



# 2019

INTERIM REPORT



## 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. Leung Wai Kwan  
 Ms. Xiao Manping (Appointed on 2 April 2019)  
 Mr. Wang Qi (Appointed on 17 April 2019)  
 Mr. Tse Wing York (Appointed on 25 April 2019 and resigned on 31 May 2019)  
 Mr. Su Weibing (Resigned on 2 April 2019)  
 Mr. Chen Zhengtao (Resigned on 17 April 2019)  
 Mr. Lin Guangzheng (Resigned on 25 April 2019)  
 Mr. Wei Chaoling (Resigned on 31 May 2019)

### Non-executive Director

Mr. Chen Daren

### Independent non-executive Directors

Mr. Mao Dan (Appointed on 25 April 2019)  
 Mr. Wong Kwok Wai, Albert  
 (Appointed on 31 May 2019)  
 Dr. Lieu Geoffrey Sek Yiu  
 (Appointed on 31 May 2019)  
 Mr. Xu Yinzhou (Resigned on 25 April 2019)  
 Mr. Sun Hong (Resigned on 31 May 2019)  
 Ms. Hung Wan Fong, Joanne  
 (Resigned on 31 May 2019)  
 Ms. Lai Pou Lam, Mina  
 (Resigned on 31 May 2019)

## 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. Tso Hok Wan  
 (Appointed on 31 May 2019)  
 Mr. Tse Wing York  
 (Resigned on 31 May 2019)

## AUTHORISED REPRESENTATIVES

Mr. Fan Xinpei  
 Ms. Xiao Manping  
 (Appointed on 31 May 2019)  
 Mr. Tse Wing York  
 (Resigned on 31 May 2019)

## AUDIT COMMITTEE

Mr. Wong Kwok Wai, Albert  
 (*Chairman*, appointed on 31 May 2019)  
 Mr. Mao Dan (Appointed on 25 April 2019)  
 Dr. Lieu Geoffrey Sek Yiu  
 (Appointed on 31 May 2019)  
 Mr. Xu Yinzhou (Resigned on 25 April 2019)  
 Ms. Hung Wan Fong, Joanne  
 (*Chairman*, resigned on 31 May 2019)  
 Mr. Sun Hong (Resigned on 31 May 2019)

## REMUNERATION COMMITTEE

Mr. Wong Kwok Wai, Albert  
 (*Chairman*, Appointed on 31 May 2019)  
 Mr. Fan Xinpei  
 Mr. Mao Dan (Appointed on 25 April 2019)  
 Dr. Lieu Geoffrey Sek Yiu  
 (Appointed on 31 May 2019)  
 Mr. Xu Yinzhou  
 (*Chairman*, resigned on 25 April 2019)  
 Mr. Sun Hong (Resigned on 31 May 2019)  
 Ms. Hung Wan Fong, Joanne  
 (Resigned on 31 May 2019)

## NOMINATION COMMITTEE

Mr. Chen Jianren (*Chairman*)  
 Mr. Mao Dan (Appointed on 25 April 2019)  
 Mr. Wong Kwok Wai, Albert  
 (Appointed on 31 May 2019)  
 Dr. Lieu Geoffrey Sek Yiu  
 (Appointed on 31 May 2019)  
 Mr. Xu Yinzhou (Resigned on 25 April 2019)  
 Mr. Sun Hong (Resigned on 31 May 2019)  
 Ms. Hung Wan Fong, Joanne  
 (Resigned on 31 May 2019)

## CORPORATE INFORMATION

### 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 54, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

### PRINCIPAL BANKS

#### *The PRC:*

Industrial and Commercial Bank of China  
Jiangmen Rural Commercial Bank  
China Guangfa Bank

#### *Hong Kong:*

Industrial And Commercial Bank of China  
(Asia) Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
The Bank of East Asia, Limited

### AUDITOR

PricewaterhouseCoopers

### INTERNAL CONTROL ADVISER

Corporate Governance Professionals Limited

### LEGAL ADVISERS TO THE COMPANY

*As to the PRC law*  
JunZeJun Law Offices

### COMPANY WEBSITE

[www.yihua.com.cn](http://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 2019.

## BUSINESS REVIEW

The expectation of consumers on product quality and service standard has been increasingly higher in recent years. In the first half of 2019, the Group continued to push forward the upgrade of stores in order to create a better consumption sentiment. To cater for the increased consumption demand, the Group also expanded its product range by adding food and beverages and sports apparel on top of conventional merchandises. The Group believed that these moves would bring stable income to the Group.

During the first half of 2019, the Group closed one underperforming store and focused the resources on the development of other stores with greater efficiency.

