Interim Report 2015

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent non-executive Directors

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

COMPANY SECRETARY

Mr. Tse Wing York, CPA

AUTHORISED REPRESENTATIVES

Mr. Fan Xinpei
Mr. Tse Wing York, CPA

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKS

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

Hong Kong:
The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited

AUDITORS

PricewaterhouseCoopers

INTERNAL CONTROL ADVISER

Baker Tilly Hong Kong Business Services Limited

COMPLIANCE ADVISER

Kingsway Capital Limited

LEGAL ADVISERS TO THE COMPANY

As to the PRC law
JunZeJun Law Offices

COMPANY WEBSITE

www.yihua.com.cn

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 2015.

BUSINESS REVIEW

For the six months ended 30 June 2015, the Group's revenue was approximately RMB327.2 million, representing a decline of approximately 11.0% over the same period last year. Gross profit (revenue less purchases of and changes in inventories) was approximately RMB187.5 million, decreased by 6.9% over the same period last year. Operating profit was approximately RMB26.7 million, representing an increase of 18.8% over the same period last year. Profit attributable to shareholders was approximately RMB16.8 million, increased by 36.6% over the same period last year.

Expanding the store network

During the period under review, the Group opened its fourteenth store in Nanlang Town, Zhongshan City, Guangdong Province (referred to below as "**Nanlang Store**") in June 2015. With a gross floor area of approximately 7,400 square metres in total, Nanlang Store is located in a complex in the central business district of Nanlang Town. Catering to customers' needs in the local market, Nanlang Store positions itself as an integrated store with a supermarket as its core business combined with a portion of its area for electrical appliances and clothes. With a commercial gross floor area of approximately 25,500 square metres in total, the complex is equipped with a hotel, a cinema, food and beverage outlets, and more. Together with our store operation, it is a leisure shopping centre with elements of shopping, entertainment, accommodation, as well as food and beverage that is specially created for the region.

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

Last year, the Group took the opportunity to establish a new business section to provide planning, design and consulting services to commercial complex operators by adopting our unique Yi Hua Department Store business model. During the period under review, the Group recorded a total revenue of RMB13.0 million for providing planning, design and consulting services to commercial complex operators.

Commencement of cross-border e-commerce business

As disclosed in the Company's announcement dated 10 August 2015, the Company's first global cross-border merchandise direct sales experience store, located at 3rd Floor, Yihua Plaza, Zhongshan City, Guangdong Province, the People's Republic of China, has officially commenced operation on 9 August 2015. The official opening of the store marks the Company's commencement in full-scale expansion into the cross-border e-commerce sector. Integrating with its physical stores, the Group truly established an online-to-offline (O2O) business model that utilises its full-fledged sales channels and comprehensive online network for the sale of imported goods. Yi Hua's global cross-border merchandise direct sales experience store is the first of its kind in Zhongshan. The area of the store is about 5,000 square metres. It will be opened in two phases and the area of the first phase is about 1,500 square metres.

MANAGEMENT DISCUSSION AND ANALYSIS

Proposed change of company name

As disclosed in the Company's announcement dated 27 July 2015, the board of Directors of the Company proposed to change the English name of the Company from "Yi Hua Department Store Holdings Limited" to "Yi Hua Holdings Limited", and to change the Chinese name from "益華百貨控股有限公司" to "益華控股有限公司". As the Company diversifies its business into different sectors, in order to better reflect the Company's corporate image and identity, the Board considers that the change of company name suits the Company's future development direction better.

The special resolution of the proposed change of company name was approved by the shareholders of the Company at the extraordinary general meeting held on 31 August 2015. The Board is taking all necessary actions to implement such change of name.

OUTLOOK AND PROSPECTS

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

Opening more cross-border merchandise direct sales experience stores

The Company strives to open a few cross-border merchandise direct sales experience stores in the existing stores of the Company in the second half of the Year. The opening of cross-border merchandise direct sales experience store and integrating the O2O business model with cross-border e-commerce platform will become the focus of the Company's retail business in the years ahead. As resolved by the board of Directors of the Company, the Company plans to establish about dozens of cross-border merchandise direct sales experience stores in the next few years. Leveraging on the integration with the O2O business model, the Company will strive to achieve its target of developing cross-border merchandise direct sales experience chain stores.

Identifying property acquisition opportunities to reduce rent burdens

The Group is actively looking for suitable properties at attractive prices for acquisition to mitigate the Company's rental pressures and maximise the overall profits of the Company.

