Interim Report 2018

益華控股有限公司

YI HUA 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
Mr. Leung Wai Kwan
Mr. Wei Chaoling

Non-executive Directors

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

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 2018.

BUSINESS REVIEW

For the six months ended 30 June 2018, the Group's revenue was approximately RMB518.3 million, representing an increase of approximately 48.0% 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 RMB204.4 million, increased by 16.8% over the same period last year. Operating profit was approximately RMB27.0 million, representing a decrease of 49.5% over the same period last year. Profit attributable to owners of the Company was approximately RMB5.7 million, decreased by 82.2% over the same period last year.

Game Console business

The Group's 49% held associate, Subor Cultural Development Company Limited (the "**JV Company**") has been cooperating with Advanced Micro Devices, Inc. ("**AMD**") to develop a semi-custom system-on-chip ("**SOC**") solely for the use of the JV Company's game console products. The game consoles have been formally launched in the ChinaJoy Expo 2018 held on 3 August 2018 in Shanghai. The game consoles will be available for sale in the third quarter 2018.

On 14 May 2018, the Olympic Council of Asia announced that Electronic sports ("**Esports**") have been incorporated as a demonstration sport in the Jakarta Palembang 2018 Asian Games, and has considered that Esports could be included as an official medal sport at the 2022 Asian Games. From games played by a small group of people to the Esports item in the Asian Games, it is expected that Esports will be played in the Olympic Games.

Against this backdrop, the development of Esports in China is accelerating. Our game console is using Windows 10 for the operating system, and it is not just a game console but also a personal computer. As tested, the game console meets the standards of the Esports console requirement and can be used in Esports competitions. Our game console is above average in terms of functionality. With the promotion and development of Esports, the Board expects that the market prospects of our game console will be promising.

Launching our game console is only the first step to enter the Esports market of China. The JV Company will launch its own online game platform in the first half of 2019, and several of the games are exclusive games being invested in by the JV Company. As the online game platform becomes available on the Internet, the Company expects that the sales volume of the game console will be driven up.

Convenience stores

During the first half of 2018, The Group has expanding the development of convenience stores business. Up to the report date, the Group has opened approximately 50 convenience stores and will continue to expand.

MANAGEMENT DISCUSSION AND ANALYSIS

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 retail market, the Group will continue to transform its department store business model into a shopping mall business model.

We will upgrade certain stores by increasing the area for catering and entertainment tenants, and 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 2018, the Group recorded a revenue of approximately RMB518.3 million, representing an increase of approximately RMB168.2 million or 48.0% from approximately RMB350.1 million in the first half of 2017.

The following table sets forth a breakdown of the Group's revenue for the six months ended 30 June 2018 and 2017.

	Six months ended 30 June															
	2018								2017							
	Department store segment RMB'000	Supermarket segment RMB'000	Electrical appliances segment RMB'000	Furniture segment RMB'000	Consulting service segment RMB'000	Property investment segment RMB'000	Property development segment RMB'000	Total RMB'000	Department store segment RMB'000	Supermarket segment RMB'000	Electrical appliances segment RMB'000	Furniture segment RMB'000	Consulting service segment RMB'000	Property investment segment RMB'000	Property development segment RMB'000	Total RMB'000
Direct sales of goods	2,213	67,962	17,474	-	-	-	-	87,649	146	89,743	27,396	51	-	-	-	117,336
Commission income from concessionaire sales	77,255	9,548	3,193	-	-	-	-	89,996	77,750	5,187	3,482	-	-	-	-	86,419
Management fee and service income from operations	17,119	5,397	1,173	101	-	-	-	23,790	16,156	4,327	1,919	185	-	-	-	22,587
Rental income	16,744	3,626	297	1,051	-	8,987	-	30,705	15,336	3,741	335	934	-	954	-	21,300
Consulting service income	-	-	-	-	996	-	-	996	-	-	-	-	6,663	-	-	6,663
Sales of properties	-	-	-	-	-	-	285,187	285,187	-	-	-	-	-	-	95,806	95,806
	113,331	86,533	22,137	1,152	996	8,987	285,187	518,323	109,388	102,998	33,132	1,170	6,663	954	95,806	350,111

Direct sales of goods

For the six months ended 30 June 2018, the revenue from direct sales was approximately RMB87.6 million, representing a decrease of approximately RMB29.7 million or 25.3%, from approximately RMB117.3 million in the first half of 2017. The decrease was mainly attributable to the decrease in sales of electrical appliances segment and supermarket segment as a result of change of business model from direct sales of goods to leasing areas to tenants.

Commission income from concessionaire sales

For the six months ended 30 June 2018, the revenue from concessionaire sales was approximately RMB90.0 million, representing an increase of approximately RMB3.6 million, or 4.2%, from approximately RMB86.4 million in the first half of 2017.

Management fee and service income from operations

For the six months ended 30 June 2018, the management fee and service income from operations were approximately RMB23.8 million, representing an increase of approximately RMB1.2 million or approximately 5.3%, from approximately RMB22.6 million in the first half of 2017.

Rental income

For the six months ended 30 June 2018, the revenue from rental income was approximately RMB30.7 million, representing an increase of approximately RMB9.4 million, or 44.1%, from approximately RMB21.3 million in the first half of 2017. 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 2018, the Group recorded a total of approximately RMB1.0 million for the consulting service provided, while the consulting service income was RMB6.7 million in the first half of 2017.

Sales of properties

For the six months ended 30 June 2018, the revenue derived from sales of properties was approximately RMB285.2 million, representing an increase of RMB189.4 million, or 197.7%, from approximately RMB95.8 million in the first half of 2017. The sales of properties was mainly represented the delivery of properties to buyers of our Yunfu project.

Gross profit and gross profit margin

For the six months ended 30 June 2018, gross profit was approximately RMB204.4 million, an increase of approximately RMB29.4 million, or 16.8%, from approximately RMB175.0 million in the first half of 2017. The gross profit margin for the six months ended 30 June 2018 and 30 June 2017 was approximately 39.4% and 50.0% respectively, representing a decrease of approximately 10.6 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 2018, other income was approximately RMB1.3 million, while the other income was approximately RMB0.2 million in the first half of 2017. The amount represents the one-off government grant received or receivable and amortisation of government grant related to assets.

Fair value gain on investment properties

The fair value gain represents the increase in fair value of investment properties for the six months ended 30 June 2018.