There was an accelerated growth in convenience stores during the period. In the first half of 2019, the Group opened several new convenience stores.

For the six months ended 30 June 2019, the Group’s revenue was approximately RMB258.0 million, representing a decrease of approximately 50.2% 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 RMB163.9 million, decreased by 19.8% as compared with the same period last year. Operating loss was approximately RMB70.7 million, while an operating profit of approximately RMB27.0 million was recorded during the same period last year. Loss attributable to owners of the Company was approximately RMB100.9 million, while the profit attributable to owners of the Company was approximately RMB5.7 million during the same period last year.

## OUTLOOK AND PROSPECTS

Looking forward, the Group will pursue the core strategy of building brand equity and enriching product offerings. The Group will also continue to explore suitable locations in the Greater Bay Area with an aim to extend the coverage of department stores and convenience stores. Meanwhile, the Group will closely monitor any opportunities arising in the Greater Bay Area. Riding on the development of the Greater Bay Area, the Group expects to deliver better results in the future.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2019, the Group recorded a revenue of approximately RMB258.0 million, representing a decrease of approximately RMB260.3 million or 50.2% from approximately RMB518.3 million in the first half of 2018.

The following table sets forth a breakdown of the Group's revenue for the six months ended 30 June 2019 and 2018.

| Department  | Six months ended 30 June |             |                      |           |                    |                     |                      |         |         |         |             |                      |           |                    |                     |                      |         |         |
|---|--------------------------|-------------|----------------------|-----------|--------------------|---------------------|----------------------|---------|---------|---------|-------------|----------------------|-----------|--------------------|---------------------|----------------------|---------|---------|
|   | 2019                     |             |                      |           |                    |                     |                      |         | 2018    |         |             |                      |           |                    |                     |                      |         |         |
|   | store                    | Supermarket | Electrical appliance | Furniture | Consulting service | Property investment | Property development | Others  | Total   | store   | Supermarket | Electrical appliance | Furniture | Consulting service | Property investment | Property development | Total   |         |
|   | segment                  | segment     | segment              | segment   | segment            | segment             | segment              | segment | segment | segment | segment     | segment              | segment   | segment            | segment             | segment              | segment | segment |
| 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            | RMB'000             | RMB'000              | RMB'000 | RMB'000 |
| Direct sales of goods                             | 220                      | 48,686      | 6,833                | 61        | -                  | -                   | -                    | 461     | 56,261  | 2,213   | 67,962      | 17,474               | -         | -                  | -                   | -                    | -       | 87,649  |
| Sales of properties                               | -                        | -           | -                    | -         | -                  | -                   | -                    | 44,516  | -       | 44,516  | -           | -                    | -         | -                  | -                   | -                    | 285,187 | 285,187 |
| Commission income from concessionaire sales       | 63,349                   | 8,796       | 2,743                | -         | -                  | -                   | -                    | -       | 74,888  | 77,255  | 9,548       | 3,193                | -         | -                  | -                   | -                    | -       | 89,996  |
| Management fee and service income from operations | 18,885                   | 4,871       | 1,392                | -         | -                  | 2,999               | -                    | -       | 28,147  | 17,119  | 5,397       | 1,173                | 101       | -                  | -                   | -                    | -       | 23,790  |
| Rental income                                     | 21,979                   | 8,570       | 241                  | 823       | -                  | 17,904              | -                    | -       | 49,517  | 16,744  | 3,626       | 297                  | 1,051     | -                  | 8,987               | -                    | -       | 30,705  |
| Consulting service income                         | -                        | -           | -                    | -         | 4,717              | -                   | -                    | -       | 4,717   | -       | -           | -                    | -         | 996                | -                   | -                    | -       | 996     |
|   | 104,433                  | 70,923      | 11,209               | 884       | 4,717              | 20,903              | 44,516               | 461     | 258,046 | 113,331 | 86,533      | 22,137               | 1,152     | 996                | 8,987               | 285,187              | -       | 518,323 |

### Direct sales of goods

For the six months ended 30 June 2019, the revenue from direct sales was approximately RMB56.3 million, representing a decrease of approximately RMB31.3 million or 35.7%, from approximately RMB87.6 million in the first half of 2018. The decrease was mainly attributable to the decrease in sales of electrical appliance segment and supermarket segment as a result of change of business model from direct sales of goods to leasing areas to tenants.

