益華百貨控股有限公司

Yi Hua Department Store Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2213

Interim Report

2014

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Chen Daren
Mr. Lu Hanxing

Independent non-executive Directors

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 8A, 8th Floor,
Wah Kit Commercial Centre
300-302 Des Voeux Road Central
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

COMPANY SECRETARY

Mr. Tse Wing York, CPA

AUTHORISED REPRESENTATIVES

Mr. Fan Xinpei
Mr. Tse Wing York, CPA

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKS

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

AUDITORS

PricewaterhouseCoopers

INTERNAL CONTROL ADVISER

Baker Tilly Hong Kong Business Services Limited

COMPLIANCE ADVISER

Kingsway Capital Limited

LEGAL ADVISERS TO THE COMPANY

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

STOCK CODE

2213

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "**Board**") of directors (the "**Directors**") of Yi Hua Department Store Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2014.

BUSINESS REVIEW

For the six months ended 30 June 2014, the Group's revenue was approximately RMB351.9 million, representing a slight decline of approximately 2.8% over the same period last year. Gross profit was approximately RMB185.7 million, increased by 4.7% over the same period last year. Operating profit was approximately RMB22.4 million, representing an increase of 23.6% over the same period last year. Profit attributable to shareholders was approximately RMB12.3 million, increased by 13.3% over the same period last year.

Expanding store network

During the period under review, the Group established its second store beyond Guangdong Province at Zhenjiang City, Jiangsu Province, in June 2014. The store has a gross floor area of approximately 29,000 square metres, with a mission to provide modern urban residents with a one-stop shopping experience. By integrating with a wide range of different dining, entertaining and leisure services offered in the shopping mall, it strives towards becoming a main recreational and leisure shopping centre in the region.

Adhering to cost-cutting measures to lower operating costs

The Group continues to adhere to its cost-cutting measures. The Group has implemented initiatives to streamline its manpower in order to keep overall headcount and staff costs under control. In terms of operations, we promote the use of high energy efficiency lights to simultaneously reach the goals of energy saving and environmental conservation. Such cost-cutting measures have lowered our operating costs.

Optimising product mix

The Group always puts great emphasis on product mix, as it is one of the critical factors to the success of a department store. We constantly review our product mix and make appropriate adjustments to our product structure in order to achieve an optimal product mix, aiming at enhancing the Group's profitability in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, a kids-themed park was set up in Shiqi store. The park forms an integral part with the household outlet and the kidswear outlet, turning Shiqi store into a large experiential studio for household living. Moreover, Men's Leather category which previously located on the first floor, was moved up to the third floor and re-categorised as an accessory in Men's Clothing section, forming a new Men's Apparel section. Meanwhile, a kids' rock-climbing centre was opened in Jiangmen store, which seeks to introduce the concept in fashion sports to the shopping mall. In doing so, the age range of the kids' play zone of the shopping mall has been widened from between 1 and 6 to up to 16, reflecting the rejuvenation and vitality of the shopping centre in an explicit way. In addition, Guzhen store was revamped to include a new section, namely Men's Leisure Wear, which together with the Men's Suits section, strengthen its position as the best-selling section for shoppers, mainly among business professionals. And, Qingyuan store underwent expansion and restructuring in the Sports and Leisure section, to keep abreast of the rising trend in spending on sports.

Upgrading computer management system to enhance operational efficiency

To accommodate the Group's strategic development needs, the upgrading of its computer management system was in high gear during the first half this year. After negotiation with a number of domestic and international software suppliers, as well as conducting thorough comparative studies and integrated analysis into the consolidation solutions and costs proposed by those suppliers, we have finally chosen to collaborate with one of them and started building an ERP platform. The alignment of management manuals, business systems and office automation system (OA system) has been performed to boost the working efficiency.

Alleviating the pressure of increasing rental cost by owning properties

Traditionally, the Group developed its department store chain business based on lease arrangements. On the positive side, it enables the Group to establish new stores without the involvement of a large capital investment. However, against the backdrop of rising rent, the Group played an active role in exploring suitable operating premises for acquisition from property developers at prices lower than prevailing market levels. As mentioned in the announcements of the Company dated 24 January 2014 and 31 July 2014, the Company has entered into a framework agreement with an independent third party, whereby the Company acquired an operating premises located at Enping City, Guangdong Province, the PRC, at a price lower than the prevailing market level. At present, we are in the process of finalising the detailed contents of the sale and purchase agreement for the intended acquisition. The Company will publish announcements on the website of The Stock Exchange of Hong Kong Limited in a timely manner should there be further information. Apart from exploring new operating premises, the Group will explore with the owners of its existing operating premises to determine the possibility of acquiring some of them at prices lower than prevailing market levels.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND PROSPECTS

