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益華控股有限公司  
**YI HUA HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2213



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Chen Jianren  
 Mr. Fan Xinpei  
 Mr. Su Weibing  
 Mr. Lin Guangzheng  
 Mr. Chen Zhengtao  
 Mr. Leung Wai Kwan  
 Mr. Wei Chaoling

*(Appointed on 17 July 2017)*

### Non-executive Director

Mr. Chen Daren

### Independent non-executive Directors

Mr. Sun Hong  
 Mr. Xu Yinzhou  
 Ms. Hung Wan Fong, Joanne  
 Ms. Lai Pou Lam, Mina

## 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

Ms. Hung Wan Fong, Joanne (*Chairman*)  
 Mr. Sun Hong  
 Mr. Xu Yinzhou

## REMUNERATION COMMITTEE

Mr. Xu Yinzhou (*Chairman*)  
 Mr. Fan Xinpei  
 Mr. Sun Hong  
 Ms. Hung Wan Fong, Joanne

## NOMINATION COMMITTEE

Mr. Chen Jianren (*Chairman*)  
 Mr. Sun Hong  
 Mr. Xu Yinzhou  
 Ms. Hung Wan Fong, Joanne

## REGISTERED OFFICE

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL BANKS

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

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

## AUDITORS

PricewaterhouseCoopers

## INTERNAL CONTROL ADVISER

Baker Tilly Hong Kong Risk Assurance 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 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 2017.

## BUSINESS REVIEW

For the six months ended 30 June 2017, the Group’s revenue was approximately RMB350.1 million, representing an increase of approximately 21.2% over the same period last year. Gross profit (revenue less purchases of and changes in inventories and constructions of and change in completed properties held for sale) was approximately RMB175.0 million, increased by 12.7% over the same period last year. Operating profit was approximately RMB53.5 million, representing a decrease of 17.4% over the same period last year. Profit attributable to owners of the Company was approximately RMB31.9 million, decreased by 28.6% over the same period last year.

### **Completion of the acquisition of the entire equity interests in Yunfu Tairui Baisheng Real Estate Development Company Limited (“Yunfu Baisheng”)**

On 30 June 2017, the Group completed the acquisition of Yunfu Baisheng, a company principally engaged in real estate development and management. As at the date of completion, Yunfu Baisheng is undertaking two property projects located at Yunfu City, Guangdong Province, the PRC. For the property project A, there are one residential unit, 89 car parking lots and 26 commercial units which are held for sale. For property project B, a total of 553 residential apartments, 526 car parking lots and a shopping complex with a gross floor area of approximately 22,735 square meters are ready for sale and commence operation. The Board is planning to sell all the residential apartments, certain car parking lots and part of the shopping complex. It is estimated that the sales proceeds is sufficient for the settlement of purchase consideration and the outstanding amounts due from Yunfu Baisheng to the vendors and its related companies. After the sales of the residential apartments, certain car parking lots and part of the commercial complex, the remaining areas of the commercial complex will be used for operation of a shopping mall.

### **Expanding Experiential Business**

The Group continued to increase the proportion of entertainment and catering segments such as food and beverage, children’s education and fitness centers in its department stores during the period under review. By introducing more experiential business, the Group has successfully increased the shoppers traffic and boosted the rental income.

## OUTLOOK AND PROSPECTS

Looking forward, we are confident about the long-term prospect of the retail business in China. In order to cope with the ever-changing in retail market, the Group will continue to transform its department store business model into a shopping mall business model.

# MANAGEMENT DISCUSSION AND ANALYSIS

We will upgrade certain stores, increase the area for catering and entertainment tenants. The Group plans to open a shopping mall in Yunfu City, Guangdong Province next year. We will continue to analyze retail trends and develop the strategies to address these trends across all aspects of our business. The Group remains positive about its business operations in China and is excited by many new business opportunities available at the moment.

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2017, the Group recorded a revenue of approximately RMB350.1 million, representing an increase of approximately RMB61.3 million or 21.2% from approximately RMB288.8 million in the first half of 2016.

The following table sets forth a breakdown of the Group's revenue for the six months ended 30 June 2017 and 2016.

	Six months ended 30 June													
	2017							2016						
	Department store segment	Supermarket segment	Electrical appliances segment	Furniture segment	Consulting service	Property investment segment	Property development segment	Total	Department store segment	Supermarket segment	Electrical appliances segment	Furniture segment	Consulting service	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	RMB'000	RMB'000	RMB'000
Direct sales of goods	146	89,743	27,396	51	-	-	-	117,336	1,401	115,075	43,310	-	-	159,786
Commission income from concessionaire sales	77,750	5,187	3,482	-	-	-	-	86,419	82,694	5,400	4,158	-	-	92,252
Management fee and service income from operations	16,156	4,327	1,919	185	-	-	-	22,587	16,811	4,526	1,917	172	-	23,426
Rental income	15,336	3,741	335	934	-	954	-	21,300	7,534	3,376	533	724	-	12,167
Consulting service income	-	-	-	-	6,663	-	-	6,663	-	-	-	-	1,179	1,179
Sales of properties	-	-	-	-	-	-	95,806	95,806	-	-	-	-	-	-
	109,388	102,998	33,132	1,170	6,663	954	95,806	350,111	108,440	128,377	49,918	896	1,179	288,810

### Direct sales of goods

For the six months ended 30 June 2017, our revenue from direct sales was approximately RMB117.3 million, representing a decrease of approximately RMB42.5 million or 26.6%, from approximately RMB159.8 million in the first half of 2016. The decrease was mainly attributable to the decrease in sales of electrical appliances segment and supermarket segment as a result of change in purchasing habit from in-store to online.

### Commission income from concessionaire sales

For the six months ended 30 June 2017, our revenue from concessionaire sales was approximately RMB86.5 million, representing a decrease of approximately RMB5.8 million, or 6.3%, from approximately RMB92.3 million in the first half of 2016.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Management fee and service income from operations**

For the six months ended 30 June 2017, the management fee and service income from operations were approximately RMB22.6 million, representing a decrease of approximately RMB0.8 million or approximately 3.4%, from approximately RMB23.4 million in the first half of 2016.

## **Rental income**

For the six months ended 30 June 2017, our revenue from rental income was approximately RMB21.3 million, representing an increase of approximately RMB9.1 million, or 74.6%, from approximately RMB12.2 million in the first half of 2016. The increase was mainly due to the shift of more areas from concessionaire to leasing and the contribution of investment properties.

## **Consulting service income**

For the six months ended 30 June 2017, the Group recorded an aggregate amount of approximately RMB6.7 million for the consulting service provided, while the consulting service income was RMB1.2 million in the first half of 2016.

## **Gross profit and gross profit margin**

For the six months ended 30 June 2017, gross profit was approximately RMB175.0 million, an increase of approximately RMB19.7 million, or 12.7%, from approximately RMB155.3 million in the first half of 2016. The gross profit margin for the six months ended 30 June 2017 and 30 June 2016 was approximately 50.0% and 53.8% respectively, representing a decrease of approximately 3.8 percentage points. The increase in gross profit was mainly due to the sales recognition of property under development.