The gain from bargain purchase

For the period ended 30 June 2018, there is no gain from bargain purchase, while the gain from bargain purchase for the period ended 30 June 2017 was derived from the acquisition of Yunfu Baisheng.

Other losses – net

For the six months ended 30 June 2018, other losses was approximately RMB6.6 million, a decrease of 42.1% or approximately RMB4.8 million from approximately RMB11.4 million in the first half of 2017. The significant decrease was mainly due to the closure of a community store and the penalty for late delivery of properties in the first half of 2017.

Purchases of and changes in inventories

For the six months ended 30 June 2018, the purchases of and changes in inventories was approximately RMB77.4 million, representing a decrease of approximately RMB24.2 million, or approximately 23.8%, from approximately RMB101.6 million in the first half of 2017.

Construction of and changes in completed properties held for sale

For the six months ended 30 June 2018, the construction of and changes in completed properties held for sale was approximately RMB236.5 million, representing an increase of approximately RMB163.1 million, or approximately 222.2%, from approximately RMB73.4 million in the first half of 2017. The significant increase represents the delivery of properties to buyers.

Employee benefit expenses

For the six months ended 30 June 2018, employee benefit expenses were approximately RMB47.4 million, representing an increase of approximately RMB0.5 million, or 1.1%, from approximately RMB46.9 million in the first half of 2017.

Depreciation and amortisation

For the six months ended 30 June 2018, depreciation and amortisation expenses were approximately RMB11.3 million, representing a decrease of approximately RMB2 million, or 15.0%, from approximately RMB13.3 million in the first half of 2017.

Operating lease rental expenses and property management fee

For the six months ended 30 June 2018, operating lease rental expenses and property management fee totalled approximately RMB77.4 million, representing an increase of approximately RMB14.0 million, or 22.1%, from approximately RMB63.4 million in the first half of 2017.

Other operating expenses

For the six months ended 30 June 2018, the other operating expenses were approximately RMB58.7 million, representing a slight increase of approximately RMB1.8 million, or 3.2%, from approximately RMB56.9 million in the first half of 2017.

Finance costs – net

For the six months ended 30 June 2018, the net finance expenses were approximately RMB16.6 million, representing an increase of approximately RMB4.4 million, or approximately 36.1%, from approximately RMB12.2 million in the first half of 2017. This was mainly attributable to the increase in borrowings.

Share of net profits/(losses) of an associate

The amount represents the profit of an associate shared by the Group. For the six months ended 30 June 2018, the development of the game consoles has been completed and the game consoles will be sold in the market in the third quarter 2018.

Profit attributable to owners of the Company

For the six months ended 30 June 2018, profit attributable to owners of the Company was approximately RMB5.7 million, representing a decrease of approximately RMB26.2 million, or 82.1%, from approximately RMB31.9 million in the first half of 2017.

Liquidity and Financial Resources

As of 30 June 2018, the Group's cash and cash equivalents and near cash instruments (included restricted cash and term deposits) amounted to approximately RMB160.5 million (31 December 2017: RMB253.9 million). The outstanding borrowings and bonds payable of the Group as of 30 June 2018 was approximately RMB376.7 million and RMB126.0 million, respectively (31 December 2017: RMB579.8 million and RMB138.8 million, respectively).

As of 30 June 2018, the Group's current liabilities exceeded its current assets by RMB386.8 million (31 December 2017: RMB275.9 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 payments of construction costs for investment properties and properties under development.

Gearing ratio

As of 30 June 2018, the gearing ratio was 86.5% (31 December 2017: 88.1%). The gearing ratio is calculated as total liabilities divided by total assets at the balance sheet dates.

Pledge of assets

As of 30 June 2018, certain investment properties and properties under development of the Group with an aggregate carrying amount of RMB442.7 million (31 December 2017: RMB509.4 million) were pledged as collateral for Group's borrowings.

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 RMB66.2 million).

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.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: 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 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. In order to provide the Company with the flexibility in granting share options to eligible participants under the Scheme as incentives or rewards for their contribution to the Group, the existing limit on the grant of share options under the Scheme be refreshed provided that the total number of shares which may be allotted and issued upon exercise of any share options to be granted under the Scheme (excluding share options previously granted, outstanding, cancelled, lapsed or exercised in accordance with the Scheme) shall not exceed 10% of the aggregate number of shares of the Company in issue. The refreshment of the Scheme of the Company was approved by the shareholders at the AGM on 22 June 2018. Based on 1,003,157,915 shares in issue as at 22 June 2018, the Company will be allowed to grant share options under the Scheme of up to a total of 100,315,791 shares. It is assumed that the refreshed Scheme mandate limit is fully utilised, the total number of outstanding share options will be 100,315,791, which does not exceed 30% of the shares in issue as at the 30 June 2018. 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 2018, no option has been granted or agreed to be granted under the Scheme.

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

As of 30 June 2018, 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 ("**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	588,720,412 (L) *(Note 3)* *(Note 5)*	58.69%
Mr. Fan Xinpei	The Company	Beneficial owner/ Interest in controlled corporation	90,076,177 (L) *(Note 4)*	8.98%

Name of Director	Company/ Name of associated corporation	Capacity/Nature of interest	Number of share	Approximate percentage of shareholding
Mr. Lin Guangzheng	The Company	Beneficial owner	10,725,832 (L)	1.07%
Mr. Su Weibing	The Company	Beneficial owner	8,640,832 (L)	0.86%
Mr. Chen Daren	Jaguar Asian Limited (“**Jaguar Asian**”)	Beneficial owner	1 (L) *(Note 3)* *(Note 5)*	100%

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. The approximate percentage of shareholding is calculated based on 1,003,157,915 shares in issue as at 30 June 2018.

3. Jaguar Asian is wholly-owned by Mr. Chen Daren, a non-executive Director. Mr. Chen Daren is deemed to be interested in the 588,720,412 shares held by Jaguar Asian under the SFO.