Providing planning, design and consulting services

During the period under review, the provision of planning, design and consulting services brought satisfactory return to the Company. The Company will continue to put more resources in this service and strive to create more income for the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2015, the Group recorded a revenue of approximately RMB327.2 million, representing a decrease of approximately RMB40.5 million or 11.0% from approximately RMB367.7 million in the first half of 2014.

The following table sets forth a breakdown of the Group's revenue for the six months ended 30 June 2015 and 2014.

Six months ended 30 June

	2015						2014					
	Department store segment	Supermarket segment	Electrical appliances segment	Furniture segment	Others	Total	Department store segment	Supermarket segment	Electrical appliances segment	Furniture segment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Direct sales of goods	4,488	115,013	55,398	353	–	175,252	4,167	127,312	67,846	–	–	199,325
Commission income from concessionaire sales	96,680	5,984	4,510	–	–	107,174	102,434	5,793	6,093	–	–	114,320
Management fee and service income from operations	16,253	4,865	2,812	267	–	24,197	17,375	6,842	3,411	1,672	–	29,300
Rental income	3,096	2,889	819	781	–	7,585	2,998	3,081	845	2,340	–	9,264
Consulting service income	–	–	–	–	13,000	13,000	–	–	–	–	15,500	15,500
	120,517	128,751	63,539	1,401	13,000	327,208	126,974	143,028	78,195	4,012	15,500	367,709

Direct sales of goods

For the six months ended 30 June 2015, our revenue from direct sales was approximately RMB175.3 million, representing a decrease of approximately RMB24.1 million or 12.1%, from approximately RMB199.3 million in the first half of 2014.

For the six months ended 30 June 2015, the revenue from direct sales in department store segment, rose by 7.7% while the supermarket segment and electrical appliances segment decreased by 9.7% and 18.3%, respectively.

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

MANAGEMENT DISCUSSION AND ANALYSIS

The decrease in revenue from direct sales of supermarket segment and electrical appliances segment was mainly attributable to the deterioration of the consumption atmosphere and the change of purchase habit from physical store to online.

Commission income from concessionaire sales

For the six months ended 30 June 2015, our revenue from concessionaire sales was approximately RMB107.2 million, representing a decrease of approximately RMB7.1 million, or 6.2%, from approximately RMB114.3 million in the first half of 2014.

Management fee and service income from operations

For the six months ended 30 June 2015, the management fee and service income from operations were approximately RMB24.2 million, representing a decrease of approximately RMB5.1 million or approximately 17.4%, from approximately RMB29.3 million in the first half of 2014. The decrease was mainly due to the general decrease in concessionaire sales.

Rental income

For the six months ended 30 June 2015, our revenue from rental income was approximately RMB7.6 million, representing a decrease of approximately RMB1.7 million, or 18.1%, from approximately RMB9.3 million in the first half of 2014. The decrease was mainly due to the number of tenants for the furniture segment decreased.

Consulting service income

During the period under review, the Group received and recorded an aggregate amount of RMB13.0 million for the consulting service provided, while the consulting service income was RMB15.5 million in the first half of 2014.

Gross profit and gross profit margin

For the six months ended 30 June 2015, gross profit were approximately RMB187.5 million, a decrease of approximately RMB14.0 million, or 6.9%, from approximately RMB201.5 million in the first half of 2014. The gross profit margin for the six months ended 30 June 2015 and 30 June 2014 was approximately 57.3% and 54.8% respectively, represented an increase of approximately 2.5 percentage points.

Other income

For the six months ended 30 June 2015, other income was approximately RMB1.5 million, an increase of 421.8%, or approximately RMB1.2 million, from approximately RMB0.3 million in the first half of 2014. The increase was due to the receipt of government subsidy during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Other gains – net

For the six months ended 30 June 2015, other gains was approximately RMB12.7 million, an increase of 832.3% or approximately RMB11.3 million from approximately RMB1.4 million in the first half of 2014. The significant increase was mainly due to (i) the fair value gain of approximately RMB8.9 million derived from the change in fair value of investment property; and (ii) the property related income of approximately RMB3.7 million in relation to a property arranger service provided.

Purchases of and changes in inventories

For the six months ended 30 June 2015, the purchases of and changes in inventories was approximately RMB139.7 million, representing a decrease of approximately RMB26.5 million, or approximately 15.9%, from approximately RMB166.2 million in the first half of 2014. The decrease was in line with the decrease in direct sales of goods.