It is anticipated that, during the second half of 2014, the PRC economy will continue to see improvements in the growth of exports and consumption. The economy is expected to undergo reform at a faster pace amid its continual steady growth. Coupled with a basket of favourable factors including but not limited to the enlarging scale of the PRC economy, intensified efforts in urbanisation, the increase in middle-class spending and the gradual relaxation in restricting purchase of residential properties across all cities, further expansion of consumption market can be expected, which in turn will bring sustainable growth momentum to the retail industry. It is worth noting that given the growing population and urbanisation in second- and third-tier cities, the retail markets of these cities are expected to continue to grow, enabling ample development opportunities for department store chain operators focusing only on second- and third-tier cities like us. A store is scheduled to be opened at Enping City, Guangdong Province in the first half of 2015. This new store will benefit from resource sharing through replicating its neighbouring stores, and as a result, its operating costs can effectively be minimised.

Looking forward, we will identify in second- and third-tier cities with potentials and expand our store network in a way that is in the best interests of the Company. Leasing operating premises is not the only path for expansion. On the contrary, we will actively seek opportunities to acquire suitable operating premises at low costs. Riding on the increasing number of commercial complex, we will grasp opportunities and strengthen our efforts to gain higher revenue from the provision of consulting, planning and brand management services, so as to maximise shareholders' returns.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2014, the Group recorded a revenue a approximately RMB351.7 million, representing a slight decrease of approximately RMB10.3 million or 2.8% from approximately RMB362.2 million in the first half of 2013.

The following table sets forth a breakdown of the Group's revenue for the six months ended 30 June 2014 and 2013.

	Six months ended 30 June									
	2014					2013				
	Department store segment RMB'000	Supermarket segment RMB'000	Electrical appliances segment RMB'000	Furniture segment RMB'000	Total RMB'000	Department store segment RMB'000	Supermarket segment RMB'000	Electrical appliances segment RMB'000	Furniture segment RMB'000	Total RMB'000
Direct sales of goods	3,893	127,312	67,846	–	199,051	5,048	134,716	74,942	–	214,706
Commission income from concessionaire sales	102,434	5,793	6,093	–	114,320	101,859	7,139	6,309	–	115,307
Management fee and service income from operations	17,375	6,842	3,411	1,672	29,300	17,113	4,438	3,214	–	24,765
Rental income	2,998	3,081	845	2,340	9,264	4,322	2,097	1,008	–	7,427
	126,700	143,028	78,195	4,012	351,935	128,342	148,390	85,473	–	362,205

Direct sales of goods

For the six months ended 30 June 2014, our revenue from direct sales was approximately RMB199.1 million, representing a decrease of approximately RMB15.7 million or 7.3%, from approximately RMB214.7 million in the first half of 2013.

For the six months ended 30 June 2014, the revenue from direct sales in department store segment, supermarket segment and electrical appliances segment decreased by 22.9%, 5.5% and 9.5%, respectively.

The decrease in revenue from direct sales of the department store segment was mainly attributable to the increase in sales of gold and jewelry products in 2013, resulting from the high speculative demand for those products during the second quarter of 2013.

The decrease in revenue from direct sales of supermarket segment was mainly attributable to the deterioration of the consumption atmosphere which in turn decreased revenue from group purchase.

The decrease in revenue from direct sales of electrical appliances segment was mainly attributable to the gloomy property market which lowered the demand for electrical appliances.

Commission income from concessionaire sales

For the six months ended 30 June 2014, our revenue from concessionaire sales was approximately RMB114.3 million, representing a slight decrease of approximately RMB1.0 million, or 0.9%, from approximately RMB115.3 million in the first half of 2013. The decrease was mainly due to the sales decline in our mature stores of approximately RMB4.7 million, or 4.2% which was partially offset by the contribution of approximately RMB3.7 million from our new stores that were opened in 2013.

Management fee and service income from operations

For the six months ended 30 June 2014, the management fee and service income from operations were approximately RMB29.3 million, representing an increase of approximately RMB4.5 million or approximately 18.3%, from approximately RMB24.8 million in the first half of 2013. The increase was attributable to the contribution of approximately RMB5.6 million from our new stores that were opened in 2013, which was partially offset by the decrease in contribution of approximately RMB1.1 million from the mature stores.

Rental income

For the six months ended 30 June 2014, our revenue from rental income was approximately RMB9.3 million, representing an increase of approximately RMB1.8 million, or 24.7%, from approximately RMB7.4 million in the first half of 2013. The increase was mainly due to contribution from the furniture segment, a new segment that began operation in the second half of 2013.