### Sales of properties

For the six months ended 30 June 2019, the revenue derived from sales of properties was approximately RMB44.5 million, representing a decrease of RMB240.7 million, or 84.4%, from approximately RMB285.2 million in the first half of 2018. The sales of properties was mainly represented the delivery of properties to buyers.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Commission income from concessionaire sales**

For the six months ended 30 June 2019, the revenue from concessionaire sales was approximately RMB74.9 million, representing a decrease of approximately RMB15.1 million, or 16.8%, from approximately RMB90.0 million in the first half of 2018.

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

For the six months ended 30 June 2019, the management fee and service income from operations were approximately RMB28.1 million, representing an increase of approximately RMB4.3 million or approximately 18.1%, from approximately RMB23.8 million in the first half of 2018.

## **Rental income**

For the six months ended 30 June 2019, the revenue from rental income was approximately RMB49.5 million, representing an increase of approximately RMB18.8 million, or 61.2%, from approximately RMB30.7 million in the first half of 2018. 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 2019, the Group recorded a total of approximately RMB4.7 million for the consulting service provided, while the consulting service income was RMB1.0 million in the first half of 2018.

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

For the six months ended 30 June 2019, gross profit was approximately RMB163.9 million, a decrease of approximately RMB40.5 million, or 19.8%, from approximately RMB204.4 million in the first half of 2018. The gross profit margin for the six months ended 30 June 2019 and 30 June 2018 was approximately 63.5% and 39.4% respectively, representing an increase of approximately 24.1 percentage points. The increase in gross profit margin was mainly due to the increase in rental income.

## **Other income**

For the six months ended 30 June 2019, other income was approximately RMB1.0 million, while the other income was approximately RMB1.3 million in the first half of 2018. The amount represents the one-off government grant received or receivable and amortisation of government grant related to assets.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Fair value loss on investment property right-of-use assets**

The fair value loss on investment property right-of-use assets was the adoption of HKFRS 16 Leases which became effective on 1 January 2019.

### **Other gains/(losses) – net**

For the six months ended 30 June 2019, other gains was approximately RMB0.4 million, while other losses was approximately RMB6.6 million in the first half of 2018.

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

For the six months ended 30 June 2019, the purchases of and changes in inventories was approximately RMB53.7 million, representing a decrease of approximately RMB23.7 million, or approximately 30.6%, from approximately RMB77.4 million in the first half of 2018.

### **Constructions of and changes in completed properties held for sale**

For the six months ended 30 June 2019, the construction of and changes in completed properties held for sale was approximately RMB40.4 million, representing a decrease of approximately RMB196.1 million, or approximately 82.9%, from approximately RMB236.5 million in the first half of 2018. The significant decrease was due to less delivery of properties to buyers in the first half of 2019.

### **Employee benefit expenses**

For the six months ended 30 June 2019, employee benefit expenses were approximately RMB43.7 million, representing a decrease of approximately RMB3.7 million, or 7.8%, from approximately RMB47.4 million in the first half of 2018.

### **Depreciation and amortisation**

For the six months ended 30 June 2019, depreciation and amortisation expenses were approximately RMB33.8 million, representing an increase of approximately RMB22.5 million, or 199.1%, from approximately RMB11.3 million in the first half of 2018. The significant increase was mainly attributable to the effect of adoption of HKFRS 16 Leases which became effective on 1 January 2019.

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

For the six months ended 30 June 2019, operating lease rental expenses and property management fee totalled approximately RMB40.3 million, representing a decrease of approximately RMB37.1 million, or 47.9%, from approximately RMB77.4 million in the first half of 2018.



# MANAGEMENT DISCUSSION AND ANALYSIS

## **Other operating expenses**

For the six months ended 30 June 2019, the other operating expenses were approximately RMB66.8 million, representing an increase of approximately RMB8.1 million, or 13.8%, from approximately RMB58.7 million in the first half of 2018.

## **Finance costs – net**

For the six months ended 30 June 2019, the net finance expenses of approximately RMB42.2 million, representing an increase of approximately RMB25.6 million, or approximately 154.2%, from approximately RMB16.6 million in the first half of 2018. This was mainly attributable to the increase in borrowings and increase in interest rate.

## **Share of net (losses)/profits of an associate accounted for using the equity method**

For the six months ended 30 June 2019, share of net losses of an associate was RMB11.6 million, while share of net profits of an associate was RMB5.7 million in the first half of 2018.

## **(Loss)/profit attributable to owners of the Company**

For the six months ended 30 June 2019, loss attributable to owners of the Company was approximately RMB100.9 million, while the profit attributable to owners of the Company was approximately RMB5.7 million in the first half of 2018.