## **Other income**

For the six months ended 30 June 2017, other income was approximately RMB0.2 million, while the other income was approximately RMB1.6 million in the first half of 2016. The amount represents the one-off government grant received or receivable and amortisation of government grant related to assets.

## **The gain from bargain purchase**

For the period ended 30 June 2017, the gain from bargain purchase was derived from the acquisition of Yunfu Baisheng. The amount represents the total identifiable net assets of Yunfu Baisheng exceeds its fair value of purchase consideration, details are set out in note 7 of the financial information to this interim report.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Other losses – net**

For the six months ended 30 June 2017, other losses was approximately RMB11.4 million, an increase of 5,600% or approximately RMB11.2 million from approximately RMB0.2 million in the first half of 2016. The significant increase was mainly due to the one-off compensation derived from the closure of a community store and the penalty for being late delivery of properties.

## **Purchases of and changes in inventories**

For the six months ended 30 June 2017, the purchases of and changes in inventories was approximately RMB101.6 million, representing a decrease of approximately RMB31.9 million, or approximately 23.9%, from approximately RMB133.5 million in the first half of 2016.

## **Employee benefit expenses**

For the six months ended 30 June 2017, employee benefit expenses were approximately RMB46.9 million, representing a decrease of approximately RMB5.9 million, or 11.2%, from approximately RMB52.8 million in the first half of 2016.

## **Depreciation and amortisation**

For the six months ended 30 June 2017, depreciation and amortisation expenses were approximately RMB13.3 million, representing a decrease of approximately RMB0.7 million, or 5.0%, from approximately RMB14.0 million in the first half of 2016.

## **Operating lease rental expenses and property management fee**

For the six months ended 30 June 2017, operating lease rental expenses and property management fee totalled approximately RMB63.4 million, representing an increase of approximately RMB0.9 million, or 1.4%, from approximately RMB62.5 million in the first half of 2016.

## **Other operating expenses**

For the six months ended 30 June 2017, the other operating expenses were approximately RMB56.9 million, representing an increase of approximately RMB4.0 million, or 7.6%, from approximately RMB52.9 million in the first half of 2016.

## **Finance expenses – net**

For the six months ended 30 June 2017, we recorded net finance expenses of approximately RMB12.2 million, representing an increase of approximately RMB10.1 million, or approximately 481.0%, from approximately RMB2.1 million in the first half of 2016. This was mainly attributable to the increase in borrowings.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Share of loss of an associate**

The amount represents the loss of an associate shared by the Group. For the six months ended 30 June 2017, the development of the game consoles is on schedule and the game consoles are estimated to be sold in the market in the third quarter 2018.

## **Profit attributable to owners of the Company**

For the six months ended 30 June 2017, profit attributable to owners of the Company was approximately RMB31.9 million, representing a decrease of approximately RMB12.8 million, or 28.6%, from approximately RMB44.7 million in the first half of 2016.

## **Liquidity and Financial Resources**

As of 30 June 2017, the Group's cash and cash equivalents and near cash instruments (included restricted cash and term deposits) amounted to approximately RMB239.0 million (31 December 2016: RMB202.6 million). The outstanding borrowings and bonds payable of the Group as of 30 June 2017 was approximately RMB497.3 million and RMB69.9 million, respectively (31 December 2016: RMB445.5 million and RMB50.1 million, respectively).

As of 30 June 2017, the Group's current liabilities exceeded its current assets by RMB220.5 million (31 December 2016: RMB156.1 million). This is mainly because the Group applied its cash generated from operating activities and short-term borrowings to finance the operation and renovation of department stores, the payments of developments costs for an associate of the Group, and the acquisition and payments of construction costs for the acquired investment properties and properties under development.

## **Gearing ratio**

As of 30 June 2017, the gearing ratio was 86.0% (31 December 2016: 80.6%). The gearing ratio is calculated as total liabilities divided by total assets at the balance sheet dates.

## **Pledge of assets**

As of 30 June 2017, certain investment properties and properties under development of the Group with an aggregate carrying amount of RMB439.2 million (31 December 2016: RMB515.5 million) were pledged as collateral for Group's borrowings.



# 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**

On 5 September 2016, the Company provided a financial guarantee in favour of a supplier (“**Supplier**”) of an associate company of the Group (“**Associate Company**”). Pursuant to which the Company agreed to guarantee in favour of the Supplier, in proportion to the equity interests in the Associate Company held by the Group, certain payment obligations of the Associate Company under an agreement entered into by the Associate Company and the Supplier on the same day, with a maximum of US\$10.0 million (equivalent to approximately RMB67.7 million).

As at 30 June 2017, a provision of RMB2,855,000 for a legal claim is made, details are set out in Note 7.1(c) of the financial information to this interim report.

## **Foreign exchange exposure**

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

## **Material Acquisition, Disposal and Significant Investment**

During the period under review, the Group acquired the entire equity interests in Yunfu Baisheng with a consideration of RMB71 million in maximum, including a contingent cash consideration of RMB20 million. Details of the acquisition are set out in the announcement of the Company dated 28 June 2017.

Save as disclosed above, the Group did not have any other significant investments and disposals during the period ended 30 June 2017.

## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

## OTHER INFORMATION

### 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 on The Stock Exchange of Hong Kong Limited (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 36,000,000 shares. The total number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the Shares in issue, such further grant shall be subject to separate approval by the Shareholders in general meeting with the relevant grantee and his associates abstaining from voting.

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the offer date which must be a business day for trading of securities on the Stock Exchange (“**Business Day**”); (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Business Days immediately preceding the offer date; and (iii) the nominal value of a Share. HK\$1.00 is payable by the grantee to the Company on acceptance of the offer of the option. The period within which the Shares must be taken up under an option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

For the six months ended 30 June 2017, 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 2017, 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 share	Approximate percentage of shareholding
Mr. Chen Daren	The Company	Interest in controlled corporation	536,348,332 (L) (Note 2)	53.86%
Mr. Fan Xinpei	The Company	Beneficial owner/ Interest in controlled corporation	88,137,680 (L) (Note 3)	8.85%
Mr. Lin Guangzheng	The Company	Beneficial owner	10,725,832 (L)	1.08%
Mr. Su Weibing	The Company	Beneficial owner	8,640,832 (L)	0.87%
Mr. Chen Daren	Jaguar Asian Limited (“ <b>Jaguar Asian</b> ”)	Beneficial owner	1 (L) (Note 2)	100%

## 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. As such, Mr. Chen Daren is deemed to be interested in the 536,348,332 Shares held by Jaguar Asian under the SFO.
3. 88,112,680 Shares and 25,000 Shares were held directly by Mr. Fan Xinpei (an executive director) and EAGLEPASS DEVELOPMENTS LIMITED (“**Eaglepass Developments**”), respectively. Eaglepass Developments is owned as to 15.66% and 84.34% by Mr. Lu Hanxing (a former non-executive Director) and Gain Profit Management Limited (“**Gain Profit**”), respectively. Gain Profit is wholly-owned by Zhongshan Yinglifeng Trading Developments Limited which is in turn owned as to 66.33% by Mr. Fan Xinpei, 9.62% by Mr. Lin Guangzheng (an executive Director), 9.62% by Mr. Su Weibing (an executive Director), 4.81% by a member of the senior management of the Company, and an aggregate of 9.62% by two independent third parties. As such, Mr. Fan Xinpei is deemed to be interested in the 25,000 Shares held by Eaglepass Developments under the SFO.