4. 90,050,394 shares and 25,783 shares were held directly by Mr. Fan Xinpei and Eaglepass Developments Limited (“**Eaglepass Developments**”) respectively. Eaglepass Developments is owned as to 15.66% and 84.34% by Mr. Lu Hanxing (a former Director who resigned on 4 May 2015) 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%, 9.62%, 9.62%, 4.81%, 4.81% and 4.81% by Mr. Fan Xinpei, Mr. Lin Guangzheng (an executive Director), Mr. Su Weibing (an executive Director), Ms. Wang Guping, Ms. Zhang Rong and Mr. Luo Chengwen respectively. As such Mr. Fan Xinpei is deemed to be interested in the 25,783 shares held by Eaglepass Developments under the SFO.

5. Jaguar Asian has charged an aggregate of 541,722,412 shares of the Company as security for a loan advanced by an independent third party to Jaguar Asian on 13 February 2018.

Save as disclosed above, as at 30 June 2018, 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 2018, 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:

Name of Shareholders	Nature of interest	Number of share held	Approximate percentage of shareholding
Jaguar Asian Limited	Beneficial owner	588,720,412 (L)	58.69%

Notes:

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

2. The approximate percentage of shareholding is calculated based on 1,003,157,915 Shares in issue as at 30 June 2018.

3. Jaguar Asian has charged an aggregate of 541,722,412 shares of the Company as security for a loan advanced by an independent third party to Jaguar Asian on 13 February 2018.

Save as disclosed above, so far as is known to the Directors, as at 30 June 2018, 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. Mr. Chen Daren is the sole director of Jaguar Asian Limited.

Save as disclosed above, as at 30 June 2018, 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 2018, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares.

OTHER INFORMATION

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 2018 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 on the Stock Exchange. The Company has complied with the code provisions in the Code for the six months ended 30 June 2018.

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 2018.

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) in due course.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Unaudited Six months ended 30 June 2018 RMB'000**	2017 RMB'000
Revenue	4	**518,323**	350,111
Other income		**1,334**	204
Gain from bargain purchase		**–**	70,065
Fair value gain on investment properties		**22,723**	–
Other losses – net		**(6,569)**	(11,381)
Purchases of and changes in inventories		**(77,386)**	(101,634)
Constructions of and changes in completed properties held for sale		**(236,497)**	(73,443)
Employee benefit expenses		**(47,407)**	(46,889)
Depreciation and amortisation		**(11,259)**	(13,257)
Provision for impairment of assets		**(112)**	–
Operating lease rental expense and property management fee		**(77,420)**	(63,420)
Other operating expenses		**(58,735)**	(56,877)
Operating profit		**26,995**	53,479
Finance income		**1,125**	5,347
Finance costs		**(17,723)**	(17,538)
Finance costs – net		**(16,598)**	(12,191)
Share of net profits/(losses) of an associate accounted for using the equity method	5	**5,691**	(5,783)
Profit before income tax		**16,088**	35,505
Income tax expense	6	**(9,073)**	(2,794)
Profit for the period		**7,015**	32,711
Other comprehensive income for the period, net of tax		**–**	–
Total comprehensive income for the period		**7,015**	32,711

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2018	2017
	Note	**RMB'000**	RMB'000
Profit for the period is attributable to:			
– Owners of the Company		**5,688**	31,909
– Non-controlling interests		**1,327**	802
		7,015	32,711
Total comprehensive income for the period is attributable to:			
– Owners of the Company		**5,688**	31,909
– Non-controlling interests		**1,327**	802
		7,015	32,711
Basic and diluted earnings per share for profit attributable to owners of the Company (expressed in RMB per share)	8	**0.0057**	0.0318

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**173,225**	173,031
Investment properties	10	**789,078**	740,610
Computer software		**3,011**	3,162
Deferred tax assets		**4,688**	9,205
Investment in an associate accounted for using the equity method	5	**47,253**	41,562
Deferred assets		**2,648**	2,894
Financial assets at fair value through profit or loss		**11,084**	–
Financial assets at amortised cost		**5,298**	–
Prepayments and other receivables	11	**32,879**	49,860
Amounts due from related parties		**1,363**	1,370
Restricted cash		**–**	11,000
Total non-current assets		**1,070,527**	1,032,694
Current assets			
Properties under development		**267,249**	457,568
Completed properties held for sale		**143,613**	126,034
Inventories		**63,116**	43,273
Contract costs		**3,500**	–
Trade receivables, prepayments and other receivables	11	**157,553**	169,974
Tax prepayments		**43,500**	40,305
Amounts due from related parties		**183,964**	107,544
Restricted cash		**36,964**	92,527
Term deposits		**69,050**	59,750
Cash and cash equivalents		**54,519**	90,639
		1,023,028	1,187,614
Assets classified as held for sale		**–**	44,600
Total current assets		**1,023,028**	1,232,214
Total assets		**2,093,555**	2,264,908

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	**3,956**	3,956
Other reserves		**141,416**	136,310
Retained earnings		**129,336**	121,359
		274,708	261,625
Non-controlling interests		**6,938**	7,492
Total equity		**281,646**	269,117
LIABILITIES			
Non-current liabilities			
Borrowings	14	**234,080**	230,974
Deferred tax liabilities		**146,571**	166,335
Deferred revenue		**10,000**	1,546
Other payables	13	**11,436**	88,816
Total non-current liabilities		**402,087**	487,671
Current liabilities			
Trade and other payables	13	**803,478**	655,750
Amounts due to related parties		**12,108**	16,996
Contract liabilities		**321,241**	–
Deferred revenue		**–**	3,880
Advances from customers		**–**	57,983
Receipt in advance on sales of properties		**–**	282,307
Current income tax liabilities		**1,537**	699
Borrowings	14	**268,603**	487,650
Provision for a legal claim		**2,855**	2,855
Total current liabilities		**1,409,822**	1,508,120
Total liabilities		**1,811,909**	1,995,791
Total equity and liabilities		**2,093,555**	2,264,908