## **Liquidity and Financial Resources**

As of 30 June 2019, the Group's cash and cash equivalents and near cash instruments (included restricted cash and term deposits) amounted to approximately RMB127.9 million (31 December 2018: RMB216.1 million). The outstanding borrowings of the Group as of 30 June 2019 was approximately RMB636.3 million (31 December 2018: RMB605.5 million).

As of 30 June 2019, the Group's current liabilities exceeded its current assets by RMB577.2 million (31 December 2018: RMB389.0 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 2019, the gearing ratio was 86.3% (31 December 2018: 92.7%). The gearing ratio is calculated as total liabilities divided by total assets at the balance sheet dates. By the adoption of HKFRS 16 Leases which became effective on 1 January 2019, total assets increased approximately RMB768.0 million and total liabilities increased approximately RMB355.1 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Pledge of assets**

As of 30 June 2019, certain investment properties and properties under development of the Group with an aggregate carrying amount of RMB477.1 million (31 December 2018: RMB475.0 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 RMB68.7 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.

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

The Group did not have any significant investments and disposals during the six months ended 30 June 2019.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: 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. Under the Scheme, the Board shall be entitled at any time (except for the period as defined under 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 of Hong Kong Limited (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 annual general meeting (“**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 2019. 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.

## OTHER INFORMATION

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 2019, 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 2019, 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/<br>Name of<br>associated<br>corporation  | Capacity/Nature<br>of interest  | Number<br>of share          | Approximate<br>percentage of<br>shareholding |
|------------------|---|---|-----------------------------|--|
| Mr. Chen Daren   | The Company                                       | Interest in controlled<br>corporation   | 588,720,412 (L)<br>(Note 3) | 58.69%                                       |
| Mr. Fan Xinpei   | The Company                                       | Interest in spouse/<br>Beneficial owner/<br>Interest in controlled<br>corporation | 90,076,177 (L)<br>(Note 4)  | 8.98%  |
| Mr. Chen Daren   | Jaguar Asian Limited<br>(“ <b>Jaguar Asian</b> ”) | Beneficial owner  | 1 (L)<br>(Note 3)           | 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. The approximate percentage of shareholding is calculated based on 1,003,157,915 shares in issue as at 30 June 2019.
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. 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.
4. Mr. Fan Xinpei is deemed to be interested in the 63,789,564 Shares held by Ms. Li Dan, his spouse under the SFO. In addition, 26,286,613 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 (a former Director who resigned on 25 April 2019), Mr. Su Weibing (a former Director who resigned on 2 April 2019), 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.

Save as disclosed above, as at 30 June 2019, 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 2019, 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 Shareholder                      | Name of interests                       | Number of share held<br>(Note 1) | Approximate percentage of shareholding<br>(Note 2) |
|--|---|----------------------------------|--|
| Jaguar Asian Limited<br>("Jaguar Asian") | Beneficial owner                        | 588,720,412 (L)<br>(Note 3)      | 58.69%   |
| Ms. Li Dan                               | Beneficial owner/<br>Interest in spouse | 90,076,177 (L)<br>(Note 4)       | 8.98%  |

*Notes:*

- The letter "L" denotes long position in the Shares.
- The approximate percentage of shareholding is calculated based on 1,003,157,915 Shares in issue as at 30 June 2019.
- 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.
- Ms. Li Dan is the beneficial owner of 63,789,564 Shares. Ms. Li Dan is deemed to be interested in 26,286,613 Shares and 25,783 Shares held directly by Mr. Fan Xinpei, her spouse, and Eaglepass Developments Limited, a controlled corporation of her spouse, respectively, under the SFO.

Save as disclosed above, so far as is known to the Directors, as at 30 June 2019, 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 2019, 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.

## OTHER INFORMATION

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

For the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares.

### **AUDIT COMMITTEE**

The audit committee has reviewed the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2019 and discussed the financial related matters with the management of the Group.

### **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 "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The Board has reviewed and measured to adopt the CG Code as the Company's corporate governance practices. During the six months ended 30 June 2019, the Company has complied with the code provisions under CG Code.