Save as disclosed above, as at 30 June 2017, 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

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

So far as is known to the Directors, as at 30 June 2017, 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:

<b>Name of Shareholders</b>	<b>Nature of interest</b>	<b>Number of share held</b> <i>(Note 1)</i>	<b>Approximate percentage of shareholding</b> <i>(Note 2)</i>
Jaguar Asian Limited	Beneficial owner	536,348,332 (L)	53.86%
Gold-Face Finance Limited <i>(Note 3)</i>	Person having a security interest in shares	236,221,500 (L)	23.72%
Good Profit Development Ltd. <i>(Note 3)</i>	Interest in controlled corporation/Person having a security interest in shares	236,221,500 (L)	23.72%
Good Foundation Co. Ltd. <i>(Note 3)</i>	Interest in controlled corporation/Person having a security interest in shares	236,221,500 (L)	23.72%
Upbest Strategic Co. Ltd. <i>(Note 3)</i>	Interest in controlled corporation/Person having a security interest in shares	236,221,500 (L)	23.72%
Upbest Financial Holdings Limited <i>(Note 3)</i>	Interest in controlled corporation/Person having a security interest in shares	236,221,500 (L)	23.72%
Upbest Group Limited <i>(Note 3)</i>	Interest in controlled corporation/Person having a security interest in shares	236,221,500 (L)	23.72%

## OTHER INFORMATION

Name of Shareholders	Nature of interest	Number of share held <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 2)</i>
CCAA Group Limited <i>(Note 3)</i>	Interest in controlled corporation/Person having a security interest in shares	236,221,500 (L)	23.72%
Cheng Kai Ming, Charles <i>(Note 3)</i>	Beneficiary of a trust (other than a discretionary interest)	236,221,500 (L)	23.72%
Cheng Wai Ling, Annie <i>(Note 3)</i>	Beneficiary of a trust (other than a discretionary interest)	236,221,500 (L)	23.72%
Cheng Wai Lun, Andrew <i>(Note 3)</i>	Beneficiary of a trust (other than a discretionary interest)	236,221,500 (L)	23.72%

*Notes:*

1. The letter “L” denotes long position in the Shares.
2. The approximate percentage of shareholding is calculated based on 995,807,110 Shares in issue as at 30 June 2017.
3. According to the disclosure of interests forms of substantial Shareholders filed on 18 December 2015, Gold-Face Finance Limited is wholly-owned by Good Profit Development Ltd., which is in turn owned as to 50% and 50% by Good Foundation Co. Ltd. and Upbest Strategic Co. Ltd., respectively. Each of Good Foundation Co. Ltd. and Upbest Strategic Co. Ltd. is wholly-owned by Upbest Financial Holdings Limited, which is in turn wholly-owned by Upbest Group Limited. Upbest Group Limited is owned as to 73.65% by CCAA Group Limited, a trust of which Cheng Kai Ming, Charles, Cheng Wai Ling, Annie and Cheng Wai Lun, Andrew are beneficiaries.

Save as disclosed above, so far as is known to the Directors, as at 30 June 2017, no other persons had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## OTHER INFORMATION

Mr. Chen Daren is the sole director of Jaguar Asian Limited. Save as disclosed above, as at 30 June 2017, none of the Directors held any directorship or had any employment in a company which has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

For the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares.

### 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.

### AUDIT COMMITTEE

The audit committee has reviewed the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2017 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 the Listing Rules. The Company has complied with the code provisions in the Code for the six months ended 30 June 2017.

### 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 2017.

### CHANGES IN THE INFORMATION OF DIRECTORS

Mr. Wei Chaoling has been appointed as an Executive Director with effect from 17 July 2017.

### 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](http://www.yihua.com.cn)) and the Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) in due course.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
	Note	2017 RMB'000	2016 RMB'000
Revenue	6	350,111	288,810
Other income		204	1,551
Gain from bargain purchase	7	70,065	32,557
Fair value gain on investment properties		–	57,660
Other losses – net		(11,381)	(206)
Purchases of and changes in inventories		(101,634)	(133,527)
Constructions of and changes in completed properties held for sale		(73,443)	–
Employee benefit expenses		(46,889)	(52,753)
Depreciation and amortisation		(13,257)	(13,977)
Operating lease rental expense and property management fee		(63,420)	(62,487)
Other operating expenses		(56,877)	(52,875)
<b>Operating profit</b>		<b>53,479</b>	64,753
Finance income		5,347	1,661
Finance expenses		(17,538)	(3,719)
<b>Finance expenses – net</b>		<b>(12,191)</b>	(2,058)
Share of loss of an associate	8	(5,783)	–
<b>Profit before income tax</b>		<b>35,505</b>	62,695
Income tax expense	9	(2,794)	(17,459)
<b>Profit for the period</b>		<b>32,711</b>	45,236
<b>Other comprehensive income for the period</b>		<b>–</b>	<b>–</b>
<b>Total comprehensive income for the period</b>		<b>32,711</b>	45,236



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
	Note	2017 RMB'000	2016 RMB'000
<b>Profit attributable to:</b>			
– Owners of the Company		31,909	44,670
– Non-controlling interests		802	566
		<b>32,711</b>	45,236
<b>Total comprehensive income attributable to:</b>			
– Owners of the Company		31,909	44,670
– Non-controlling interests		802	566
		<b>32,711</b>	45,236
<b>Basic and diluted earnings per share for profit attributable to owners of the Company (expressed in RMB per share)</b>			
	11	<b>0.0320</b>	0.0449

The notes on pages 22 to 52 form an integral part of this interim consolidated financial information.

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	<b>Unaudited 30 June 2017 RMB'000</b>	Audited 31 December 2016 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	<b>181,128</b>	175,470
Investment properties	13	<b>678,832</b>	496,235
Computer software		<b>2,456</b>	2,249
Investment in an associate	8	<b>7,227</b>	13,010
Deferred income tax assets		<b>2,302</b>	3,319
Deferred assets		<b>2,320</b>	2,138
Prepayments and other receivables	14	<b>64,226</b>	68,235
Amounts due from related parties		<b>1,378</b>	1,386
Restricted cash		<b>11,000</b>	–
Term deposits		<b>43,490</b>	29,968
<b>Total non-current assets</b>		<b>994,359</b>	792,010
<b>Current assets</b>			
Properties under development		<b>447,725</b>	376,872
Completed properties held for sale		<b>232,572</b>	–
Inventories		<b>48,671</b>	59,344
Trade receivables, prepayments and other receivables	14	<b>107,211</b>	89,902
Tax prepayments		<b>32,312</b>	12,739
Amounts due from related parties		<b>103,907</b>	61,389
Restricted cash		<b>85,201</b>	32,437
Term deposits		–	10
Cash and cash equivalents		<b>99,262</b>	140,157
<b>Total current assets</b>		<b>1,156,861</b>	772,850
<b>Total assets</b>		<b>2,151,220</b>	1,564,860
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	15	<b>3,925</b>	3,925
Other reserves		<b>126,554</b>	159,577
Retained earnings		<b>165,800</b>	133,899
		<b>296,279</b>	297,401
Non-controlling interests		<b>6,269</b>	5,467
<b>Total equity</b>		<b>302,548</b>	302,868