Gross profit and gross profit margin

For the six months ended 30 June 2014, gross profit were approximately RMB185.7 million, an increase of approximately RMB8.3 million, or 4.7%, from approximately RMB177.4 million in the first half of 2013. The gross profit margin for the six months ended 30 June 2014 and 30 June 2013 was approximately 52.8% and 49.0% respectively, represented an increase of approximately 3.8 percentage points. The increase in gross profit was mainly attributable to the contribution from our new stores that were opened in 2013, and the improvement in the gross profit margin was mainly due to (i) the drop in proportion of low profit margin products as a result of the decline in sales of gold and jewelry products; (ii) the decrease in costs of some products in supermarket segment as a result of the increase in our bargaining power.

Other income

For the six months ended 30 June 2014, other income was approximately RMB16.1 million, an increase of 5,113.6%, or approximately RMB15.8 million, from approximately RMB0.3 million in the first half of 2013. The increase was due to the income derived from provision of management consulting service during the period under review.

For the six months ended 30 June 2014, revenue from provision of management consulting services reached approximately RMB15.8 million (six months ended 30 June 2013: nil). Because of our sound reputation in Guangdong Province and rich supplier resources, we have successfully developed another source of income. During the period under review, we provided planning and consultancy services to some commercial complex operators and received consultancy fees in return. The emergence of numerous commercial complexes in recent years has not only provided us with a golden opportunity to bargain for better commercial terms with our business partners, but also paved the way for a new source of income through provision of planning and consultancy services to those commercial complex operators.

Purchases of and changes in inventories

For the six months ended 30 June 2014, the purchases of and changes in inventories was approximately RMB166.2 million, representing a decrease of approximately RMB18.6 million, or approximately 10%, from approximately RMB184.8 million in the first half of 2013. The decrease in our purchases of and changes in inventories was mainly due to lower costs of some products in supermarket segment as a result of the increase in our bargaining power.

Employee benefit expenses

For the six months ended 30 June 2014, employee benefit expenses were approximately RMB53.6 million, representing an increase of approximately RMB6.4 million, or 13.6%, from approximately RMB47.2 million in the first half of 2013. This increase was mainly due to the increase in the number of employees as a result of the start of operations for our three new stores since mid-2013.

Depreciation and amortisation

For the six months ended 30 June 2014, depreciation and amortisation expenses were approximately RMB12.0 million, representing an increase of approximately RMB2.1 million, or 21.9%, from approximately RMB9.8 million in the first half of 2013. The increase was mainly attributable to the new stores opened in 2013.

Operating lease rental expenses and property management fee

For the six months ended 30 June 2014, operating lease rental expenses and property management fee totalled approximately RMB53.2 million, representing an increase of approximately RMB6.5 million, or 14.0%, from approximately RMB46.7 million in the first half of 2013.

This increase was primarily due to (i) the increase in rental expenses and property management fee attributable to our Zhongshan store; and (ii) the start of our new stores since mid-2013.

Other operating expenses

For the six months ended 30 June 2014, the other operating expenses were approximately RMB61.9 million, representing an increase of approximately RMB5.9 million, or 10.6%, from approximately RMB56.0 million in the first half of 2013. This increase was primarily attributable to (i) the increase in utilities expenses of approximately RMB3.8 million which was mainly related to our new stores that began operation since mid-2013; and (ii) the overall increase in operating expenses such as travel and transportation expenses as a result of opening of new stores in 2013.

Finance income – net

For the six months ended 30 June 2014, we recorded net finance income of approximately RMB0.5 million, compared with approximately RMB0.3 million in the first half of 2013. This was mainly attributable to the increase of approximately RMB0.5 million in bank interest expenses and the decrease in bank interest income of approximately RMB0.3 million.

Liquidity and Financial Resources

As of 30 June 2014, the Group's cash and cash equivalents amounted to approximately RMB105.1 million (31 December 2013: RMB228.2 million). The decline in cash and cash equivalents was mainly due to (i) the payment of a refundable deposit of RMB33 million for the acquisition of a premises located in Enping City, Guangdong Province; and (ii) the increase in RMB59.6 million which was mainly for the pre-payment of equipment and decoration work.

The Group's borrowings from banks as of 30 June 2014 was RMB47 million (31 December 2013: nil).

As of 30 June 2014, the Group's current liabilities exceeded its current assets by RMB77.7 million (31 December 2013: RMB89.8 million). The Group will continue to monitor its liquidity requirements to ensure it has sufficient cash to meet operational needs as well as its liabilities and commitments as and when they are due.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing ratio

As of 30 June 2014, the gearing ratios was 34.0% (31 December 2013: 1.5%). The gearing ratio is calculated as total debts (including borrowings and amounts due to related companies) divided by total equity at the balance sheet dates.