### **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 2019.

### **SUFFICIENCY OF PUBLIC FLOAT**

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | Note    | Unaudited                |           |
|--|---------|--------------------------|-----------|
|  |         | Six months ended 30 June |           |
|  |         | 2019                     | 2018      |
|  |         | RMB'000                  | RMB'000   |
| Revenue  | 4       | 258,046                  | 518,323   |
| Other income   |         | 978                      | 1,334     |
| Fair value gain on investment properties   |         | –                        | 22,723    |
| Fair value loss on investment property<br>right-of-use assets                          | 3.3, 10 | (49,177)                 | –         |
| Fair value gain on financial assets  |         | 236                      | –         |
| Other gains/(losses) – net   |         | 385                      | (6,569)   |
| Purchases of and changes in inventories  |         | (53,743)                 | (77,386)  |
| Constructions of and changes in completed<br>properties held for sale                  |         | (40,402)                 | (236,497) |
| Employee benefit expenses  |         | (43,703)                 | (47,407)  |
| Depreciation and amortisation  |         | (33,832)                 | (11,259)  |
| Provision for impairment of assets   |         | (2,427)                  | (112)     |
| Operating lease rental expense and property<br>management fee                          |         | (40,316)                 | (77,420)  |
| Other operating expenses   |         | (66,771)                 | (58,735)  |
| <b>Operating (loss)/profit</b>   |         | <b>(70,726)</b>          | 26,995    |
| Finance income   |         | 2,985                    | 1,125     |
| Finance costs  |         | (45,163)                 | (17,723)  |
| <b>Finance costs – net</b>   |         | <b>(42,178)</b>          | (16,598)  |
| Share of net (losses)/profits of an associate<br>accounted for using the equity method | 5       | (11,570)                 | 5,691     |
| <b>(Loss)/profit before income tax</b>   |         | <b>(124,474)</b>         | 16,088    |
| Income tax credit/(expenses)   | 6       | 23,317                   | (9,073)   |
| <b>(Loss)/profit for the period</b>  |         | <b>(101,157)</b>         | 7,015     |
| <b>Other comprehensive income for the period,<br/>net of tax</b>                       |         | –                        | –         |
| <b>Total comprehensive (loss)/income for the period</b>                                |         | <b>(101,157)</b>         | 7,015     |



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|   | Note | Unaudited                |              |
|---|------|--------------------------|--------------|
|   |      | Six months ended 30 June |              |
|   |      | 2019                     | 2018         |
|   |      | RMB'000                  | RMB'000      |
| <b>(Loss)/profit for the period is attributable to:</b>   |      |                          |              |
| – Owners of the Company   |      | (100,888)                | 5,688        |
| – Non-controlling interests   |      | (269)                    | 1,327        |
|   |      | <b>(101,157)</b>         | <b>7,015</b> |
| <b>Total comprehensive (loss)/income for the period is attributable to:</b>   |      |                          |              |
| – Owners of the Company   |      | (100,888)                | 5,688        |
| – Non-controlling interests   |      | (269)                    | 1,327        |
|   |      | <b>(101,157)</b>         | <b>7,015</b> |
| <b>Basic and diluted (losses)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in RMB per share)</b> |      |                          |              |
|   | 8    | <b>(0.1006)</b>          | 0.0057       |

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

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

|  | Note    | Unaudited<br>30 June<br>2019<br>RMB'000 | Audited<br>31 December<br>2018<br>RMB'000 |
|--|---------|---|---|
| <b>ASSETS</b>  |         |   |   |
| <b>Non-current assets</b>  |         |   |   |
| Property, plant and equipment  | 9       | 172,911                                 | 167,242                                   |
| Right-of-use assets  | 3.3, 10 | 193,786                                 | –   |
| Investment property right-of-use assets                              | 3.3, 10 | 574,179                                 | –   |
| Investment properties  | 11      | 822,170                                 | 822,170                                   |
| Computer software  |         | 7,124                                   | 4,911                                     |
| Goodwill   |         | 2,130                                   | 2,130                                     |
| Investment in an associate accounted for<br>using the equity method  | 5       | 22,730                                  | 34,300                                    |
| Deferred tax assets  |         | 2,371                                   | 3,887                                     |
| Deferred assets  |         | 3,339                                   | 4,044                                     |
| Financial assets at fair value through other<br>comprehensive income |         | 150                                     | –   |
| Financial assets at fair value through<br>profit or loss             |         | 10,804                                  | 10,568                                    |
| Trade receivables, prepayments and<br>other receivables              | 12      | 16,881                                  | 7,425                                     |
| <b>Total non-current assets</b>                                      |         | <b>1,828,575</b>                        | <b>1,056,677</b>                          |
| <b>Current assets</b>  |         |   |   |
| Properties under development   |         | 351,865                                 | 331,727                                   |
| Completed properties held for sale                                   |         | 103,794                                 | 141,098                                   |
| Inventories  |         | 31,871                                  | 45,492                                    |
| Contract costs   |         | 12,839                                  | 4,979                                     |
| Trade receivables, prepayments and<br>other receivables              | 12      | 219,241                                 | 189,126                                   |
| Tax prepayments  |         | 56,322                                  | 45,096                                    |
| Amounts due from related parties                                     | 18      | 270,200                                 | 150,677                                   |
| Restricted cash  |         | 36,584                                  | 32,242                                    |
| Term deposits  |         | 49,150                                  | 69,050                                    |
| Cash and cash equivalents  |         | 42,205                                  | 114,803                                   |
| <b>Total current assets</b>  |         | <b>1,174,071</b>                        | <b>1,124,290</b>                          |
| <b>Total assets</b>  |         | <b>3,002,646</b>                        | <b>2,180,967</b>                          |