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

Notes	<b>Unaudited 30 June 2017 RMB'000</b>	Audited 31 December 2016 RMB'000
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	17	154,907
Deferred income tax liabilities		166,792
Deferred revenue		147,260
Other payables	16	1,513
		61,699
<b>Total non-current liabilities</b>		<b>471,337</b>
<b>Current liabilities</b>		
Trade and other payables	16	561,940
Amounts due to related parties		327,333
Dividend payable		1,469
Deferred revenue		33,031
Advances from customers		2,648
Deposits received on sale of properties		5,157
Current income tax liabilities		93,485
Borrowings	17	268,757
		137,633
		3,767
		6,904
		412,238
<b>Total current liabilities</b>		<b>1,377,335</b>
<b>Total liabilities</b>		<b>1,848,672</b>
<b>Total equity and liabilities</b>		<b>2,151,220</b>
		1,261,992
		1,564,860

The notes on pages 22 to 52 form 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					Non- controlling interests	Total equity
	Share capital	Other reserves	Retained earnings	Total	RMB'000		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2017</b>	<b>3,925</b>	<b>159,577</b>	<b>133,899</b>	<b>297,401</b>	<b>5,467</b>	<b>302,868</b>	
<b>Total comprehensive income for the period ended 30 June 2017</b>	-	-	<b>31,909</b>	<b>31,909</b>	<b>802</b>	<b>32,711</b>	
<b>Total transactions with owners, recognised directly in equity</b>							
Appropriation to statutory reserve	-	<b>8</b>	<b>(8)</b>	-	-	-	
Dividend distributed	-	<b>(33,031)</b>	-	<b>(33,031)</b>	-	<b>(33,031)</b>	
<b>Total transactions with owners, recognised directly in equity</b>	-	<b>(33,023)</b>	<b>(8)</b>	<b>(33,031)</b>	-	<b>(33,031)</b>	
<b>Balance at 30 June 2017</b>	<b>3,925</b>	<b>126,554</b>	<b>165,800</b>	<b>296,279</b>	<b>6,269</b>	<b>302,548</b>	
<b>Balance at 1 January 2016</b>	<b>3,840</b>	<b>174,863</b>	<b>61,164</b>	<b>239,867</b>	<b>4,094</b>	<b>243,961</b>	
<b>Total comprehensive income for the period ended 30 June 2016</b>	-	-	<b>44,670</b>	<b>44,670</b>	<b>566</b>	<b>45,236</b>	
<b>Total transactions with owners, recognised directly in equity</b>							
Capital injection from non-controlling shareholders	-	-	-	-	<b>650</b>	<b>650</b>	
Appropriation to statutory reserve	-	<b>196</b>	<b>(196)</b>	-	-	-	
Dividend distributed	-	<b>(14,234)</b>	-	<b>(14,234)</b>	-	<b>(14,234)</b>	
<b>Total transactions with owners, recognised directly in equity</b>	-	<b>(14,038)</b>	<b>(196)</b>	<b>(14,234)</b>	<b>650</b>	<b>(13,584)</b>	
<b>Balance at 30 June 2016</b>	<b>3,840</b>	<b>160,825</b>	<b>105,638</b>	<b>270,303</b>	<b>5,310</b>	<b>275,613</b>	

The notes on pages 22 to 52 form an integral part of this interim consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from/(used in) operations	30,140	(13,852)
Interest received	638	815
Interest paid	(21,367)	(3,575)
Income tax paid	(5,390)	(4,455)
<b>Cash flows from operating activities - net</b>	<b>4,021</b>	<b>(21,067)</b>
<b>Cash flows from investing activities</b>		
Acquisition of a subsidiary, net of cash acquired	38,274	12,520
Proceeds from disposal of property, plant and equipment	311	357
Receipt of government grants	–	901
Advance received from disposal of available-for-sale financial assets	–	10,000
Purchases of property, plant and equipment and computer software	(7,666)	(8,437)
Payment for construction costs of investment properties	(23,821)	–
Payments for Development Projects incurred by an associate of the Group	(25,117)	–
Repayments for Development Projects incurred by an associate of the Group	11,000	–
Payment for an acquisition	(8,648)	–
Increase in term deposits	(13,512)	–
<b>Cash flows from investing activities - net</b>	<b>(29,179)</b>	<b>15,341</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
<b>Cash flows from financing activities</b>		
Capital injection from non-controlling shareholders	–	650
Proceeds from borrowings	<b>137,381</b>	150,913
Repayments of advance from a third party	–	(34,414)
Repayments of borrowings	<b>(102,103)</b>	(67,000)
Increase in restricted cash	<b>(50,200)</b>	–
<b>Cash flows from financing activities - net</b>	<b>(14,922)</b>	50,149
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(40,080)</b>	44,423
Cash and cash equivalents at beginning of the period	<b>140,157</b>	120,459
Exchange (losses)/gains on cash and cash equivalents	<b>(815)</b>	630
<b>Cash and cash equivalents at end of the period</b>	<b>99,262</b>	165,512

The notes on pages 22 to 52 form an integral part of this interim consolidated financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION OF THE GROUP

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

The Company is an investing holding company. The Group is principally engaged in the operations of department stores in the People’s Republic of China (the “PRC”). Following various acquisitions in 2015, 2016 and 2017, the Group has also expanded its business operations into property investment and property development business.

The Company has been listed 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 30 August 2017 and has not been audited.

### **Significant events and transactions**

The operational highlight during the period was the acquisition of Yunfu Tairui Baisheng Real Estate Development Co., Ltd. (“Yunfu Baisheng”). Further details are given in Note 7. As a result of this acquisition, there were significant additions of investment properties, properties under development and provision for a legal claim.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 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 2016, which have been prepared in accordance with HKFRSs.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 2 BASIS OF PREPARATION (CONTINUED)

As at 30 June 2017, the current liabilities of the Group exceeded its current assets by approximately RMB220,474,000 (31 December 2016: RMB156,100,000). This is mainly because the Group applied its cash generated from operating activities and short-term borrowings to finance the operation and renovation of department stores, the payments of developments costs for an associate of the Group, and the acquisition and payments of construction costs for the acquired investment properties and properties under development. Included in the current liabilities were advances from customers, primarily relating to consumption cards issued, which would not result in future cash outflows amounting to approximately RMB93,485,000 (31 December 2016: RMB112,759,000). As at 30 June 2017, total borrowings of the Group amounted to RMB567,145,000 (31 December 2016: RMB495,604,000), of which RMB412,238,000 (31 December 2016: RMB328,812,000) are due for repayment in the coming twelve months; while the Group's cash and cash equivalents amounted to RMB99,262,000 (31 December 2016: RMB140,157,000).