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

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 31 December 2017 as originally presented	**3,956**	**136,310**	**121,359**	**261,625**	**7,492**	**269,117**
Change in accounting policy (note 3.3)	**–**	**–**	**7,564**	**7,564**	**–**	**7,564**
Restated total equity at 1 January 2018	**3,956**	**136,310**	**128,923**	**269,189**	**7,492**	**276,681**
Profit for the period	**–**	**–**	**5,688**	**5,688**	**1,327**	**7,015**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the period	**–**	**–**	**5,688**	**5,688**	**1,327**	**7,015**
Total transactions with owners in their capacity as owners:						
Appropriation to statutory reserve	**–**	**5,275**	**(5,275)**	**–**	**–**	**–**
Profit distribution by a subsidiary	**–**	**–**	**–**	**–**	**(2,050)**	**(2,050)**
Changes in ownership interests in a subsidiary without change of control	**–**	**(169)**	**–**	**(169)**	**169**	**–**
	–	**5,106**	**(5,275)**	**(169)**	**(1,881)**	**(2,050)**
Balance at 30 June 2018	**3,956**	**141,416**	**129,336**	**274,708**	**6,938**	**281,646**
Balance at 1 January 2017	3,925	159,577	133,899	297,401	5,467	302,868
Profit for the period	–	–	31,909	31,909	802	32,711
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the period	–	–	31,909	31,909	802	32,711
Total transactions with owners in their capacity as owners:						
Appropriation to statutory reserve	–	8	(8)	–	–	–
Dividend distributed	–	(33,031)	–	(33,031)	–	(33,031)
		(33,023)	(8)	(33,031)	–	(33,031)
Balance at 30 June 2017	3,925	126,554	165,800	296,279	6,269	302,548

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	**206,991**	30,140
Interest received	**323**	638
Interest paid	**(15,577)**	(21,367)
Income tax paid	**(20,566)**	(5,390)
Net cash inflow from operating activities	**171,171**	4,021
Cash flows from investing activities		
Payment for acquisition of a subsidiary, net of cash acquired	**–**	38,274
Proceeds from sale of property, plant and equipment	**–**	311
Receipt of government grants	**10,081**	–
Proceeds from disposal of non-current asset held for sale	**42,476**	–
Payment for property, plant and equipment	**(15,192)**	(7,666)
Payment for investment properties	**(22,164)**	(23,821)
Payment for finances life insurance product	**(11,084)**	–
Payment for Development Projects incurred by an associate of the Group	**(26,601)**	(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	**(9,300)**	(13,512)
Net cash outflow from investing activities	**(31,784)**	(29,179)
Cash flows from financing activities		
Proceeds from borrowings	**94,947**	137,381
Repayments of borrowings	**(313,554)**	(102,103)
Repayments of advance from a third party	**(13,391)**	–
Decrease/(increase) in restricted cash	**56,466**	(50,200)
Net cash outflow from financing activities	**(175,532)**	(14,922)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Net decrease in cash and cash equivalents	**(36,145)**	(40,080)
Cash and cash equivalents at beginning of the period	**90,639**	140,157
Effects of exchange rate changes on cash and cash equivalents	**25**	(815)
Cash and cash equivalents at end of the period	**54,519**	99,262

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

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 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 2018 and has not been audited.

Significant changes in the current reporting period

Although global market conditions have affected market confidence and consumer spending patterns, the Group remains well placed to grow revenues through the acquisitions of subsidiaries in recent years. It has sufficient working capital and undrawn financing facilities to service its operating activities and ongoing investments.

The financial position and performance of the Group was particularly affected by the following events and transactions during the six months to 30 June 2018:

- a significant increase in revenue from the segment of property development as a result of completed properties delivery (see note 4). This more than offset a reduction in revenue in the other segments (see note 4).

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2017 and any public announcements made by the Company during the interim reporting period.

As at 30 June 2018, the current liabilities of the Group exceeded its current assets by approximately RMB386,794,000. Included in the current liabilities were contract liabilities primarily relating to consumption cards issued and receipt in advance from property presale of approximately RMB321,241,000, which would not result in future cash outflows. As at 30 June 2018, total borrowings of the Group amounted to RMB502,683,000, of which RMB268,603,000 are due for repayment in the coming twelve months; while the Group's cash and cash equivalents amounted to RMB54,519,000.

An associate of the Group had entered into contracts with several suppliers for the provision of technical services, including a semi-custom development agreement with a supplier with regard to a chip development and platform project ("Development Projects"). The chip development has been completed and outstanding payments of US$10,570,000 (equivalent to RMB69,937,000), have to be paid to the supplier. All the payments specifically related to Development Projects have been accounted for as prepayments amounted to RMB162,468,000. In addition, as disclosed in note 16, the Group has provided financial guarantees to one of the suppliers to the extent of US$10,000,000 (equivalent to RMB66,166,000) for any 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 2018 amounted to RMB89,564,000 including construction costs for property, plant and equipment, investment properties and properties under development (note 17).

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 acquisitions of the investment properties and property development projects during these years, 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.

2 BASIS OF PREPARATION (CONTINUED)

(ii) During the period from July 2018 to August 2018, the Group issued bonds at interest rate of 6% to 7% per annum with maturity period ranging from two to four years. The aggregated principal amount of the bonds amounted to HK$28,060,000 (equivalent to RMB23,832,000). In this connection, the Group raised net proceeds of approximately RMB22,662,000.

(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 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 amounted to approximately RMB33,880,000. On 26 February 2018, 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 2018 until the Group has adequate financial resources to repay.

(v) 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 property, 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 which covers a period of twelve months from 30 June 2018. The Directors are of the opinion that, taking into account the Group's anticipated cash flows generated from the Group's department store operations and the sales and leases of the properties in the expected timeframe 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 from 30 June 2018. 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 adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

3.1 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 2018.

Standards/Interpretation	**Subject of amendment**
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
Amendment to HKFRS 1	First time adoption of HKFRS
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
Amendment to HKAS 28	Investments in associates and joint ventures
Amendments to HKAS 40	Transfers of investment property
HK(IFRIC) 22	Foreign currency transactions and advance consideration

The Group has assessed the impact of the adoption of these new and amended standards that are effective for the current reporting period. The Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers

Then impact of the adoption of these standards and the new accounting policies are disclosed in note 3.3 below. The other standards, amendments and interpretation did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

3 ACCOUNTING POLICIES (CONTINUED)

3.2 New and amended standards that have been issued and are effective for periods commencing on or after 1 January 2019 and have not been early adopted by the Group

Standards	Subject of amendment	Effective for accounting periods beginning on or after
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Annual improvements to 2015-2017 Cycle	Improvements to HKFRSs	1 January 2019
Amendment to HKAS 19	Employee benefits	1 January 2019
Amendment to HKAS 28	Long-term interests in an associated and joint venture	1 January 2019
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The above new standards, amendments to existing standards and interpretations are effective for annual periods beginning on or after 1 January 2019 and have not been applied in preparing these condensed consolidated interim financial information. None of these is expected to have a significant effect on the condensed consolidated interim financial information of the Group, except the following set out below:

HKFRS 16, 'Leases'

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

3 ACCOUNTING POLICIES (CONTINUED)

3.2 New and amended standards that have been issued and are effective for periods commencing on or after 1 January 2019 and have not been early adopted by the Group (continued)

HKFRS 16, 'Leases' (continued)

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately RMB136,722,000, see note 17. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for first interim periods within annual report periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

3.3 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

The Group applied the modified retrospective approach to adopt HKFRS 9 and HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the consolidated balance sheet as at 31 December 2017, but are recognised in the opening of the interim condensed consolidated balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

3 ACCOUNTING POLICIES (CONTINUED)

3.3 Changes in accounting policies (continued)

(a) Impact on the financial statements (continued)

Balance sheet (extract)	31 December 2017 As originally presented	HKFRS 9	HKFRS 15	1 January 2018 Restated
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Financial assets at amortised cost	–	13,009	–	13,009
Prepayments and other receivables	49,860	(13,009)	–	36,851
Current assets				
Contract costs	–	–	10,043	10,043
Total assets	2,264,908	–	10,043	2,274,951
Non-current liabilities				
Deferred tax liabilities	166,335	–	2,522	168,857
Current liabilities				
Contract liabilities	–	–	343,568	343,568
Deferred revenue	3,880	–	(3,321)	559
Advances from customers	57,983	–	(57,983)	–
Receipt in advance on sales of properties	282,307	–	(282,307)	–
Total liabilities	1,995,791	–	2,479	1,998,270
Net assets	269,117	–	7,564	276,681
Retained earnings	121,359	–	7,564	128,923
Total equity	269,117	–	7,564	276,681

3 ACCOUNTING POLICIES (CONTINUED)

3.3 Changes in accounting policies (continued)

(b) HKFRS 9 Financial Instruments – Impact of adoption

(i) Classification and measurement

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, and impairment of financial assets.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 3.3(c) below.

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has classified its financial instruments into the appropriate HKFRS 9 categories.

There is not impact on the Group's retained earnings as at 1 January 2018.

(ii) Impairment of financial assets

The Group has trade receivables for commission income, management fee, service income and rental income that are subject to HKFRS 9's new expected credit loss model, and the Group revised its impairment under HKFRS 9 for these receivables.

Based on the assessment undertaken, the Group does not identify material change to the loss allowance for trade debtors.

While cash and cash equivalent, trade receivables, other receivables and deposits are subject to the impairment requirements of HKFRS 9, the identifiable impairment loss was immaterial.

3 ACCOUNTING POLICIES (CONTINUED)

3.3 Changes in accounting policies (continued)

(c) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

(i) Classification

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

- those to be measured subsequently at fair value through profit or loss; and

- those to be measured at amortised cost.

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

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

(ii) Measurement

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

(iii) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3 ACCOUNTING POLICIES (CONTINUED)

3.3 Changes in accounting policies (continued)

(d) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as detailed in note 3.3(a). In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules modified retrospectively and therefore has not restated comparatives for the 2017 financial year.

The impact on the Group's retained earnings as at 1 January 2018 is as follows:

	RMB'000
Retained earnings as at 31 December 2017	**121,359**
Recognition of assets for costs to obtain a contract	10,043
Restatement of contract liabilities for customer loyalty programme	43
Increase in deferred tax liabilities	(2,522)
Adjustment to retained earnings from adoption of HKFRS 15	7,564
Retained earnings as at 1 January 2018	**128,923**

(i) Accounting for costs to obtain a contract

Management expects the incremental costs, primarily sale commission, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised. During six months ended 30 June 2018, the Group recognised amortisation of RMB10,043,000 and capitalised commission fee of RMB3,500,000, which decreased selling and marketing costs by the same amount, decreased tax expense by RMB1,636,000 and increased profit after tax by RMB4,907,000. And there was no impairment loss in relation to the costs capitalised.

3 ACCOUNTING POLICIES (CONTINUED)

3.3 Changes in accounting policies (continued)

(d) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption (continued)

(ii) Presentation of assets and liabilities related to contracts with customers

The Group has also changed the presentation of the following amounts in the consolidated balance sheet to reflect the terminology of HKFRS 15:

- Contract liabilities in relation to property sales contracts were previously included in receipt in advance on sale of properties (RMB282,307,000 as at 1 January 2018).

- Contract liabilities in relation to consumption cards issued were previously included in advances from customers (RMB57,983,000 as at 1 January 2018).

- Contract liabilities in relation to customer loyalty programme were previously included in deferred revenue (RMB3,321,000 as at 1 January 2018).

(e) HKFRS 15 Revenue from Contracts with Customers – Accounting policies

Accounting for property development activities

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, revenue are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- Provides all the benefits received and consumed simultaneously by the customer; or

- Creates and enhances an asset that the customer controls as the Group performs; or

3 ACCOUNTING POLICIES (CONTINUED)

3.3 Changes in accounting policies (continued)

(e) HKFRS 15 Revenue from Contracts with Customers – Accounting policies (continued)

Accounting for property development activities (continued)

- Do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

For the six months ended 30 June 2018, the Group has assessed that there is no enforceable right to payment from the customers for performance completed to date. Thus, the Group has concluded that the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition.

Accounting for significant financing component

For contracts where the period between the payment by the customer and transfer of the promised property or service exceeds one year, the transaction price should be adjusted for the effects of a financing component, if significant. The Group has assessed that the financing component effect was insignificant.

Accounting for property management services

For property management services contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts. The majority of these contracts do not have a fixed term.

4 SEGMENT AND REVENUE INFORMATION

(a) Description of segments

The Group is a diversified group which derives its revenues and profits from a variety of sources. The Group's strategic steering committee, consisting of the chief executive officer, the chief financial officer and the manager for corporate planning, considers the nature of the Group's business and has identified eight reportable segments.

(i) Department store (which offers an extensive variety of merchandise, including watches, jewelry, 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) and "Wangoo Convenience Store" (萬果便利店), 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, Jiangmen store and Zhaoqing store):

(v) Consulting service (mainly includes market research and provision of advice on design, decoration and layout for properties);

(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).