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

|   | Note    | Unaudited<br>30 June<br>2019<br>RMB'000 | Audited<br>31 December<br>2018<br>RMB'000 |
|---|---------|---|---|
| <b>EQUITY</b>                                       |         |   |   |
| <b>Equity attributable to owners of the Company</b> |         |   |   |
| Share capital                                       |         | 3,956                                   | 3,956                                     |
| Other reserves                                      |         | 144,394                                 | 143,627                                   |
| Retained earnings                                   |         | 232,688                                 | 4,031                                     |
|   |         | <b>381,038</b>                          | 151,614                                   |
| Non-controlling interests                           |         | 31,121                                  | 7,846                                     |
| <b>Total equity</b>                                 |         | <b>412,159</b>                          | 159,460                                   |
| <b>LIABILITIES</b>                                  |         |   |   |
| <b>Non-current liabilities</b>                      |         |   |   |
| Borrowings  | 14      | 251,257                                 | 298,676                                   |
| Lease liabilities                                   | 3.3, 10 | 295,511                                 | –   |
| Deferred tax liabilities                            |         | 234,028                                 | 144,153                                   |
| Deferred revenue                                    |         | 7,397                                   | 8,204                                     |
| Other payables                                      | 13      | 51,035                                  | 57,141                                    |
| <b>Total non-current liabilities</b>                |         | <b>839,228</b>                          | 508,174                                   |
| <b>Current liabilities</b>                          |         |   |   |
| Trade and other payables                            | 13      | 835,700                                 | 855,202                                   |
| Amounts due to related parties                      | 18      | 14,717                                  | 13,803                                    |
| Contract liabilities                                |         | 441,995                                 | 322,246                                   |
| Deferred revenue                                    |         | 1,648                                   | 1,740                                     |
| Current income tax liabilities                      |         | 9,787                                   | 10,675                                    |
| Borrowings  | 14      | 385,010                                 | 306,812                                   |
| Lease liabilities                                   | 3.3, 10 | 59,547                                  | –   |
| Provision for a legal claim                         | 15      | 2,855                                   | 2,855                                     |
| <b>Total current liabilities</b>                    |         | <b>1,751,259</b>                        | 1,513,333                                 |
| <b>Total liabilities</b>                            |         | <b>2,590,487</b>                        | 2,021,507                                 |
| <b>Total equity and liabilities</b>                 |         | <b>3,002,646</b>                        | 2,180,967                                 |

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 |                   |                      |           |         | Non-<br>controlling<br>interests | Total<br>equity |
|  | Share<br>capital                          | Other<br>reserves | Retained<br>earnings | Total     | Total   |                                  |                 |
| RMB'000  | RMB'000                                   | RMB'000           | RMB'000              | RMB'000   | RMB'000 | RMB'000                          |                 |
| <b>Balance as at 31 December 2018</b>                                    | 3,956                                     | 143,627           | 4,031                | 151,614   | 7,846   | 159,460                          |                 |
| Change in accounting policy (note 3.3)                                   | -   | -                 | 330,926              | 330,926   | 22,930  | 353,856                          |                 |
| <b>Restated total equity as at 1 January 2019</b>                        | 3,956                                     | 143,627           | 334,957              | 482,540   | 30,776  | 513,316                          |                 |
| Loss for the period  | -   | -                 | (100,888)            | (100,888) | (269)   | (101,157)                        |                 |
| Other comprehensive income   | -   | -                 | -                    | -         | -       | -                                |                 |
| <b>Total comprehensive loss for the period</b>                           | -   | -                 | (100,888)            | (100,888) | (269)   | (101,157)                        |                 |
| <b>Total transactions with owners in their capacity as owners:</b>       |   |                   |                      |           |         |                                  |                 |
| Appropriation to statutory reserve                                       | -   | 1,381             | (1,381)              | -         | -       | -                                |                 |
| Changes in ownership interests in subsidiaries without change of control | -   | (614)             | -                    | (614)     | 614     | -                                |                 |
|  | -   | 767               | (1,381)              | (614)     | 614     | -                                |                 |
| <b>Balance as at 30 June 2019</b>  | 3,956                                     | 144,394           | 232,688              | 381,038   | 31,121  | 412,159                          |                 |
| <b>Balance as at 31 December 2017 as originally presented</b>            | 3,956                                     | 136,310           | 121,359              | 261,625   | 7,492   | 269,117                          |                 |
| Adjustment on adoption of HKFRS 15, net of tax                           | -   | -                 | 7,564                | 7,564     | -       | 7,564                            |                 |
| <b>Restated total equity as at 1 January 2018</b>                        | 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   | -   | -                 | -                    | -         | -       | -                                |                 |
| <b>Total comprehensive income for the period</b>                         | -   | -                 | 5,688                | 5,688     | 1,327   | 7,015                            |                 |
| <b>Total transactions with owners in their capacity as owners:</b>       |   |                   |                      |           |         |                                  |                 |
| 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)                          |                 |
| <b>Balance as at 30 June 2018</b>  | 3,956                                     | 141,416           | 129,336              | 274,708   | 6,938   | 281,646                          |                 |