An associate of the Group has entered into a semi-custom development agreement with a supplier for the provision of technical services with regard to a chip development and platform project ("Development Projects"). Payments of US\$14,480,000 (equivalent to RMB98,093,000) will be made to the supplier if certain relevant development milestones could be reached in the coming twelve months. In addition, as disclosed in Note 18(a), the Group has provided financial guarantees to this supplier to the extent of US\$10,000,000 (equivalent to RMB67,744,000) for the outstanding obligations owed by the associate to the supplier.

The capital expenditure of the Group contracted for but not yet incurred as at 30 June 2017 amounted to RMB227,632,000, including construction costs for property, plant and equipment and investment properties and properties under development (Note 20(a)).

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

- (i) The Group is implementing various cost control measures to improve the operating performance of the department store business. In addition, with the acquisition of the investment property and property development projects during the year, it is expected that there will be cash inflows from the leasing of the investment properties and sales of properties in the coming twelve months.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 2 BASIS OF PREPARATION (CONTINUED)

- (ii) The Group leased certain properties from companies controlled by Mr. Chen Daren, a director of the Company or companies jointly controlled by Mr. Chen Daren (the “Landlords”) under certain non-cancellable operating lease agreements with future lease payments payable in the coming twelve months amounting to approximately RMB60,843,000. On 24 March 2017, the Landlords provided undertakings to the Group and agreed that the Group can delay the payments of the rental expenses and property management fees for the year 2017 until the Group has adequate financial resources to repay.
- (iii) The Group maintains continuous communication with its bankers for renewal of its certain existing bank loans upon their maturities. The Directors are of the opinion that these bank loans can be renewed when their current terms expire.
- (iv) The Directors have assessed the available sources of financing and funding for the Group and considered that certain of the Group’s investment properties and properties, plant and equipment, which are free from any encumbrances, could be pledged to provide additional financial resources for the Group when needed.

The Directors have reviewed the Group’s cash flow projection for the coming twelve months. The Directors are of the opinion that, taking into account the Group’s anticipated cash flows generated from the Group’s operations as well as the possible changes in its operating performance, successful renewal of its bank loans upon expiry, continuous availability of banking facilities; and the additional financing to be obtained as and when needed, the Group will have sufficient financial resources to meet its financial liabilities as and when they fall due in the coming twelve months. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

## 3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3 ACCOUNTING POLICIES (CONTINUED)

### (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 2017.

Standards/Interpretation	Subject of amendment
Amendments to HKAS 12	Income taxes
Amendments to HKAS 7	Statement of cash flows
Amendments to HKFRS 12	Disclosure of interest in other entities

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 2018 and have not been early adopted by the Group

Standards	Subject of amendment	Effective for accounting periods beginning on or after
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
Amendments to HKFRS 2	Classification and measurement of share based payment transactions	1 January 2018
Amendments to HKFRS 4	Insurance Contracts "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"	1 January 2018
Amendments to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendments to HKAS 28	Investments in associates and joint ventures	1 January 2018
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3 ACCOUNTING POLICIES (CONTINUED)

### (b) New and amended standards that have been issued and are effective for periods commencing on or after 1 January 2018 and have not been early adopted by the Group (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.

## 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 2016, with the exception of changes in estimates that are required in determining the provision for income taxes.

## 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 interim condensed consolidated 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 2016.

There have been no changes in the risk management policies since year end.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 5.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of undrawn committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group's treasury function aims to maintain flexibility in funding by keeping committed credit lines available.

Except for the Group's long-term borrowings and certain trade and other payables, all of the Group's financial liabilities mature within 1 year from the end of the reporting period.

### 5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. 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).

See Note 13 for disclosures of the investment properties that are measured at fair value and Note 7 for disclosures of properties under development, completed properties held for sale and investment properties on the date of acquisition.

There were no changes in valuation techniques during the period.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 5.4 Group's valuation processes

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

## 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 eight reportable operating segments as follows:

- (i) Department store (which offers an extensive variety of merchandise, including watches, jewelries, cosmetics, handbags, leather goods, and children's products, clothing, shoes, textiles, sports wear and beddings);
- (ii) Supermarket (trading under the brand "Yihua Lejia Supermarket" (益華樂家超市), which offers mainly daily essential products such as food and beverages, perishables and other household products);
- (iii) Electrical appliances (trading under the brand "Yihua Sihai Electrical Appliance Centre" (益華四海電器), which offers a variety of electrical appliances ranging from large household electrical appliances (such as refrigerators, washing machines, air conditioners, televisions, kitchen appliances etc.) to small household electrical appliances (such as rice cookers, hair dryers, toasters etc.));
- (iv) Furniture (trading under the brand "Yihua Shijia" (益華世家) in Zhongshan store (main store), Yangjiang store and Jiangmen store);
- (v) Consulting service (mainly includes market research and provision of advice on design, decoration and layout for properties);

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 SEGMENT INFORMATION (CONTINUED)

- (vi) Property investment (mainly includes development and leasing commercial properties in the PRC);
- (vii) Property development (mainly includes development and selling residential properties, carparks and commercial properties in the PRC);
- (viii) Others (mainly an investment accounted for using the equity method, which is engaged in sale and production of game console, educational software development and virtual reality business).

The CODM assesses the performance of the operating segments based on a measure of revenue and segment results (revenue less purchases of and changes in inventories, revenue less constructions of and changes in completed properties held for sale and business tax and surcharges related to property sales, net rental income from investment properties less property taxes plus its fair value gain, share of loss of an associate, when appropriate). Assets and liabilities for the operating segments are not regularly reported to the CODM.

The Group has identified two new reportable operating segments – “property development” and “others” during the period.

Most of the 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 for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

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 2017:

	Department store	Supermarket	Electrical appliances	Furniture	Consulting service	Property investment	Property development	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	109,388	102,998	33,132	1,170	6,663	954	95,806	-	350,111
Share of loss of an associate	-	-	-	-	-	-	-	(5,783)	(5,783)
Segment results	109,169	26,651	8,165	1,069	6,663	(566)	18,101	(5,783)	163,469
Gain from bargain purchase									70,065
Unallocated losses – other income and other losses, net									(11,177)
Unallocated costs									(174,661)
Finance income									5,347
Finance expenses									(17,538)
Profit before income tax									35,505
Income tax expense									(2,794)
Profit for the period									32,711
Depreciation and amortisation									13,257

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2016:

	Department store	Supermarket	Electrical appliances	Furniture	Consulting service	Property investment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	108,440	128,377	49,918	896	1,179	-	288,810
Segment results	107,264	34,377	11,577	886	1,179	57,660	212,943
Unallocated income – other income and other gains, net							33,902*
Unallocated costs							(182,092)
Operating profit							64,753
Finance income							1,661
Finance expenses							(3,719)
Profit before income tax							62,695
Income tax expense							(17,459)
Profit for the period							45,236
Depreciation and amortisation							13,977

\* Included gain from bargain purchase of RMB32,557,000.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 SEGMENT INFORMATION (CONTINUED)

### Entity-wide information

The turnover of the Group for the six months ended 30 June 2017 and 2016 is set out as follows:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Direct sales of goods	117,336	159,786
Sales of properties	95,806	–
Commission income from concessionaire sales	86,419	92,252
Management fee and service income from operations	22,587	23,426
Rental income	21,300	12,167
Consulting service income	6,663	1,179
	<b>350,111</b>	288,810

## 7 BUSINESS COMBINATION

### 7.1 Yunfu Baisheng

On 30 June 2017, the Group acquired 100% equity of Yunfu Baisheng, a third party company that principally engaged in property development and management in Yunfu City, Guangdong Province, for a cash consideration of up to RMB71,000,000, including a contingent cash consideration of RMB20,000,000 to be received from the outcome of an ongoing lawsuit of the Company (see Note (a)). The acquisition is expected to lower the Group's pressure of rising rents and capture the benefit of the capital appreciation of the property.