Pledge of assets

As of 30 June 2014, no assets of the Group were pledged to any bank or lender (31 December 2013: nil).

Employees

As at 30 June 2014, the total number of employees for the Group was 1,968 (31 December 2013: 2,176). The Group ensures that all employees are paid competitively within the standard in the market and employees are rewarded on performance-related basis within the framework of the Group's salary, incentives and bonus scheme.

Contingent liabilities

The Group has no significant contingent liabilities as of 30 June 2014.

Foreign exchange exposure

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

USE OF IPO PROCEEDS

Net proceeds from the Company's listing on the HKEX (the "**Listing**") (after deducting underwriting fees and related expenses) amounted to approximately HKD93.7 million, which is intended to be applied in the manner consistent with that set out in the Prospectus, that is, approximately 12% of the net proceeds for the newly opened department store in Yangjiang; approximately 43% and approximately 28% for opening of new department stores in Zhenjiang and Enping respectively; approximately 7% for upgrading our existing information technology systems; and approximately 10% for general working capital.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period from 11 December 2013 (the "**Listing Date**"), being the date on which dealings in the shares of the Company ("**Shares**") first began in The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") to 30 June 2014, net proceeds from the Listing had been applied as follows:

	Amount of Net proceeds allocated HKD'000	Amount of net proceeds utilized during the period from Listing Date to 30 June 2014 HKD'000	Balance as at 30 June 2014 HKD'000
Yangjiang Store	11,244	8,999	2,245
Zhenjiang Store	40,291	32,448	7,843
Enping Store	26,236	–	26,236
Upgrading our computer system	6,559	–	6,559
General working capital purposes	9,370	9,370	–
Total	93,700	50,817	42,883

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2014 (2013: nil).

OTHER INFORMATION

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares.

SHARE OPTION SCHEME

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

The shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the Shares in issue from time to time. The maximum number of shares available for issue under options which may be granted under the Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue immediately following the commencement of dealings in the Shares on the Stock Exchange, being 360,000,000 shares. The total number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the Shares in issue, such further grant shall be subject to separate approval by the Shareholders in general meeting with the relevant grantee and his associates abstaining from voting.

For the six months ended 30 June 2014, no option has been granted or agreed to be granted under the Scheme.

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

As of 30 June 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "**Model Code**") were as follows:

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

OTHER INFORMATION

Notes:

1. The letter "L" denotes long position in the shares, underlying shares and debentures of the Company or any of its associated corporations.

2. Jaguar Asian is wholly-owned by Mr. Chen Daren, a non-executive Director. Mr. Chen Daren is deemed to be interested in the 208,116,000 Shares held by Jaguar Asian under the SFO.

3. These shares are held by EAGLEPASS DEVELOPMENTS LIMITED ("**Eaglepass Developments**"), which is owned as to 15.66% and 84.34% by Mr. Lu Hanxing (non-executive Director) and Gain Profit Management Limited ("**Gain Profit**") respectively. Gain Profit is wholly-owned by Zhongshan Yinglifeng Trading Developments Limited ("**Yinglifeng Developments**"). Yinglifeng Developments is owned as to 66.33%, 9.62%, 9.62%, 4.81%, 4.81% and 4.81% by Mr. Fan Xinpei (exective Director), Mr. Lin Guangzheng (exective Director), Mr. Su Weibing (exective Director), Ms. Wang Guping, Ms. Zhang Rong and Mr. Luo Chengwen respectively. Mr. Fan Xinpei is deemed to be interested in the 61,884,000 Shares held by Eaglepass Developments under the SFO.

Save as disclosed above, as at 30 June 2014, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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

So far as is known to the Directors and the chief executive of the Company, as at 30 June 2014, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

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

Notes:

1. The letter "L" denotes long position in the Shares.

2. Jaguar Asian is wholly owned by Mr. Chen Daren, a non-executive Director. Mr. Chen Daren is deemed to be interested in the 208,116,000 Shares held by Jaguar Asian under the SFO.

3. These shares are held by Eaglepass Developments, which is owned as to 15.66% and 84.34% by Mr. Lu Hanxing (non-executive Director) and Gain Profit respectively. Gain Profit is wholly-owned by Yinglifeng Developments. Yinglifeng Developments is owned as to 66.33%, 9.62%, 9.62%, 4.81%, 4.81% and 4.81% by Mr. Fan Xinpei (executive Director), Mr. Lin Guangzheng (executive Director), Mr. Su Weibing (executive Director), Ms. Wang Guping, Ms. Zhang Rong and Mr. Luo Chengwen respectively. Mr. Fan Xinpei is deemed to be interested in the 61,884,000 Shares held by Eaglepass Developments under the SFO.