Employee benefit expenses

For the six months ended 30 June 2015, employee benefit expenses were approximately RMB49.8 million, representing a decrease of approximately RMB3.8 million, or 7.1%, from approximately RMB53.6 million in the first half of 2014. The decrease was primarily due to the effective cost control measures implemented.

Depreciation and amortisation

For the six months ended 30 June 2015, depreciation and amortisation expenses were approximately RMB13.7 million, representing an increase of approximately RMB1.7 million, or 14.2%, from approximately RMB12.0 million in the first half of 2014. The increase was mainly attributable to the new store located in Zhenjiang City opened in mid-2014.

Operating lease rental expenses and property management fee

For the six months ended 30 June 2015, operating lease rental expenses and property management fee totalled approximately RMB57.4 million, representing an increase of approximately RMB4.2 million, or 7.8%, from approximately RMB53.2 million in the first half of 2014. This increase was primarily due to the organic growth in the rental of the existing stores.

Other operating expenses

For the six months ended 30 June 2015, the other operating expenses were approximately RMB54.1 million, representing a decrease of approximately RMB7.8 million, or 12.6%, from approximately RMB61.9 million in the first half of 2014. This decrease was primarily attributable to (i) the decrease in utilities expenses of approximately RMB6.1 million as a result of the decrease in unit rate of electricity in Jiangmen store and some energy-saving measures implemented; and (ii) the decrease in consumables and advertising and promotion expenses, which was due to less new stores opened in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance cost – net

For the six months ended 30 June 2015, net finance cost were approximately RMB2.5 million, representing an increase of approximately RMB2.0 million, or approximately 378.6%, from approximately RMB0.5 million in the first half of 2014. This was mainly attributable to the increase in bank interest and bond interest as a result of the increase in borrowings.

Profit attributable to owners of the Company

For the six months ended 30 June 2015, profit attributable to owners of the Company was approximately RMB16.8 million, representing an increase of approximately RMB4.5 million, or 36.6%, from approximately RMB12.3 million in the first half of 2014.

Liquidity and Financial Resources

As of 30 June 2015, the Group's cash and cash equivalents amounted to approximately RMB134.2 million (31 December 2014: RMB145.5 million).

The Group's borrowings from banks and bonds payable as of 30 June 2015 was approximately RMB82.0 million and RMB31.1 million, respectively (31 December 2014: RMB77.0 million and RMB19.4 million, respectively).

As of 30 June 2015, the Group's current liabilities exceeded its current assets by RMB170.3 million (31 December 2014: RMB158.2 million). The reasons for the increase in net current liabilities was mainly due to the Group has applied a portion of its cash generated from operating activities and short-term borrowings to finance the acquisition and renovation of its new department stores.

Gearing ratio

As of 30 June 2015, the gearing ratio was 72.0% (31 December 2014: 59.5%). The gearing ratio is calculated as total debts (including borrowings) divided by total equity at the balance sheet dates.

Pledge of assets

As of 30 June 2015, no assets of the Group were pledged to any bank or lender (31 December 2014: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Employees

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 2015.

Foreign exchange exposure

The Group conducted its business operations in the PRC and its revenues and expenses were denominated in RMB. Certain of the Group's bank deposits and bonds are denominated in Hong Kong dollars. Any significant exchange rate fluctuations of Hong Kong dollars against RMB may have financial impacts on the Group. The Group has not used any tools to hedge its foreign currency exposure. However, the Group will from time to time monitor and adjust the strategy based on the exchange rate movement.

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 2015, 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 2015** HKD'000	**Balance as at 30 June 2015** HKD'000
Yangjiang Store	11,244	11,244	–
Zhenjiang Store	40,291	40,291	–
Enping Store	26,236	3,342	22,894
Upgrading our computer system	6,559	2,552	4,007
General working capital purposes	9,370	9,370	–
Total	93,700	66,799	26,901

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

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

OTHER INFORMATION

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

As of 30 June 2015, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code 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. Chen Daren	Jaguar Asian Limited	Beneficial owner	1 (L) *(Note 2)*	100%
Mr. Fan Xinpei	The Company	Beneficial owner and interest in controlled corporation	44,315,332 (L) *(Note 3)*	12.31%
Mr. Lin Guangzheng	The Company	Beneficial owner	4,290,333 (L)	1.19%
Mr. Su Weibing	The Company	Beneficial owner	3,456,333 (L)	0.96%