4 SEGMENT AND REVENUE INFORMATION (CONTINUED)

(b) Segment information provided to the strategic steering committee

The segment results for the six months ended 30 June 2018:

	Department store RMB'000	Supermarket RMB'000	Electrical appliances RMB'000	Furniture RMB'000	Consulting service RMB'000	Property investment RMB'000	Property development RMB'000	Others RMB'000	Total RMB'000
Segment revenue at a point of time	113,331	86,533	22,137	1,152	996	8,987	285,187	-	518,323
Fair value gain on investment properties	-	-	-	-	-	22,723	-	-	22,723
Provision for impairment of assets	(112)	-	-	-	-	-	-	-	(112)
Share of net profits of an associate accounted for using the equity method	-	-	-	-	-	-	-	5,691	5,691
Segment results – gross profit	108,397	28,803	7,304	1,152	996	31,710	41,171	5,691	225,224
Unallocated losses – other income and other losses, net									(5,235)
Unallocated costs									(194,821)
Finance income									1,125
Finance costs									(17,723)
Profit before income tax with land appreciation tax allocated									8,570
Unallocated income tax expense									(1,555)
Profit for the period									7,015
Depreciation and amortisation									11,259

4 SEGMENT AND REVENUE INFORMATION (CONTINUED)

(b) Segment information provided to the strategic steering committee (continued)

The segment results for the six months ended 30 June 2017:

	Department store RMB'000	Supermarket RMB'000	Electrical appliances RMB'000	Furniture RMB'000	Consulting service RMB'000	Property investment RMB'000	Property development RMB'000	Others RMB'000	Total RMB'000
Segment revenue at a point of time	109,388	102,998	33,132	1,170	6,663	954	95,806	–	350,111
Share of net losses of an associate accounted for using the equity method	–	–	–	–	–	–	–	(5,783)	(5,783)
Segment results – gross profit	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 costs									(17,538)
Profit before income tax									35,505
Income tax expense									(2,794)
Profit for the period									32,711
Depreciation and amortisation									13,257

4 SEGMENT AND REVENUE INFORMATION (CONTINUED)

(b) Segment information provided to the strategic steering committee (continued)

Entity-wide information

The turnover of the Group for the six months ended 30 June 2018 and 2017 is set out as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Direct sales of goods	**87,649**	117,336
Sales of properties	**285,187**	95,806
Commission income from concessionaire sales	**89,996**	86,419
Management fee and service income from operations	**23,790**	22,587
Rental income	**30,705**	21,300
Consulting service income	**996**	6,663
	518,323	350,111

5 SHARE OF NET PROFITS/(LOSSES) OF AN ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD, INVESTMENT IN AN ASSOCIATE

As at 30 June 2018 and 31 December 2017, the Group held 49% equity interest in Subor Cultural Development Company Limited ("Subor", formerly known as Zhongshan Subor Cultural Industry Company Limited), which is principally engaged in sale and production of game console, development of educational software and virtual reality business.

Subor had entered into contracts with several suppliers for the provision of technical services, including a semi-custom development agreement with a supplier regard to a chip development and platform project ("Development Projects"). During the six months ended 30 June 2018, payment to the suppliers was RMB26,600,000, including payment of US$4,000,000 (equivalent to RMB25,512,000) for the Development Projects, and employment costs incurred for the engineers working for these projects amounted to RMB1,088,000. Subor capitalised these costs in its financial statements as prepayments for the six months ended 30 June 2018. The chip development has been completed and outstanding payments of US$10,570,000 (equivalent to RMB69,937,000), have to be paid to the supplier. All the payments specifically related to Development Projects have been accounted for as prepayments amounted to RMB162,468,000.

5 SHARE OF NET PROFITS/(LOSSES) OF AN ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD, INVESTMENT IN AN ASSOCIATE (CONTINUED)

The associate is accounted for using equity method.

Movements in the carrying amount of equity-accounted investments are as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Beginning of the period	**41,562**	13,010
Additions	**–**	–
Share of post-tax profits/(losses) of an associate	**5,691**	(5,783)
End of the period	**47,253**	7,227

6 INCOME TAX EXPENSES

(a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands. Accordingly, it is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2017: 16.5%) of the estimated assessable profit.

(c) Corporate income tax ("CIT") is provided on the assessable income of entities within the Group incorporated in the PRC. Pursuant to PRC CIT Law, the CIT is unified at 25% for all types of entities.

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.

(d) Certain PRC property development 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.

6 INCOME TAX EXPENSES (CONTINUED)

(e) The amount of taxation charged to the consolidated statement of comprehensive income comprises:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	**13,888**	2,252
– PRC land appreciation income tax	**7,518**	–
	21,406	2,252
Deferred income tax		
– PRC corporate income tax	**(1,703)**	1,170
– PRC land appreciation income tax	**(10,630)**	(628)
	(12,333)	542
	9,073	2,794

7 DIVIDENDS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Dividends provided for or paid during the period	**–**	33,031

No interim dividend in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: Nil) was proposed by the board of directors.

8 EARNINGS PER SHARE

The basic earnings per share attributable to owners of the Company during the six months ended 30 June 2018 is RMB0.0057 per share (six months ended 30 June 2017: RMB0.0318 per share). As there were no potential dilutive ordinary shares during the six months ended 30 June 2018 and 2017, diluted earnings per share was equal to basic earnings per share.

9 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Buildings RMB'000	Office equipment RMB'000	Vehicles RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
As at 31 December 2017							
Cost	305,465	6,058	20,088	5,291	35,206	55,594	427,702
Accumulated depreciation	(168,146)	(151)	(15,526)	(3,674)	(21,521)	–	(209,018)
Accumulated impairment charge	(44,706)	–	–	–	(947)	–	(45,653)
Net book amount	92,613	5,907	4,562	1,617	12,738	55,594	173,031
Six months ended 30 June 2018							
Opening net book amount	**92,613**	**5,907**	**4,562**	**1,617**	**12,738**	**55,594**	**173,031**
Additions	**2,253**	**–**	**559**	**140**	**4,263**	**7,997**	**15,212**
Disposals	**(10,573)**	**–**	**(1,201)**	**(13)**	**–**	**(27)**	**(11,814)**
Depreciation	**(8,789)**	**(75)**	**(690)**	**(191)**	**(1,514)**	**–**	**(11,259)**
Impairment transferred out	**8,055**	**–**	**–**	**–**	**–**	**–**	**8,055**
Closing net book amount	**83,559**	**5,832**	**3,230**	**1,553**	**15,487**	**63,564**	**173,225**
As at 30 June 2018							
Cost	**297,145**	**6,058**	**19,446**	**5,418**	**39,469**	**63,564**	**431,100**
Accumulated depreciation	**(176,935)**	**(226)**	**(16,216)**	**(3,865)**	**(23,035)**	**–**	**(220,277)**
Accumulated impairment charge	**(36,651)**	**–**	**–**	**–**	**(947)**	**–**	**(37,598)**
Net book amount	**83,559**	**5,832**	**3,230**	**1,553**	**15,487**	**63,564**	**173,225**