Save as disclosed above, as at 30 June 2014, the Directors and the chief executive of the Company were not aware of any other person (other than Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

OTHER INFORMATION

AUDIT COMMITTEE

The audit committee has reviewed the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2014 and discussed the financial related matters with the management of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to enhancing corporate governance and transparency of the Group by applying the principles in the code provisions of the Code on Corporate Governance Practices (the "**Code**") set out in Appendix 14 of Listing Rules on the Stock Exchange. The Company has complied with the code provisions in the Code for the six months ended 30 June 2014.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of practice for carrying out securities transactions by the Directors. After specific enquiry with all members of the Board, the Company confirmed that all Directors have fully complied with the relevant standards stipulated in the Model Code for the six months ended 30 June 2014.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Directors, there is sufficient public float of the Company's shares as required by the Listing Rules.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited Six months ended 30 June **2014** **RMB'000**	 2013 RMB'000
Continuing operations			
Revenue	6	**351,935**	362,205
Other income	7	**16,058**	308
Other gains – net		**1,359**	124
Purchases of and changes in inventories		**(166,229)**	(184,793)
Employee benefit expenses		**(53,578)**	(47,165)
Depreciation and amortisation		**(11,960)**	(9,815)
Operating lease rental expense and property management fee		**(53,200)**	(46,686)
Other operating expenses		**(61,940)**	(56,019)
Operating profit		**22,445**	18,159
Finance income		**561**	1,062
Finance costs		**(1,099)**	(728)
Finance (cost)/income – net		**(538)**	334
Profit before income tax		**21,907**	18,493
Income tax expense	8	**(8,137)**	(7,260)
Profit for the period from continuing operations		**13,770**	11,233
Discontinued operations			
Profit for the period from discontinued operations	9	**–**	875
Profit for the period		**13,770**	12,108
Other comprehensive income for the period		**–**	–
Total comprehensive income for the period		**13,770**	12,108

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited Six months ended 30 June 2014 RMB'000	 2013 RMB'000
Profit attributable to:			
– Owners of the Company		**12,324**	10,879
– Non-controlling interests		**1,446**	1,229
		13,770	12,108
Total comprehensive income attributable to:			
– Owners of the Company		**12,324**	10,879
– Non-controlling interests		**1,446**	1,229
		13,770	12,108
Total profit and comprehensive income for the period attributable to owners of the Company:			
From continuing operations		**12,324**	10,450
From discontinued operations		**–**	429
		12,324	10,879
Earnings per share from continuing and discontinued operations attributable to owners of the Company for the period	11		
Basic and diluted earnings per share (expressed in RMB per share)			
From continuing operations		**0.0342**	0.0387
From discontinued operations		**–**	0.0016
		0.0342	0.0403

The notes on pages 23 to 40 are an integral part of this interim consolidated financial information.

		Unaudited Six months ended 30 June 2014 RMB'000	 2013 RMB'000
Dividends	10	**–**	–

INTERIM CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**203,857**	203,364
Computer software		**705**	725
Deferred income tax assets		**1,332**	1,754
Deferred assets		**2,204**	2,160
Long-term receivable, prepaid rent and rental deposits		**30,276**	26,475
Total non-current assets		**238,374**	234,478
Current assets			
Inventories		**87,425**	98,076
Trade receivables, prepayments and other receivables	13	**157,525**	61,296
Amounts due from related parties		**38,580**	45,801
Restricted cash		**29,342**	25,310
Cash and cash equivalents		**105,074**	228,219
Total current assets		**417,946**	458,702
Total assets		**656,320**	693,180
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	**2,830**	2,830
Other reserves		**114,485**	113,820
Retained earnings		**27,313**	15,654
		144,628	132,304
Non-controlling interests		**2,167**	721
Total equity		**146,795**	133,025

INTERIM CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**6,390**	6,208
Other payables		**7,445**	5,469
Total non-current liabilities		**13,835**	11,677
Current liabilities			
Trade and other payables	15	**289,929**	324,134
Amounts due to related parties		**2,955**	1,990
Deferred revenue		**4,646**	4,744
Advances from customers		**147,797**	208,352
Current income tax liabilities		**3,363**	9,258
Borrowings	16	**47,000**	–
Total current liabilities		**495,690**	548,478
Total liabilities		**509,525**	560,155
Total equity and liabilities		**656,320**	693,180
Net current liabilities		**(77,744)**	(89,776)
Total assets less current liabilities		**160,630**	144,702