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 Limited ("**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. 34,504,332 shares and 9,811,000 shares are held by Mr. Fan Xinpei and EAGLEPASS DEVELOPMENTS LIMITED ("**Eaglepass Developments**") respectively, which Eaglepass Developments is owned as to 15.66% and 84.34% by Mr. Lu Hanxing (former non-executive Director) and Gain Profit Management Limited ("**Gain Profit**") respectively. Gain Profit is wholly-owned by Zhongshan Yinglifeng Trading Developments Limited ("**Yinglifeng Developments**"). Yinglifeng Developments is owned as to 66.33%, 9.62%, 9.62%, 4.81%, 4.81% and 4.81% by Mr. Fan Xinpei (executive Director), Mr. Lin Guangzheng (executive Director), Mr. Su Weibing (executive Director), Ms. Wang Guping, Ms. Zhang Rong and Mr. Luo Chengwen respectively. Mr. Fan Xinpei is deemed to be interested in the 9,811,000 Shares held by Eaglepass Developments under the SFO.

Save as disclosed above, as at 30 June 2015, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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 2015, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, 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 of the Company
Jaguar Asian *(Note 2)*	Beneficial owner	208,116,000 (L)	57.81%
Eaglepass Developments *(Note 3)*	Beneficial owner	9,811,000 (L)	2.72%
Gain Profit *(Note 3)*	Interest in controlled corporation	9,811,000 (L)	2.72%
Yinglifeng Developments *(Note 3)*	Interest in controlled corporation	9,811,000 (L)	2.72%
Mr. Fan Xinpei	Beneficial owner	34,504,332 (L)	9.58%

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 (former 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 9,811,000 Shares held by Eaglepass Developments under the SFO.

4. The approximate percentage of shareholding of the Company is calculated on the basis of 360,000,000 shares in issue as at 30 June 2015.

Save as disclosed above, as at 30 June 2015, 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

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

For the six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares.

AUDIT COMMITTEE

The audit committee has reviewed the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2015 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 2015.

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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in 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 2015.

PUBLICATION OF THE INTERIM REPORT

The interim report of the Company will be dispatched to the shareholders and published on the websites of the Company (www.yihua.com.cn) and the Stock Exchange of Hong Kong Limited (www.hkex.com.hk).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited Six months ended 30 June 2015 RMB'000	2014 RMB'000
Revenue	6	**327,208**	367,709
Other income		**1,482**	284
Other gains – net	7	**12,670**	1,359
Purchases of and changes in inventories		**(139,728)**	(166,229)
Employee benefit expenses		**(49,773)**	(53,578)
Depreciation and amortisation		**(13,662)**	(11,960)
Operating lease rental expense and property management fee		**(57,374)**	(53,200)
Other operating expenses		**(54,149)**	(61,940)
Operating profit		**26,674**	22,445
Finance income		**1,171**	561
Finance costs		**(3,746)**	(1,099)
Finance cost – net		**(2,575)**	(538)
Profit before income tax		**24,099**	21,907
Income tax expense	8	**(6,371)**	(8,137)
Profit for the period		**17,728**	13,770

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June **2015** **RMB'000**	 2014 RMB'000
Other comprehensive income for the period			
Items that may be reclassified to profit or loss			
Revaluation gains arising from transfer of property, plant and equipment to investment property, net of tax		**6,058**	–
Total comprehensive income for the period		**23,786**	13,770
Profit attributable to:			
– Owners of the Company		**16,840**	12,324
– Non-controlling interests		**888**	1,446
		17,728	13,770
Total comprehensive income attributable to:			
– Owners of the Company		**22,898**	12,324
– Non-controlling interests		**888**	1,446
		23,786	13,770
Basic and diluted earnings per share for profit attributable to owners of the Company (expressed in RMB per share)	10	**0.0468**	0.0342

	Note	Unaudited Six months ended 30 June **2015** **RMB'000**	 2014 RMB'000
Dividends	9	**–**	–