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

|   | <b>Unaudited</b>                |           |
|---|---------------------------------|-----------|
|   | <b>Six months ended 30 June</b> |           |
|   | <b>2019</b>                     | 2018      |
|   | <b>RMB'000</b>                  | RMB'000   |
| <b>Cash flows from operating activities</b>                                   |                                 |           |
| Cash generated from operations  | <b>11,941</b>                   | 206,991   |
| Interest received   | <b>3,667</b>                    | 323       |
| Interest paid   | <b>(36,461)</b>                 | (15,577)  |
| Income tax paid   | <b>(4,361)</b>                  | (20,566)  |
| <b>Net cash (outflow)/inflow from operating activities</b>                    | <b>(25,214)</b>                 | 171,171   |
| <b>Cash flows from investing activities</b>                                   |                                 |           |
| Receipt of government grants  | <b>67</b>                       | 10,081    |
| Proceeds from disposal of non-current asset held for sale                     | –                               | 42,476    |
| Payment for property, plant and equipment and computer software               | <b>(9,007)</b>                  | (15,192)  |
| Payment for investment properties   | <b>(30,850)</b>                 | (22,164)  |
| Payment for finances life insurance product                                   | –                               | (11,084)  |
| Payment for financial assets at fair value through other comprehensive income | <b>(150)</b>                    | –         |
| Payment for the Development Project incurred by an associate of the Group     | –                               | (26,601)  |
| Decrease/(increase) in term deposits  | <b>19,900</b>                   | (9,300)   |
| <b>Net cash outflow from investing activities</b>                             | <b>(20,040)</b>                 | (31,784)  |
| <b>Cash flows from financing activities</b>                                   |                                 |           |
| Proceeds from borrowings  | <b>109,140</b>                  | 94,947    |
| Repayments of borrowings  | <b>(90,715)</b>                 | (313,554) |
| Principal elements of lease payments  | <b>(34,483)</b>                 | –         |
| Repayments of advance from a third party                                      | –                               | (13,391)  |
| (Increase)/decrease in restricted cash for borrowings                         | <b>(11,235)</b>                 | 56,466    |
| <b>Net cash outflow from financing activities</b>                             | <b>(27,293)</b>                 | (175,532) |
| <b>Net decrease in cash and cash equivalents</b>                              | <b>(72,547)</b>                 | (36,145)  |
| Cash and cash equivalents at beginning of the period                          | <b>114,803</b>                  | 90,639    |
| Effects of exchange rate changes on cash and cash equivalents                 | <b>(51)</b>                     | 25        |
| <b>Cash and cash equivalents at end of the period</b>                         | <b>42,205</b>                   | 54,519    |

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION OF THE GROUP

Yi Hua Holdings Limited (the “Company”, formerly known as Yi Hua Department Store Holdings Limited) is an investing holding company. The Company and its subsidiaries (together the “Group”) are principally engaged in the operations of department stores in the People’s Republic of China (the “PRC”). Following various acquisitions from 2016 to 2018, the Group has also expanded its operations into property investment, property development and property management business.

The Company was incorporated in the Cayman Islands on 20 April 2012 as an exempted company with limited liability under the Cayman Islands Companies Law. The address of its registered office is at the Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

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

This interim condensed consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated. This interim condensed consolidated financial information was approved for issue on 29 August 2019 and has not been audited.