The negative goodwill of RMB70,065,000 arises from the excess amount of the fair value of the net identifiable assets of Yunfu Baisheng as at 30 June 2017 over the fair value of the consideration given by the Group.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7 BUSINESS COMBINATION (CONTINUED)

### 7.1 Yunfu Baisheng (continued)

The following table summaries the consideration paid for Yunfu Baisheng, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	<b>30 June 2017</b>
	<b>RMB'000</b>
Purchase consideration	
– Consideration paid	–
– Consideration payable	54,568
– Contingent consideration (Note (a))	20,000
Total purchase consideration	74,568
Less: discount impact for consideration payable due after one year	(3,568)
Less: contingent consideration	(20,000)
Fair value of purchase consideration	51,000
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
<b>Provisional fair value</b>	
Property, plant and equipment	16,637
Investment properties	175,782
Properties under development	247,345
Completed properties held for sale	94,000
Other receivables	4,542
Tax prepayments	15,388
Restricted cash	2,023
Cash and cash equivalents	38,274
Bank borrowings	(39,800)
Deferred tax liabilities (Note (b))	(46,613)
Accruals and other payables	(274,306)
Deposits received on sale of properties	(109,352)
Provision for a legal claim (Note (c))	(2,855)
Total identifiable net assets	121,065
Gain from bargain purchase (Note (d))	70,065

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7 BUSINESS COMBINATION (CONTINUED)

### 7.1 Yunfu Baisheng (continued)

30 June 2017

RMB'000

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#### Inflow of cash to acquire business, net of cash acquired

Cash consideration paid in six months ended 30 June 2017	–
Less: cash and banks in Yunfu Baisheng acquired	(38,274)

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Cash inflow on acquisition	(38,274)
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#### (a) Contingent consideration

Pursuant to an on-going arbitration case between Yunfu Baisheng as plaintiff and a third party company, Yunfu Baisheng has initiated a claim against for breach of contract regarding the termination of a lease agreement for commercial properties. The amount of up to RMB20,000,000 is an estimated amount of claims receivable (after deducting all relevant costs and expenses incurred or to be incurred by Yunfu Baisheng) and will be repaid to the previous owners of Yunfu Baisheng as part settlement of the cash consideration.

#### (b) Deferred tax liabilities

The deferred tax liabilities includes deferred land appreciation tax of RMB8,110,000, deferred income tax liabilities recognised on temporary differences arising between the tax bases of the properties under development and completed properties held for sale and their carrying amounts of RMB38,034,000, deferred income tax liabilities recognised on temporary differences arising between the tax bases of provision for a legal claim, tax prepayments and other payables and their carrying amounts of RMB3,526,000, and deferred income tax assets recognised for tax losses of RMB3,057,000.

#### (c) Provision for a legal claim

A provision of RMB2,855,000 relates to certain legal claim brought against the Group by the residents near one property project of Yunfu Baisheng due to damages during construction. In the Director's opinion, after taking appropriate legal advice, the outcome of the legal claim will not give rise to any significant loss beyond the amount provided for at 30 June 2017.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7 BUSINESS COMBINATION (CONTINUED)

### 7.1 Yunfu Baisheng (continued)

#### (d) Gain from bargain purchase recorded in profit and loss

The excess amount of the fair value of the net identifiable assets of Yunfu Baisheng as at 30 June 2017 over the fair value of the consideration given by the Group is recognised as a gain from bargain purchase in profit and loss.

#### (e) Revenue and profit contribution

There was no revenue and profit contributed by Yunfu Baisheng in the consolidated statement of comprehensive income for the six months ended 30 June 2017.

Had Yunfu Baisheng been consolidated from 1 January 2017, the consolidated statement of comprehensive income would show pro-forma revenue of RMB375,253,000 and profit of RMB23,444,000 respectively.

### 7.2 Enping Kangsheng Hotel Management Company Limited (“Enping Hotel”)

On 24 June 2016, the Group acquired 100% equity interests of Enping Hotel. It was a jointly controlled company of which Guangdong Yihua Group Investment Company Limited (“Yihua Investment”) and Guangdong Kangsheng Investment Company Limited hold interest of 58.08% and 41.92% respectively. Yihua Investment is a related party controlled by the Company’s ultimate controlling individual, Mr. Chen Daren.

Enping Hotel is principally engaged in development and leasing commercial properties in Enping City, Guangdong Province, for a cash consideration of RMB120,000,000. The commercial properties comprise a five-star hotel, a business hotel, an annex building and an office building. The acquisition is expected to lower the Group’s pressure of rising rents and capture the benefit of the capital appreciation of the property.

The negative goodwill of RMB32,557,000 arises from the excess amount of the fair value of the net identifiable assets of Enping Hotel as at 24 June 2016 over the fair value of the consideration given by the Group.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7 BUSINESS COMBINATION (CONTINUED)

### 7.2 Enping Hotel (continued)

The following table summaries the consideration paid for Enping Hotel, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	<b>24 June 2016</b>
	RMB'000
Purchase consideration	
– Consideration paid	85,732
– Consideration payable	34,268
Total purchase consideration	120,000
Less: discount impact for consideration payable due after one year	(2,820)
Fair value of purchase consideration	117,180
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
<b>Provisional fair value</b>	
Property, plant and equipment	27
Investment properties	310,070
Prepayments	179
Other receivables	74
Cash and cash equivalents	33,252
Borrowings	(44,100)
Deferred tax liabilities	(16,201)
Accruals and other payables	(36,999)
Amounts due to related parties	(96,565)
Total identifiable net assets	149,737
Gain from bargain purchase (Note (a))	32,557

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7 BUSINESS COMBINATION (CONTINUED)

### 7.2 Enping Hotel (continued)

24 June 2016

RMB'000

<b>Inflow of cash to acquire business, net of cash acquired</b>	
Cash consideration paid	85,732
Less: cash consideration paid in the year ended 31 December 2015	(65,000)
<hr/>	
Cash consideration paid in the period ended 30 June 2016	20,732
Less: cash and banks in Enping Hotel acquired	(33,252)
<hr/>	
Cash inflow on acquisition	(12,520)
<hr/>	

**(a) Gain from bargain purchase recorded in profit and loss**

The excess amount of the fair value of the net identifiable assets of Enping Hotel as at 24 June 2016 over the fair value of the consideration given by the Group was recognised as a gain from bargain purchase in profit and loss.

**(b) Revenue and profit contribution**

There was no revenue and profit contributed by Enping Hotel in the consolidated statement of comprehensive income for the six months ended 30 June 2016.