The notes on pages 22 to 40 are an integral part of this interim consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**242,790**	288,608
Investment property	12	**58,500**	–
Computer software		**759**	793
Deferred income tax assets		**1,613**	1,413
Deferred assets		**1,372**	1,626
Prepayments and other receivables	13	**72,268**	59,718
Amounts due from related parties		**3,403**	3,426
Total non-current assets		**380,705**	355,584
Current assets			
Inventories		**88,387**	92,115
Trade receivables, prepayments and other receivables	13	**97,525**	81,632
Amounts due from related parties		**69,028**	56,223
Restricted cash		**19,925**	25,191
Cash and cash equivalents		**114,290**	120,264
Total current assets		**389,155**	375,425
Total assets		**769,860**	731,009
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	**2,830**	2,830
Other reserves			
– Proposed final dividend		**–**	28,800
– Other reserves		**92,042**	85,283
Retained earnings		**58,584**	42,445
		153,456	159,358
Non-controlling interests		**3,621**	2,733
Total equity		**157,077**	162,091

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	16	**31,050**	19,412
Deferred income tax liabilities		**11,310**	6,490
Other payables	15	**11,002**	9,398
Total non-current liabilities		**53,362**	35,300
Current liabilities			
Trade and other payables	15	**353,705**	338,053
Amounts due to related parties		**2,527**	1,613
Deferred revenue		**4,083**	6,359
Advances from customers		**88,064**	106,349
Current income tax liabilities		**242**	4,244
Dividend payables		**28,800**	–
Borrowings	16	**82,000**	77,000
Total current liabilities		**559,421**	533,618
Total liabilities		**612,783**	568,918
Total equity and liabilities		**769,860**	731,009
Net current liabilities		**(170,266)**	(158,193)
Total assets less current liabilities		**210,439**	197,391

The notes on pages 22 to 40 are an integral part of this interim consolidated financial information.

INTERIM CONDENSED 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 2015	2,830	114,083	42,445	159,358	2,733	162,091
Total comprehensive income for the period ended 30 June 2015	–	6,058	16,840	22,898	888	23,786
Dividend distributed	–	(28,800)	–	(28,800)	–	(28,800)
Appropriation to statutory reserve	–	701	(701)	–	–	–
Total transactions with owners	–	(28,099)	(701)	(28,800)	–	(28,800)
Balance at 30 June 2015	2,830	92,042	58,584	153,456	3,621	157,077
Balance at 1 January 2014	2,830	113,820	15,654	132,304	721	133,025
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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June 2015 RMB'000	 2014 RMB'000
Cash flows from operating activities		
Cash generated from (used in) operations	**11,022**	(46,971)
Interest received	**323**	561
Interest paid	**(3,869)**	(1,099)
Income tax paid	**(4,893)**	(14,032)
Net cash generated from (used in) operating activities	**2,583**	(61,541)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**171**	20
Purchases of property, plant and equipment and computer software	**(25,366)**	(105,302)
Net cash used in investing activities	**(25,195)**	(105,282)
Cash flows from financing activities		
Proceeds from borrowings	**38,638**	47,000
Repayments of borrowings	**(22,000)**	–
Professional expenses paid in connection with the Placing and Public Offer	**–**	(3,322)
Net cash generated from financing activities	**16,638**	43,678
Net decrease in cash and cash equivalents	**(5,974)**	(123,145)
Cash and cash equivalents at beginning of the period	**120,264**	228,219
Cash and cash equivalents at end of the period	**114,290**	105,074

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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**").

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 consolidated interim financial information was approved for issue on 27 August 2015 and has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2015 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 2014, which have been prepared in accordance with HKFRSs.

As at 30 June 2015, the current liabilities of the Group exceeded its current assets by approximately RMB170,266,000 (31 December 2014: RMB158,193,000). 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 RMB88,064,000 (31 December 2014: RMB106,349,000). 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 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 THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2014, as described in those annual financial statements.

(a) New and amended standards adopted by the Group

The following new and amended standards are mandatory for the first time for the financial year beginning on or after 1 January 2015.

Standards/Interpretation	**Subject of amendment**
Amendment to HKAS 19	Defined benefit plans: Employee contribution
Annual improvements 2012	Annual improvements 2010-2012 cycle
Annual improvements 2013	Annual improvements 2011-2013 cycle

The adoption of these new and amended standards 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 on or after 1 January 2016 and have not been early adopted by the Group.

Standards	**Subject of amendment**	**Effective for accounting periods beginning on or after**
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
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to HKAS 27	Equity method in separate financial statements	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendment to HKAS 1	Disclosure initiative	1 January 2016
Annual improvements 2014	Annual improvements 2012-2014 cycle	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2014.