10 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
At fair value			
Six months ended 30 June 2018			
Opening net book amount as at 1 January 2018	107,665	632,945	740,610
Capitalised subsequent expenditures	–	25,745	25,745
Transfer	648,412	(648,412)	–
Revaluation gains recognised in profit or loss	–	22,723	22,723
Closing net book amount as at 30 June 2018	756,077	33,001	789,078
Six months ended 30 June 2017			
Opening net book amount as at 1 January 2017	101,903	394,332	496,235
Acquisition of a subsidiary	–	175,782	175,782
Capitalised subsequent expenditure	–	6,815	6,815
Closing net book amount as at 30 June 2017	101,903	576,929	678,832

11 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
Trade receivables	**33,908**	30,227
Prepayments and other receivables	**156,713**	190,504
	190,621	220,731
Less: impairment charge	**(189)**	(897)
Less: non-current portion of prepayments and other receivables	**(32,879)**	(49,860)
	157,553	169,974

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 2018 and 31 December 2017, the ageing analysis of the trade receivables based on invoice date are as follows:

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
Trade receivables		
– Within 2 months	**27,124**	19,442
– Over 2 months	**6,784**	10,785
	33,908	30,227

12 EQUITY SECURITIES ISSUED

	2018 Shares (thousands)	2017 Shares (thousands)	2018 RMB'000	2017 RMB'000
Issues of ordinary shares during the period				
Share Subdivision	–	497,904	–	–

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").

13 TRADE AND OTHER PAYABLES

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Trade payables	**64,284**	79,712
Other payables	**750,630**	664,854
	814,914	744,566
Less: non-current portion of other payables	**(11,436)**	(88,816)
	803,478	655,750

As at 30 June 2018 and 31 December 2017, the aging analysis of trade payables based on invoice date are as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Trade payables		
– Within 3 months	**54,885**	68,000
– Over 3 months	**9,399**	11,712
	64,284	79,712

14 BORROWINGS

	As at	
	30 June 2018	31 December 2017
	RMB'000	RMB'000
Non-current		
Long-term borrowings		
– Bonds – unsecured (note (a))	**84,141**	68,108
– Bonds – secured (note (b))	**30,549**	22,951
– Bank borrowings – secured (note (c))	**140,030**	300,603
– Other borrowings – unsecured (note (d))	**98,034**	118,698
– Other borrowings – secured (note (e))	**27,160**	–
Less: current portion of long-term borrowings	**(145,834)**	(279,386)
	234,080	230,974
Current		
Short-term borrowings		
– Bonds – unsecured (note (f))	**11,329**	47,730
– Bank borrowings – unsecured (note (g))	**35,000**	35,000
– Bank borrowings – secured (note (h))	**68,431**	115,918
– Other borrowings – unsecured (note (i))	**8,009**	9,616
Current portion of long-term bonds	**8,224**	4,980
Current portion of long-term bank borrowings	**39,576**	189,622
Current portion of other borrowings	**98,034**	84,784
	268,603	487,650
Total borrowings	**502,683**	718,624

(a) During the period from January 2018 to June 2018, the Company issued bonds at interest rate of 6% to 7% per annum with maturity period of two to six years. The aggregated principal amount of these bonds amounted to HK$23,060,000 (equivalent to RMB19,086,000). There were no transaction cost of these bonds.

During the period from May 2017 to December 2017, the Company issued bonds at interest rate of 6% to 8% per annum with maturity period of two to eight years. The aggregated principal amount of these bonds amounted to HK$45,500,000 (equivalent to RMB39,237,000). The net proceeds of these bonds, after deducting the transaction costs, amounted to RMB38,804,000.

14 BORROWINGS (CONTINUED)

(b) During the period from January 2018 to June 2018, the Company issued bonds at interest rate of 6.5% or 7% per annum with maturity period of two or three years. The aggregated principal amount of these bonds amounted to HK$9,000,000 (equivalent to RMB7,291,000), which are secured by guarantees given by the non-executive director of the Company. The net proceeds of these bonds, after deducting the transaction costs, amounted to RMB6,456,000.

During the period from May 2017 to December 2017, the Company issued bonds at interest rate of 6.5% or 7% per annum with maturity period of two or three years. The aggregated principal amount of these bonds amounted to HK$31,000,000 (equivalent to RMB26,431,000), which are secured by guarantees given by the non-executive director of the Company. The net proceeds of these bonds, after deducting the transaction costs, amounted to RMB23,131,000.

(c) As at 30 June 2018, the long-term bank borrowings are secured by guarantees given by the Company, subsidiaries within the Group.

Certain portions of the long-term bank borrowings, amounting to HK$48,000,000 (equivalent to RMB40,469,000) (31 December 2017: HK$48,000,000, equivalent to RMB40,124,000), are collectively pledged by restricted cash of the Group of RMB7,344,000 (31 December 2017: RMB8,584,000).

Certain portions of the long-term bank borrowings, amounting to US$1,276,000 (equivalent to RMB8,446,000) (31 December 2017: Nil), are secured by guarantees given by the Company and subsidiaries within the Group.

Certain portions of the long-term bank borrowings, amounting to RMB91,115,000 (31 December 2017: RMB251,168,000), are collectively pledged by investment properties of the Group of RMB279,087,000 (31 December 2017: RMB381,100,000).

(d) As at 28 June 2017, the Group completed acquisition of Yunfu Tairui Baisheng Real Estate Development Co., Ltd. ("Yunfu Baisheng"), and took over the other borrowings due to a related party of previous shareholders, amounting to RMB135,655,000. The borrowings are unsecured, bear fixed interest rates and repaid quarterly from 30 September 2017 to 30 June 2019.