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to the owners of the Company					
	Share Capital RMB'000	Other Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014	2,830	113,820	15,654	132,304	721	133,025
Profit and total comprehensive income for the period ended 30 June 2014	–	–	12,324	12,324	1,446	13,770
Appropriation to statutory reserve	–	665	(665)	–	–	–
Total transactions with owners	–	665	(665)	–	–	–
Balance at 30 June 2014	2,830	114,485	27,313	144,628	2,167	146,795
Balance at 1 January 2013	–	22,773	69,044	91,817	(3,128)	88,689
Profit and total comprehensive income for the period ended 30 June 2013	–	–	10,879	10,879	1,229	12,108
Appropriation to statutory reserve	–	1,226	(1,226)	–	–	–
Total transactions with owners	–	1,226	(1,226)	–	–	–
Balance at 30 June 2013	–	23,999	78,697	102,696	(1,899)	100,797

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Cash flows from operating activities		
Cash used in operations	**(46,971)**	(9,617)
Interest received	**561**	1,062
Interest paid	**(1,099)**	(728)
Income tax paid	**(14,032)**	(10,136)
Net cash used in operating activities	**(61,541)**	(19,419)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**20**	30
Purchases of property, plant and equipment and computer software	**(105,302)**	(32,205)
Loans granted to related companies	**–**	(61,260)
Loan repayments received from related companies	**–**	30,300
Net cash used in investing activities	**(105,282)**	(63,135)
Cash flows from financing activities		
Proceeds from borrowings	**47,000**	20,000
Repayments of borrowings	**–**	(15,000)
Loans repayments to related companies	**–**	(450)
Professional expenses paid in connection with the Placing and Public Offer	**(3,322)**	(2,074)
Net cash generated from financing activities	**43,678**	2,476
Net decrease in cash and cash equivalents	**(123,145)**	(80,078)
Cash and cash equivalents at beginning of the period	**228,219**	186,435
Less: cash and cash equivalents included in assets of disposal group classified as held for sale	**–**	(530)
Cash and cash equivalents at end of the period	**105,074**	105,827

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION OF THE GROUP

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

The Company is an investing holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the operations of department stores in the People's Republic of China (the "PRC"). During the six months ended 30 June 2013, the Group was also engaged in property rental management business in the PRC (the "Discontinued Operations", see Note 9).

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

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed interim financial information was approved for issue on 28 August 2014 and has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with HKFRSs.

As at 30 June 2014, the current liabilities of the Group exceeded its current assets by approximately RMB77,744,000 (31 December 2013: RMB89,776,000). This is mainly because the Group has applied a portion of its cash generated from operating activities to finance the capital expenditure relating to its new department stores. Included in the current liabilities were advances from customers, primarily relating to consumption cards issued, amounting to approximately RMB147,797,000 (31 December 2013: RMB208,352,000). The Group has monitored its liquidity position by maintaining good relationship with bankers for sufficient facilities available to finance its daily operations whenever necessary and generating continuously positive cash inflows from operations. The Directors have prepared cash flow projection of the Group for the coming twelve months. Based on the Directors' review of the Group's cash flow projection, taking into account the reasonably possible changes in the operational performance and the banking facilities available, there are sufficient financial resources available to the Group at least in the coming twelve months to meet its liabilities as and when they fall due. Accordingly, the Directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

(a) New and amended standards and interpretations adopted by the Group

The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning on or after 1 January 2014.

Standards/Interpretation	Subject of amendment
Amendment to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Consolidation for investment entities
Amendment to HKAS 36	Recoverable amount disclosures
Amendment to HKAS 39	Novation of derivatives
HK(IFRIC) Interpretation 21	Levies

The adoption of these new and amended standards and interpretations does not have any material effect on the Group's operating results or financial position.

(b) New and amended standards that have been issued and are effective for periods commencing after 1 July 2014 and have not been early adopted by the Group

Standards	Subject of amendment	Effective for accounting periods beginning on or after
Amendment to HKAS 19	Defined benefit plans	1 July 2014
Annual improvements 2012	Annual improvements 2010-2012 cycle	1 July 2014
Annual improvements 2013	Annual improvements 2011-2013 cycle	1 July 2014
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operation	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendment to HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

3. ACCOUNTING POLICIES (CONTINUED)

(b) (CONTINUED)

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

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

4. ESTIMATES

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

5.2 Liquidity risk

Compared to year end, except for a new borrowing of RMB47,000,000 during the period, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation

The Group's financial instruments recognised in the balance sheet are mainly receivables and financial liabilities carried at amortised cost. The fair values of these financial instruments approximate their carrying amounts.