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 2014.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk

Compared to year end, except for new borrowings of RMB38,877,000 during the period, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value, categorised into three different levels within a fair value hierarchy based on the type of input to valuation techniques used to estimate the fair value. The different levels have been defined as follows:

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

As at 30 June 2015 and 31 December 2014, the Group does not have any financial assets or liabilities that are measured at fair value. Please refer to note 12 for disclosure of the investment property that is measured at fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION

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

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

(i) Department store;
(ii) Supermarket;
(iii) Electrical appliances;
(iv) Furniture; and
(v) Others (mainly comprise of consulting service and property investment).

The CODM assesses the performance of the operating segments based on a measure of revenue and profit (revenue less purchases of and changes in inventories, plus fair value gain of investment property when appropriate). 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 condensed consolidated statement of comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2015:

	Department store RMB'000	Supermarket RMB'000	Electrical appliances RMB'000	Furniture RMB'000	Others RMB'000	Total RMB'000
Segment revenue	120,517	128,751	63,539	1,401	13,000	327,208
Segment result	116,789	37,741	18,961	989	21,900	196,380
Unallocated income – other income and other gains, net						5,252
Unallocated cost						(174,958)
Operating profit						26,674
Finance income						1,171
Finance costs						(3,746)
Profit before income tax						24,099
Income tax expense						(6,371)
Profit for the period						17,728
Depreciation and amortisation						13,662

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION (CONTINUED)

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

	Department store RMB'000	Supermarket RMB'000	Electrical appliances RMB'000	Furniture RMB'000	Others RMB'000	Total RMB'000
Segment revenue	126,974	143,028	78,195	4,012	15,500	367,709
Segment result	124,316	41,622	16,282	3,760	15,500	201,480
Unallocated income – other income and other gains, net						1,643
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						13,770
Depreciation and amortisation						11,960

Entity-wide information

The turnover of the Group for the six months ended 30 June 2015 and 2014 is set out as follows:

	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000
Direct sales of goods	**175,252**	199,325
Commission income from concessionaire sales	**107,174**	114,320
Management fee and service income from operations	**24,197**	29,300
Rental income	**7,585**	9,264
Consulting service income	**13,000**	15,500
	327,208	367,709

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. OTHER GAINS – NET

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Fair value gains on investment property	**8,900**	–
Property related income	**3,726**	–
Others	**44**	1,359
	12,670	1,359

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Current income tax – PRC corporate income tax	**3,770**	7,534
Deferred income tax	**2,601**	603
	6,371	8,137

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 2015 is 25% (six months ended 30 June 2014: 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. DIVIDENDS

No interim dividend in respect of six months ended 30 June 2015 (six months ended 30 June 2014: Nil) was proposed by the board of directors.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. 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 2015 and 2014 used in the basic earnings per share calculation is 360,000,000 shares.

(b) Diluted

As there were no potential dilutive ordinary shares during the six months ended 30 June 2015 and 2014, diluted earnings per share was equal to basic earnings per share.

11. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment RMB'000
Six months ended 30 June 2015	
Opening net book amount as at 1 January 2015	288,608
Additions	9,473
Transfer to investment property	(41,523)
Disposals	(132)
Depreciation	(13,636)
Closing net book amount as at 30 June 2015	242,790
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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. INVESTMENT PROPERTY

	Investment property RMB'000
At fair value	
Six months ended 30 June 2015	
Opening net book amount as at 1 January 2015	–
Transfer from property, plant and equipment under construction	41,523
Revaluation gains recognised as other comprehensive income	8,077
Revaluation gains recognised in profit or loss	8,900
Closing net book amount as at 30 June 2015	58,500

(a) Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. As at 30 June 2015, the Group's investment property is a shopping mall being constructed for future use as investment property.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. INVESTMENT PROPERTY (CONTINUED)

(a) (Continued)

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

(i) to the extent that the increase reverses a previous impairment loss for that property, the increase is recognised in profit or loss.

(ii) any remaining part of the increase is recognised in other comprehensive income and increases the revaluation surplus within equity.

(b) Fair value hierarchy

An independent valuation of the Group's investment property was performed by independent, professionally qualified valuers to determine the fair values of the investment property at the day when owner-occupied property became an investment property and as at 30 June 2015.

As at 30 June 2015, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the period.