14 BORROWINGS (CONTINUED)

(e) On 9 February 2018, the Group obtained the one and a half years borrowings of RMB35,000,000 from a third party, The borrowing are secured by guarantees given by the Company, bear fixed interest rates and have fixed repayment terms. The Group repaid portions of the long-term borrowings in advance and with an outstanding amount of RMB27,160,000 as at 30 June 2018.

(f) During the period from January 2018 to June 2018, the Company issued bonds at interest rate of 1.0% to 3.5% per annum with maturity period of three to six months. The aggregated principal amount of these bonds amounted to HK$13,437,000 (equivalent to RMB10,888,000). There were no transaction cost of these bonds.

(g) The short-term bank borrowings, amounting to RMB35,000,000 (31 December 2017: RMB35,000,000), are unsecured, bear fixed interest rates and have fixed repayment terms.

(h) As at 31 December 2017, the short-term bank borrowings are secured by guarantees given by the Company and subsidiaries within the Group.

Certain portions of the short-term bank borrowings, amounting to HK$10,000,000 (equivalent to RMB8,431,000) (31 December 2017: HK$20,000,000, equivalent to RMB16,718,000), are collectively pledged by restricted cash of the Group of RMB1,530,000 (31 December 2017: RMB3,576,000).

Certain portions of the short-term bank borrowings, amounting to RMB60,000,000 (31 December 2017: RMB99,200,000), are collectively pledged by investment properties of the Group of RMB163,560,000 (31 December 2017: RMB388,000,000).

(i) On 8 August 2017 and 9 December 2017, the Company obtained three-month borrowings of HK$2,000,000 (equivalent to RMB1,672,000) and nine-month borrowings of HK$9,500,000 (equivalent to RMB7,944,000) respectively from third parties. The borrowings were unsecured and with fixed interest rates and repayment terms.

On 8 February 2018, the Company repaid the three-month borrowings. As at 30 June 2018, the nine-month borrowings of HK$9,500,000 (equivalent to RMB8,009,450) are still outstanding.

14 BORROWINGS (CONTINUED)

(j) As at 30 June 2018, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

Contractual maturities of financial liabilities	**Within 1 year RMB'000**	**Between 1 and 2 years RMB'000**	**Between 2 and 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
As at 30 June 2018					
Non– derivatives					
Trade and other payables (excluding other taxes and surcharges payable)	**778,167**	**6,809**	**208**	**4,419**	**789,603**
Amounts due to related parties	**12,108**	**–**	**–**	**–**	**12,108**
Borrowings	**287,732**	**107,422**	**133,533**	**31,175**	**559,862**
Total non– derivatives	**1,078,007**	**114,231**	**133,741**	**35,594**	**1,361,573**

Contractual maturities of financial liabilities	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2017					
Non– derivatives					
Trade and other payables (excluding other taxes and surcharges payable)	618,129	9,590	68,005	11,221	706,945
Amounts due to related parties	16,996	–	–	–	16,996
Borrowings	513,426	102,229	132,278	33,599	781,532
Total non– derivatives	1,148,551	111,819	200,283	44,820	1,505,473

14 BORROWINGS (CONTINUED)

(k) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
– Expiring within one year (bank loans)	**60,000**	60,000
– Expiring beyond one year (bank loans)	**34,108**	33,985
	94,108	93,985

15 CURRENT PROVISIONS

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
Legal claims	**2,855**	2,855

A provision of RMB2,855,000 has been made for a legal claim of damages against the Group by the residents of a property nearby the project of Yunfu Baisheng. 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 as of 30 June 2018.

16 FINANCIAL GUARANTEES

The face value of the financial guarantees issued by the Group as at 30 June 2018 and 31 December 2017 are analysed as follows:

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
Guarantees to an associate (note (a))	**66,166**	65,342
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (note (b))	**347,079**	286,486
	413,245	351,828

(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 RMB66,166,000). 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.

16 FINANCIAL GUARANTEES (CONTINUED)

(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.

17 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 2018	31 December 2017
	RMB'000	RMB'000
Property, plant and equipment	**1,320**	178
Investment properties	**25,959**	22,824
Properties under development	**62,285**	116,109
	89,564	139,111

17 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 2018 RMB'000	31 December 2017 RMB'000
– Within 1 year	**46,783**	78,597
– Between 1 and 5 years	**53,805**	55,183
– Over 5 years	**36,134**	93,282
	136,722	227,062

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 2018 RMB'000	31 December 2017 RMB'000
– Within 1 year	**65,318**	65,048
– Between 1 and 5 years	**193,095**	204,511
– Over 5 years	**335,917**	348,537
	594,330	618,096

18 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	
	2018	2017
	RMB'000	RMB'000
Companies controlled by Mr. Chen Daren	**41,498**	31,665
Companies jointly controlled by Mr. Chen Daren and third parties	**3,337**	2,831
	44,835	34,496

(b) Purchases of services

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Companies controlled by Mr. Chen Daren	**578**	852

(c) Sales of goods

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Companies controlled by Mr. Chen Daren	**993**	751

18 RELATED– PARTY TRANSACTIONS (CONTINUED)

(d) Provision of financial guarantees

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
An associate of the Group (note 16)	**66,166**	67,744

(e) Financial guarantees for borrowings

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Mr. Chen Daren	**30,549**	–
Mr. Chen Zhengtao	**40,000**	–
Mr. Chen Jianren	**–**	4,340
	70,549	4,340

19 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 30 June 2018:

(a) On 11 July 2018 and 1 August 2018, the Group issued 7% bonds which will be due for payment on 10 July 2020 and 31 July 2021 respectively. The aggregated principal amount of the bonds amounted to HK$7,000,000 (equivalent to RMB5,960,000).

(b) On 3 July 2018 and 1 August 2018, the Group issued 6.5% bonds which will be due for payment on 2 July 2020 and 31 July 2020 respectively. The aggregated principal amount of the bonds amounted to HK$10,000,000 (equivalent to RMB8,588,000).

(c) On 25 June 2018 and 19 July 2018, the Group issued 6% bonds which will be due for payment on 24 June 2020 and 18 July 2022 respectively. The aggregated principal amount of the bonds amounted to HK$11,060,000 (equivalent to RMB9,284,000).

In this connection, the Group raised net proceeds of approximately RMB22,662,000.