As at 30 June 2014, the Group does not have any financial instruments that are measured at fair value in the interim consolidated balance sheet.

6. SEGMENT INFORMATION

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

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

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

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

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

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

6. SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2014:

	Department store	Supermarket	Electrical appliances	Furniture *(Note a)*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	**126,700**	**143,028**	**78,195**	**4,012**	**351,935**
Segment result – gross profit	**124,042**	**41,622**	**16,282**	**3,760**	**185,706**
Unallocated income – other income and other gains, net					**17,417**
Unallocated cost					**(180,678)**
Operating profit					**22,445**
Finance income					**561**
Finance costs					**(1,099)**
Profit before income tax					**21,907**
Income tax expense					**(8,137)**
Profit for the period from continuing operations					**13,770**
Depreciation and amortisation					**11,960**

6. SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2013:

	Department store RMB'000	Supermarket RMB'000	Electrical appliances RMB'000	Total RMB'000
Segment revenue	128,342	148,390	85,473	362,205
Segment result – gross profit	124,125	35,456	17,831	177,412
Unallocated income – other income and other gains, net				432
Unallocated cost				(159,685)
Operating profit				18,159
Finance income				1,062
Finance costs				(728)
Profit before income tax				18,493
Income tax expense				(7,260)
Profit for the period from continuing operations				11,233
Depreciation and amortisation				9,815

6. SEGMENT INFORMATION (CONTINUED)

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

Entity-wide information

The turnover of the Group for the six months ended 30 June 2014 and 2013 is set out as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Direct sales of goods	**199,051**	214,706
Commission income from concessionaire sales	**114,320**	115,307
Management fee and service income from operations	**29,300**	24,765
Rental income	**9,264**	7,427
	351,935	362,205

7. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Management consulting service fee *(Note a)*	**15,774**	–
Government grants	**284**	308
	16,058	308

Note:

(a) The Group has entered into agreements with three independent shopping mall developers to provide management consulting service regarding the design and promotion for those shopping malls.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current income tax – PRC corporate income tax	**7,534**	9,180
Deferred income tax	**603**	(1,920)
	8,137	7,260

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

Pursuant to the PRC CIT law, the tax rates applicable to group entities incorporated in the PRC for the six months ended 30 June 2014 is 25% (six months ended 30 June 2013: 25%).

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

9. DISCONTINUED OPERATIONS

	Unaudited Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Profit for the period from discontinued operations:		
Attributable to:		
– Owners of the Company	**–**	429
– Non-controlling interests	**–**	446
	–	875

9. DISCONTINUED OPERATIONS (CONTINUED)

Shao Guan Central Plaza Management Limited ("Shaoguan Central Management"), a 49% owned subsidiary, has been classified as discontinued operations since 31 December 2011 following the approval by the board in 2011. On 18 November 2013, the Group disposed of its entire equity interest in Shaoguan Central Management to a third party.

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

	Six months ended 30 June 2013 RMB'000
Revenue	2,227
Expenses	(1,352)
Profit before income tax from discontinued operations	875
Income tax	–
Profit after income tax from discontinues operations	875

(b) The cash flows of Shaoguan Central Management for the six months ended 30 June 2013 are as follows:

	Six months ended 30 June 2013 RMB'000
Cash and cash equivalents at beginning of the period	1,052
Net cash used in operating activities	(1,530)
Net cash generated from financing activities	1,000
Cash and cash equivalents at end of the period	522

10. DIVIDEND

No interim dividend in respect of six months ended 30 June 2014 was proposed by the board of directors.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

11. EARNINGS PER SHARE

(a) Basic

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

The weighted average number of ordinary shares in issue during the period ended 30 June 2013 used in the basic earnings per share calculation is determined on the assumption that an aggregate 270,000,000 shares with par value of HK$0.01 each issued upon the group reorganisation in November 2013 (the "Reorganisation") and the capitalisation issue had been in issue prior to the incorporation of the Company.

(b) Diluted

As there were no potential dilutive ordinary shares during the six months ended 30 June 2014 and 2013, diluted earnings per share was equal to basic earnings per share.

12. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment RMB'000
Six months ended 30 June 2014	
Opening net book amount as at 1 January 2014	203,364
Additions	12,752
Disposals	(322)
Depreciation	(11,937)
Closing net book amount as at 30 June 2014	203,857
Six months ended 30 June 2013	
Opening net book amount as at 1 January 2013	118,730
Additions	32,153
Disposals	(114)
Depreciation	(9,795)
Closing net book amount as at 30 June 2013	140,974

13. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000
Trade receivables	**14,819**	18,111
Prepayments, deposits and other receivables	**172,982**	69,660
	187,801	87,771
Less: non-current portion	**(30,276)**	(26,475)
	157,525	61,296

The majority of the Group's sales are made with cash payment. The balance of trade receivables mainly included management fee and service income from concessionaires and other lessees, the credit terms of which are generally within 30 to 60 days.

As at 30 June 2014 and 31 December 2013, the aging analysis of trade receivables were as follows:

	As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000
Trade receivables, gross		
– Within 2 months	**13,682**	17,374
– Over 2 months	**1,137**	737
	14,819	18,111

14. SHARE CAPITAL

Authorised share capital

	Number of ordinary shares	Nominal value of ordinary shares HK$	Equivalent nominal value of ordinary shares RMB
As at 20 April 2012 (date of incorporation), 1 January 2013 and 30 June 2013	38,000,000	380,000	308,636
Increase in authorised share capital	740,000,000	7,400,000	5,817,880
As at 31 December 2013 and 30 June 2014	778,000,000	7,780,000	6,126,516

Issued share capital

	Number of ordinary shares	Nominal value of ordinary shares HK$	Equivalent nominal value of ordinary shares RMB'000
As at 20 April 2012 (date of incorporation), 1 January 2013 and 30 June 2013	3	0.03	–
Allotment of shares pursuant to the Reorganisation	9,997	99.97	–
Shares issued pursuant to the Placing and Public Offer	90,000,000	900,000	707
Shares issued under capitalisation issue	269,990,000	2,699,900	2,123
As at 31 December 2013 and 30 June 2014	360,000,000	3,600,000	2,830

15 TRADE AND OTHER PAYABLES

	As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000
Trade payables	**71,680**	65,161
Other payables	**225,694**	264,442
	297,374	329,603
Less: non-current portion of other payables	**(7,445)**	(5,469)
	289,929	324,134

As at 30 June 2014 and 31 December 2013, the aging analysis of trade payables were as follows:

	As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000
Trade payables		
– Within 3 months	**65,229**	59,820
– Over 3 months	**6,451**	5,341
	71,680	65,161

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

16. BORROWINGS

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Short-term bank borrowings due within 1 year – unsecured	**47,000**	–

Movements in borrowings is analysed as follows:

	RMB'000
Six months ended 30 June 2014	
Opening amount as at 1 January 2014	–
Proceeds of new borrowings	47,000
Closing amount as at 30 June 2014	47,000
Six months ended 30 June 2013	
Opening amount as at 1 January 2013	15,000
Proceeds of new borrowings	20,000
Repayments of borrowings	(15,000)
Closing amount as at 30 June 2013	20,000

17. CONTINGENCIES

As at 30 June 2014, the Group did not have any significant contingent liabilities (31 December 2013: Nil).

18. COMMITMENTS

(a) Capital commitments

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

	As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000
Property, plant and equipment	**19,410**	10,208

(b) Operating lease commitments

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

	As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000
– Within 1 year	**49,872**	24,131
– 1 to 5 years	**27,555**	24,227
– Over 5 years	**5,372**	34,171
	82,799	82,529

18. COMMITMENTS (CONTINUED)

(b) Operating lease commitments (Continued)

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

	As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000
– Within 1 year	**9,811**	11,866
– 1 to 5 years	**9,908**	15,646
	19,719	27,512

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

19. RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS

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

(a) Rental expenses and property management fee

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Companies controlled by Mr. Chen Daren	**24,429**	21,399
Companies jointly controlled by Mr. Chen Daren and third parties	**3,102**	–
	27,531	21,399

19. RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Purchases of service

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Companies controlled by Mr. Chen Daren	**647**	441

(c) Sales of goods

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Companies controlled by Mr. Chen Daren	**546**	825

(d) Loans to related parties

The movement of loans provided to Guangdong Yihua Group Investment Company Limited ("Yihua Investment") and other companies controlled by Mr. Chen Daren is as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
At beginning of the period	**–**	102,211
Loans advanced	**–**	61,260
Loan repayments received	**–**	(30,300)
Interest received	**–**	(269)
At end of the period	**–**	132,902

19. RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Loans from related parties

The movement of loans obtained from Yihua Investment and other companies controlled by Mr. Chen Daren is as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
At beginning of the period	–	4,546
Loan repayments	–	(450)
Payment on behalf of the Company	–	3,223
At end of the period	–	7,319

(f) Sales of consumption cards

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
A company controlled by Mr. Chen Daren	–	25