(c) Valuation processes of the Group

The Group's investment property was revalued on 30 June 2015 by independent and professionally qualified valuers not related to the Group, who hold a relevant recognised professional qualification and have recent experience in the locations and segments of the investment properties valued.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. INVESTMENT PROPERTY (CONTINUED)

(c) Valuation processes of the Group (Continued)

At each reporting date the finance department:

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

Changes in level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the CFC and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

(d) Valuation techniques

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

There were no changes to the valuation techniques during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. INVESTMENT PROPERTY (CONTINUED)

(e) **Information about fair value measurements using significant unobservable inputs (level 3)**

- Term yield, revisionary yield and market rent

  For investment properties under construction, increase in term yield and revisionary yields may result in decrease of fair value. Increase in market rent may result in increase of fair value.

- Budgeted construction costs to be incurred, developer's profit margin and discount rate

  For investment properties under construction, increase in budgeted construction costs to be incurred may result in decrease in fair value. Increase in the developer's profit may result in decrease in fair value. Increase in discount rate may result in lower fair value.

13. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade receivables	**15,131**	17,466
Prepayments, deposits and other receivables	**154,662**	123,884
	169,793	141,350
Less: non-current portion of prepayments and other receivables	**(72,268)**	(59,718)
	97,525	81,632

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

As at 30 June 2015 and 31 December 2014, the aging analysis of trade receivables were as follows:

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade receivables, gross		
– Within 2 months	**14,232**	16,436
– Over 2 months	**899**	1,030
	15,131	17,466

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 31 December 2014 and 30 June 2015	778,000,000	7,780,000	6,126,516

Issued share capital

	Number of ordinary shares	**Nominal value of ordinary shares HK$**	**Equivalent nominal value of ordinary shares RMB'000**
As at 31 December 2014 and 30 June 2015	360,000,000	3,600,000	2,830

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. TRADE AND OTHER PAYABLES

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade payables	**77,047**	68,469
Others payables	**287,660**	278,982
	364,707	347,451
Less: non-current portion of other payables	**(11,002)**	(9,398)
	353,705	338,053

As at 30 June 2015 and 31 December 2014, the aging analysis of trade payables were as follows:

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade payables		
– Within 3 months	**69,158**	61,466
– Over 3 months	**7,889**	7,003
	77,047	68,469

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. BORROWINGS

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Non-current		
Bonds		
– Unsecured	**31,050**	19,412
Current		
Short-term bank borrowings		
– Secured (Note (a))	**82,000**	77,000
Total borrowings	**113,050**	96,412

Movements in borrowings is analysed as follows:

	RMB'000
Six months ended 30 June 2015	
Opening amount as at 1 January 2015	96,412
Proceeds of new borrowings	27,000
Repayments of borrowings	(22,000)
Net proceeds from issue of bonds (Note (b))	11,638
Closing amount as at 30 June 2015	113,050
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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. BORROWINGS (CONTINUED)

(a) The short-term bank borrowings are secured by guarantees given by the Company and subsidiaries within the Group.

(b) On 19 January, 5 February and 19 February 2015, the Company issued 7.0% bond due 19 January, 5 February and 19 February 2018 in the nominal value of HK$15,000,000 (equivalent to RMB11,877,000). The net proceeds after deducting the transaction costs, amounted to RMB11,638,000.

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

17. CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any significant contingent liabilities (31 December 2014: 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 2015 RMB'000	31 December 2014 RMB'000
Property, plant and equipment	**1,398**	1,706

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18. COMMITMENTS (CONTINUED)

(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 2015 RMB'000	31 December 2014 RMB'000
– Within 1 year	**27,238**	67,316
– Between 1 and 5 years	**53,427**	30,117
– Over 5 years	**56,924**	55,481
	137,589	152,914

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

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

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

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
– Within 1 year	**7,251**	10,060
– Between 1 and 5 years	**8,733**	11,467
– Over 5 years	**213**	233
	16,197	21,760

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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	
	2015	2014
	RMB'000	RMB'000
Companies controlled by Mr. Chen Daren	**28,322**	24,429
Companies jointly controlled by Mr. Chen Daren and third parties	**2,292**	3,102
	30,614	27,531

(b) Purchases of service

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Companies controlled by Mr. Chen Daren	**519**	647

(c) Sales of goods

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Companies controlled by Mr. Chen Daren	**1,720**	546

20. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 17 July and 7 August 2015, the Company has completed a subscription of an aggregate of 38,010,000 new shares at a subscription price of HK$2.72 per share and received proceeds of approximately HK$103,387,200 (equivalent to RMB81,613,856).