Had Enping Hotel been consolidated from 1 January 2016, the consolidated statement of comprehensive income would show pro-forma revenue of RMB289,741,000 and profit of RMB54,373,000 respectively.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 8 SHARE OF LOSS OF AN ASSOCIATE, INVESTMENT IN AN ASSOCIATE

As at 30 June 2017, the Group held 49% equity interest of Subor Cultural Development Company Limited (formerly known as Zhongshan Subor Cultural Industry Company Limited), which is principally engaged in sale and production of game console, educational software development and virtual reality business.

The associate has entered into a semi-custom development agreement with an overseas supplier for the provision of technical services with regard to Development Projects. During the six months ended 30 June 2017, US\$3,750,000 (equivalent to RMB25,117,000) was paid to the supplier for these projects, and employment costs incurred for the engineers working for these projects amounted to RMB2,450,000. The associate capitalised these costs in its financial statements for the six months ended 30 June 2017. Further payment of US\$14,480,000 (equivalent to RMB98,093,000) will be paid to the supplier of certain relevant development milestones could be reached in the coming twelve months.

The associate is accounted for using equity method.

The movement of the investment in an associate is as follows:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
As at 1 January	13,010	–
Share of post-tax loss of an associate	(5,783)	–
As at 30 June	7,227	–

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 8 SHARE OF LOSS OF AN ASSOCIATE, INVESTMENT IN AN ASSOCIATE (CONTINUED)

The Group's share of the results in Subor Cultural Development Company Limited and its aggregated assets and liabilities are shown below:

	<b>Six months ended 30 June 2017 RMB'000</b>
Assets	<b>181,597</b>
Liabilities	<b>171,475</b>
Revenues	<b>7,197</b>
Share of loss	<b>5,783</b>
Percentage held	<b>49%</b>

### 9 INCOME TAX EXPENSES

	<b>Six months ended 30 June</b>	
	<b>2017 RMB'000</b>	2016 RMB'000
Current income tax		
– PRC corporate income tax	<b>2,252</b>	1,587
– PRC land appreciation income tax	–	–
	<b>2,252</b>	1,587
Deferred income tax		
– PRC corporate income tax	<b>1,170</b>	15,872
– PRC land appreciation income tax	<b>(628)</b>	–
	<b>542</b>	15,872
	<b>2,794</b>	17,459



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 9 INCOME TAX EXPENSES (CONTINUED)

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 2017 is 25% (six months ended 30 June 2016: 25%).

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

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including costs of land use rights and development and construction expenditures.

## 10 DIVIDENDS

A dividend in respect of the year ended 31 December 2016 of HK\$0.05 per share, amounting to a total dividend of HK\$49,790,000, was approved on the annual general meeting on 16 June 2017. Eligible shareholders may elect to receive the dividend in cash, or in the form of fully paid new shares in lieu of cash, or partly in cash and partly in the form of fully paid new share (the “Scrip Dividend Scheme”). Up to 30 June 2017, the election is still in the process and has not yet completed. During the six months ended 30 June 2017, the Company has recognised dividend appropriation and dividend payable amounting to RMB33,031,000 according to its best estimation of final outcome of cash dividend.

No interim dividend in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: Nil) was proposed by the board of directors.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 11 EARNINGS PER SHARE

The basic earnings per share attributable to owners of the Company during six months ended 30 June 2017 is RMB0.0320 per share (six months ended 30 June 2016: RMB0.0449 per share). As there were no potential dilutive ordinary shares during six months ended 30 June 2017 and 2016, diluted earnings per share was equal to basic earnings per share.

## 12 PROPERTY, PLANT AND EQUIPMENT

	<b>Property, plant and equipment</b>
	RMB'000
<hr/>	
<b>Six months ended 30 June 2017</b>	
<b>Opening net book amount as at 1 January 2017</b>	175,470
Additions	24,165
Disposals	(5,302)
Depreciation	(13,205)
<hr/>	
<b>Closing net book amount as at 30 June 2017</b>	181,128
<hr/>	
<b>Six months ended 30 June 2016</b>	
<b>Opening net book amount as at 1 January 2016</b>	242,934
Additions	698
Disposals	(357)
Depreciation	(13,929)
<hr/>	
<b>Closing net book amount as at 30 June 2016</b>	229,346
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# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 13 INVESTMENT PROPERTIES

	<b>Completed investment properties RMB'000</b>	<b>Investment properties under construction RMB'000</b>	<b>Total RMB'000</b>
<b>At fair value</b>			
<b>Six months ended 30 June 2017</b>			
<b>Opening net book amount as at 1 January 2017</b>	101,903	394,332	496,235
Investment properties acquired from business combination (Note 7.1)	–	175,782	175,782
Capitalised subsequent expenditure	–	6,815	6,815
<b>Closing net book amount as at 30 June 2017</b>	101,903	576,929	678,832
<b>Six months ended 30 June 2016</b>			
<b>Opening net book amount as at 1 January 2016</b>	–	58,840	58,840
Investment properties acquired from business combination (Note 7.2)	–	310,070	310,070
Revaluation gains recognised in profit or loss	–	57,660	57,660
<b>Closing net book amount as at 30 June 2016</b>	–	426,570	426,570

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 14 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June 2017 RMB'000	31 December 2016 RMB'000
Trade receivables	27,491	31,802
Prepayments, deposits and other receivables	143,946	126,335
	<b>171,437</b>	158,137
Less: non-current portion of prepayments, deposits and other receivables	<b>(64,226)</b>	(68,235)
	<b>107,211</b>	89,902

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 2017 and 31 December 2016, the aging analysis of trade receivables is as follows:

	As at	
	30 June 2017 RMB'000	31 December 2016 RMB'000
Trade receivables, gross		
– Within 2 months	13,491	22,189
– Over 2 months	14,000	9,613
	<b>27,491</b>	31,802

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 15 SHARE CAPITAL

### Ordinary shares, issued and fully paid:

	Number of shares	Share capital RMB'000
As at 1 January 2017	497,904,000	3,925
Share subdivision	497,903,000	–
As at 30 June 2017	995,807,000	3,925
As at 1 January 2016 and 30 June 2016	488,010,000	3,840

As at 10 May 2017, each of issued and unissued ordinary shares of par value of HK\$0.01 each (“Old shares”) in the share capital of the Company was subdivided into two ordinary shares of par value of HK\$0.005 each in the share of the Company (“Share Subdivision”).

