%	100%	Retailing of sportswear
Guizhou Shengdao Sporting Goods Development Company Limited# 貴州勝道體育用品開發有限公司 (note ii)	PRC	RMB70,000,000	100%	100%	Property leasing and management
Harbin Baosheng Sports Goods Company Limited# 哈爾濱寶勝體育用品有限公司 (note ii)	PRC	RMB22,000,000	100%	100%	Retailing of sportswear
Hebei Zhanxin Sports Development Company Limited# 河北展新體育發展有限公司 (note iv)	PRC	RMB18,180,000	100%	100%	Retailing of sportswear
Hefei Baoxun Sports Goods Trading Company Limited# 合肥寶勛體育用品商貿有限公司 (note iv)	PRC	RMB1,000,000	100%	100%	Retailing of sportswear
Hillside Investments Limited	HK	HK$200	100%	100%	Investment holding
Kunshan YYsports E-Commerce Co., Ltd 昆山勝道信息技術有限公司 (note ii)	PRC	USD3,000,000	100%	100%	Retailing of sportswear

34. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Country/ place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) 2018	2017	Principal activities
Kunshan Pouchi Sports Co., Ltd 昆山寶慈體育用品有限公司 (note ii)	PRC	USD13,500,000	100%	100%	Retailing of sportswear
Kunshan Taisong Trading Co., Ltd 昆山泰崧精品貿易有限公司 (note iii)	PRC	USD26,500,000	100%	100%	Distribution of licensed products
Nanning Pou Guan Sporting Goods Company Limited# 南寧寶冠體育用品有限公司 (note ii)	PRC	USD1,300,000	100%	100%	Retailing of sportswear
Pau Yuen Trading Corporation# 寶原興業股份有限公司	Taiwan	NTD50,000,000	90%	90%	Distribution of licenced products
PCG Bros (Holdings) Co. Limited	BVI	USD40,000	82.03%	100%	Investment holding
PCG BROS Sports Management Co. Ltd.# 寶悍運動平台股份有限公司	Taiwan	NTD360,000,000	82.03%	100%	Sports marketing and organisation of sports events
Pou Sheng (China) Investment Co., Ltd. 常勝投資有限公司 (note ii)	PRC	USD152,922,400	100%	100%	Investment holding
Pou Sheng International Sports Development Company Limited	HK	HK$100	100%	100%	Investment holding
Qingdao Pou Sheng International Sporting Goods Company Limited# 青島寶勝國際體育用品有限公司 (note iii)	PRC	RMB20,000,000	72%	72%	Retailing of sportswear
Qujing Shengdao Sports Goods Co., Ltd.# 曲靖勝道體育用品有限公司 (note iv)	PRC	RMB35,000,000	100%	100%	Property leasing and management
Rainbow Faith Investments Limited	HK	HK$200	100%	100%	Investment holding
Richwin Management Limited	BVI	USD1	100%	100%	Investment holding

34. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Country/ place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) 2018	2017	Principal activities
Selangor Gold Limited	BVI	USD1,000	100%	100%	Investment holding
Shaanxi Pousheng Trading Company Ltd 陜西寶勝貿易有限公司 (note ii)	PRC	USD66,000,000	100%	100%	Retailing of sportswear
Shanghai Pouyuen Sports Goods Company Limited# 上海寶原體育用品商貿有限公司 (note ii)	PRC	USD50,000,000	100%	100%	Retailing of sportswear
Shanghai Shengdao Sports Goods Company Limited# 上海勝道體育用品有限公司 (note ii)	PRC	RMB5,100,000	100%	100%	Property leasing and management
Shengdao (Chengdu) Trading Co. Ltd.# 勝道(成都)商貿有限公司 (note ii)	PRC	USD22,400,000	100%	100%	Retailing of sportswear
Sheng Dao (Yangzhou) Sporting Goods Dev. Co., Ltd. 勝道(揚州)體育用品開發有限公司 (note ii)	PRC	USD66,000,000	100%	100%	Investment holding
Shengyang Baoyi Trading Company Limited# 瀋陽寶益貿易有限公司 (note ii)	PRC	RMB40,000,000	100%	100%	Retailing of sportswear
Taicang Shengdao Trading Company Limited# 太倉勝道商貿有限公司 (note ii)	PRC	USD5,000,000	100%	100%	Retailing of sportswear
Taiwan Taisong Trading Co. Ltd.# 台灣泰崧精品企業股份有限公司	Taiwan	NTD30,000,000	100%	100%	Distribution of licensed product
Tianjin Baosheng Sports Goods Company Limited# 天津寶勝體育用品銷售有限公司	PRC	RMB1,000,000	100%	100%	Retailing of sportswear
Treasure Chain International Limited	BVI	USD1	100%	100%	Investment holding

34. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Country/ place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) 2018	2017	Principal activities
Wellmax Business Group Limited	BVI	USD9,000	100%	100%	Investment holding
Winning Team Holdings Limited	BVI	USD1	100%	100%	Investment holding
Wuxi Pouyuen Sports Goods Trading Company Limited# 無錫寶原體育用品商貿有限公司 (note iv)	PRC	RMB1,000,000	100%	100%	Retailing of sportswear
Yue-Shen (Taicang) Footwear Co., Ltd. 裕盛(太倉)鞋業有限公司 (note ii)	PRC	USD17,100,000	100%	100%	Retailing of sportswear
Yue Cheng (Kunshan) Sports Co., Ltd. 裕晟(昆山)體育用品有限公司 (note ii)	PRC	USD14,200,000	100%	100%	Manufacturing of sportswear
Yunnan Shengdao Sports Goods Company Limited# 雲南勝道體育用品有限公司 (note iv)	PRC	RMB262,500,000	100%	100%	Property leasing and management
Zhejiang Yichuan Sports Goods Chain Company Limited# 浙江易川體育用品連鎖有限公司 (note iv)	PRC	RMB164,000,000	100%	100%	Retailing of sportswear

The English names are for information purpose only.

notes:

(i) The Company directly holds the interest in YY Sports. All other interests shown are indirectly held by the Company.

(ii) These entities are wholly-foreign owned enterprises established/operated in the PRC.

(iii) These entities are sino-foreign owned enterprises established/operated in the PRC.

(iv) These entities are wholly-domestic owned enterprises established/operated in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

FINANCIAL SUMMARY

RESULTS

	For the year ended December 31,				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000
Revenue	12,209,056	14,465,564	16,236,384	18,833,313	22,677,375
Profit for the year	39,997	383,135	569,611	415,032	560,894
Attributable to:					
Owners of the Company	28,656	396,592	560,579	394,322	542,888
Non-controlling interests	11,341	(13,457)	9,032	20,710	18,006
	39,997	383,135	569,611	415,032	560,894

ASSETS AND LIABILITIES

	As at December 31,				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000
Total assets	8,277,550	8,626,667	10,043,776	11,470,110	13,237,469
Total liabilities	(2,814,557)	(2,838,937)	(3,910,265)	(5,028,581)	(6,201,932)
	5,462,993	5,787,730	6,133,511	6,441,529	7,035,537
Equity attributable to:					
Owners of the Company	5,372,484	5,742,374	6,103,531	6,390,692	6,867,567
Non-controlling interests	90,509	45,356	29,980	50,837	167,970
	5,462,993	5,787,730	6,133,511	6,441,529	7,035,537

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