## 16 TRADE AND OTHER PAYABLES

	As at	
	30 June 2017 RMB'000	31 December 2016 RMB'000
Trade payables	57,228	58,303
Others payables	672,369	330,729
	<b>729,597</b>	389,032
Less: non-current portion of other payables	<b>(167,657)</b>	(61,699)
	<b>561,940</b>	327,333

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 16 TRADE AND OTHER PAYABLES (CONTINUED)

As at 30 June 2017 and 31 December 2016, the aging analysis of trade payables is as follows:

	As at	
	30 June 2017 RMB'000	31 December 2016 RMB'000
Trade payables		
– Within 3 months	40,478	49,642
– Over 3 months	16,750	8,661
	<b>57,228</b>	58,303

### 17 BORROWINGS

	As at	
	30 June 2017 RMB'000	31 December 2016 RMB'000
<b>Non-current</b>		
Long-term borrowings		
– Bonds – unsecured	66,044	50,111
– Bonds – secured	3,824	–
– Bank borrowings – secured (Note (a))	294,681	284,185
Less: current portion of long-term borrowings	(209,642)	(167,504)
	<b>154,907</b>	166,792
<b>Current</b>		
Short-term borrowings		
– Bank borrowings – secured (Note (b))	156,558	137,890
Other borrowings – unsecured (Note (c))	20,000	10,000
Other borrowings – secured (Note (d))	26,038	13,418
Current portion of long-term bonds	24,253	22,237
Current portion of long-term bank borrowings	185,389	145,267
	<b>412,238</b>	328,812
<b>Total borrowings</b>	<b>567,145</b>	495,604

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 17 BORROWINGS (CONTINUED)

Movements in borrowings is analysed as follows:

	RMB'000
<b>Six months ended 30 June 2017</b>	
Opening amount as at 1 January 2017	495,604
Proceeds of new borrowings	116,267
Borrowings acquired from business combination (Note 7.1)	39,800
Repayments of borrowings	(102,103)
Net proceeds from issue of bonds (Note (e))	21,114
Exchange losses on bonds	(3,537)
<b>Closing amount as at 30 June 2017</b>	<b>567,145</b>
<b>Six months ended 30 June 2016</b>	
Opening amount as at 1 January 2016	139,396
Proceeds of new borrowings	137,648
Borrowings acquired from business combination (Note 7.2)	44,100
Repayments of borrowings	(67,000)
Net proceeds from issue of bonds	13,265
Exchange losses on bonds	711
<b>Closing amount as at 30 June 2016</b>	<b>268,120</b>

- (a) The long-term bank borrowings are secured by guarantees given by the Company, subsidiaries within the Group and some third parties. Certain portions of the bank borrowings are collectively pledged by the investment properties of the Group, the properties under development of the Group, properties owned by some third parties and restricted cash.
- (b) The short-term bank borrowings are secured by guarantees given by the Company and subsidiaries within the Group. Certain portions of the bank borrowings are respectively secured by the restricted cash of the Group and collectively pledged by the investment properties of the Group.
- (c) During the six months ended 30 June 2017, the Company obtained other short-term borrowings from some third parties respectively. The borrowings are unsecured, bear fixed interest rates and have fixed repayment terms.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 17 BORROWINGS (CONTINUED)

- (d) During the six months ended 30 June 2017, the Company obtained other short-term borrowings from some third party. The borrowings bear fixed interest rates and have fixed repayment terms. The borrowings are guaranteed by one executive director and one non-executive director of the Company.
- (e) During the six months ended 30 June 2017, the Company issued bonds (the “2017 Bonds”) with interest rate ranging from 6.5% to 8% which will be due for payment on 10 May 2019, 4 June 2019, 5 June 2019, 27 June 2019, 10 May 2020, 24 May 2020, 1 June 2020 and 31 May 2025. The total nominal value of these bonds was HK\$25,500,000 (equivalent to RMB22,131,000) and the total net proceeds after deducting the transaction costs, amounted to RMB21,114,000.
- (f) The fair value of the Group’s borrowings approximates to their carrying amounts.

### 18 FINANCIAL GUARANTEES

The face value of the financial guarantees issued by the Group as at 30 June 2017 and 31 December 2016 are analysed as follows:

	As at	
	<b>30 June 2017 RMB'000</b>	31 December 2016 RMB'000
Guarantees to an associate (Note (a))	<b>67,744</b>	69,370
Guarantees given to banks for mortgage facilities granted to purchasers of the Group’s properties (Note (b))	<b>113,281</b>	82,003
	<b>181,025</b>	151,373



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 18 FINANCIAL GUARANTEES (CONTINUED)

- (a) It represents guarantees provided to a third party supplier of an associate for the provision of semiconductor products for a game system.

Pursuant to the terms of the guarantees, upon default in payment obligations by the associate, the Group is responsible to repay the outstanding payment obligations owed by the associate to the supplier, in proportion to the equity interests in the associate held by the Group, with a maximum of US\$10,000,000 (equivalent to approximately RMB67,744,000). The Group's guarantee period starts from 5 September 2016 until expressly revoked by a written notice from the Group to the supplier.

The Group closely monitors the repayment progress of the relevant purchase by the associate. The Directors consider that the likelihood of default in payments is minimal and the financial guarantees measured at fair value is immaterial.

- (b) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to the bank over the repayment obligations of the purchasers. Such guarantees terminate upon the earlier of (i) issuance of the certificate of real estate ownership; or (ii) completion of mortgage registration.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loan and ends when the certificate of real estate ownership for the mortgagee is issued and submitted to the banks. The Directors consider that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 19 CONTINGENT LIABILITIES

As at 30 June 2017, provision for a legal claim made is reflected in Note 7.1(c) (31 December 2016: Nil).

## 20 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 2017 RMB'000	31 December 2016 RMB'000
Properties under development	197,507	43,574
Investment properties	30,125	12,298
Property, plant and equipment	–	466
	<b>227,632</b>	56,338

### (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 2017 RMB'000	31 December 2016 RMB'000
– Within 1 year	74,897	84,517
– Between 1 and 5 years	47,674	80,264
– Over 5 years	23,176	68,709
	<b>145,747</b>	233,490

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 20 COMMITMENTS (CONTINUED)

### (b) Operating lease commitments (continued)

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 20 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 2017 RMB'000	31 December 2016 RMB'000
– Within 1 year	43,270	51,913
– Between 1 and 5 years	217,128	174,623
– Over 5 years	412,636	360,771
	<b>673,034</b>	587,307

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 21 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	
	2017 RMB'000	2016 RMB'000
Companies controlled by Mr. Chen Daren	31,665	31,138
Companies jointly controlled by Mr. Chen Daren and third parties	2,831	2,205
	34,496	33,343

### (b) Purchases of service

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Companies controlled by Mr. Chen Daren	852	538

### (c) Sales of goods

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Companies controlled by Mr. Chen Daren	751	1,114

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 21 RELATED-PARTY TRANSACTIONS (CONTINUED)

#### (d) Provision of financial guarantees

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
An associate of the Group (Note 18)	67,744	–

#### (e) Financial guarantees for borrowing

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Mr. Chen Jianren	4,340	–

### 22 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Upon the Share Subdivision becoming effective, the proposed final dividend for the year ended 31 December 2016 was adjusted proportionally from HK\$0.10 per Old Share to HK\$0.05 per share at the annual general meeting held on 16 June 2017. The number of total shares held by them was 995,807,000.

According to a Scrip Dividend Scheme as described in Note 10, up to 1 August 2017, the due date for the election, certain shareholders who held 761,169,000 shares have elected for a cash dividend approximately HK\$38,058,000 (equivalent to RMB33,031,000).

Up to 1 August 2017, the remaining shareholders who held 234,638,000 shares have elected to receive dividend by allotment of new shares credited as fully paid in lieu of cash. The market value for each new share has been fixed at HK\$1.596. Accordingly, as at 11 August 2017, 7,351,000 new shares, with total value of approximately HK\$11,732,000 were allotted and issued to the respective shareholders.