### **Significant changes in the current reporting period**

The Group has reviewed its exposure to emerging business risks but has not identified any risks that could impact the financial performance or position of the Group as at 30 June 2019. 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 2019:

- the adoption of the new leasing standard HKFRS 16 “Leases” (see note 3).
- a significant decrease in revenue from the segment of property development (see note 4).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with Accounting Standard HKAS 34, “Interim financial reporting”.

The interim condensed consolidated report 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 2018 and any public announcements made by the Company during the interim reporting period.

As at 30 June 2019, the current liabilities of the Group exceeded its current assets by approximately RMB577,188,000. Included in the current liabilities were contract liabilities primarily relating to consumption cards issued and receipt in advance from property presale of approximately RMB441,995,000, which would not result in future cash outflows. As at 30 June 2019, total borrowings of the Group amounted to RMB636,267,000, of which RMB385,010,000 are due for repayment in the coming twelve months; while the Group’s cash and cash equivalents amounted to RMB42,205,000.

An associate of the Group had entered into a semi-custom development agreement with a supplier with regard to a chip development project (the “Development Project”). Payments of US\$6,570,000 (equivalent to RMB45,167,000) for the Development Project, have to be paid to the supplier during the year ending 31 December 2019. In addition, the Group has provided financial guarantees to the supplier to the extent of US\$10,000,000 (equivalent to RMB68,747,000) 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 2019 amounted to RMB71,222,000 including construction costs for property, plant and equipment 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 retailing business. In addition, with the acquisitions of the investment properties, property development and management projects during these years, it is expected that there will be cash inflows from the leasing of the investment properties, sales of properties and provision of property management service in the coming twelve months.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 2 BASIS OF PREPARATION (CONTINUED)

- (ii) 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.
  
- (iii) The Group leased certain properties from companies controlled by Mr. Chen Daren, a director of the Company (the “Landlords”) under certain non-cancellable operating lease agreements with future lease payments payable in the coming twelve months amounted to approximately RMB44,281,000. On 11 March 2019, 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 2019 until the Group has adequate financial resources to repay.
  
- (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 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 2019. The Directors are of the opinion that, taking into account the Group’s anticipated cash flows generated from the Group’s retailing business 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 and other funding 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 2019. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 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 standards, amendments to existing standards and interpretations as set out below.

### 3.1 New standards, amendments to existing standards and interpretations adopted by the Group

The following new standards, amendments to existing standards and interpretations are mandatory for the first time for the financial year beginning on or after 1 January 2019:

| <b>Standards/Interpretations</b>       | <b>Subject of amendment</b>                            |
|--|--|
| HKFRS 16                               | Leases   |
| Amendments to HKFRS 9                  | Prepayment features with negative compensation         |
| Annual improvements to 2015-2017 cycle | Improvements to HKFRSs                                 |
| Amendment to HKAS 19                   | Employee benefits                                      |
| Amendment to HKAS 28                   | Long-term interests in an associated and joint venture |
| HK(IFRIC) 23                           | Uncertainty over income tax treatments                 |

Except for the impact of adoption of HKFRS 16 set out in note 3 below, the adoption of other applicable new standards, amendments to existing standards and interpretations did not have any material impact on the interim condensed consolidated financial statements of the Group.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3 ACCOUNTING POLICIES (CONTINUED)

### 3.2 New standards, amendments to existing standards and interpretations that have been issued but are not effective

The following new standards, amendments to existing standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopt:

| Standards/Interpretations                         | Subject of amendment  | Effective for accounting periods beginning on or after |
|---|---|--|
| Amendments to HKFRS 3                             | Definition of a business  | 1 January 2020   |
| Amendments to HKAS 1 and HKAS 8                   | Definition of material  | 1 January 2020   |
| Conceptual framework for financial reporting 2018 | Revised conceptual framework for financial reporting                                  | 1 January 2020   |
| 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 2020 and have not been applied in preparing this interim condensed consolidated financial information. The impact of new standards, amendments to existing standards and interpretations above is still under assessment by the Group.

### 3.3 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s interim condensed consolidated financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 3.3(b) below.

The Group has adopted HKFRS 16 from 1 January 2019. The group has applied the simplified transition approach and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3 ACCOUNTING POLICIES (CONTINUED)

### 3.3 Changes in accounting policies (continued)

#### (a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.10%.

|   | 2019<br>RMB'000 |
|---|-----------------|
| Operating lease commitments disclosed as at<br>31 December 2018                                   | 267,830         |
| Discounted using the lessee’s incremental borrowing<br>rate of at the date of initial application | 224,262         |
| (Less): short-term leases recognised on a straight-line<br>basis as expense                       | (161)           |
| Add: adjustments as a result of a different treatment of<br>extension and termination options     | 156,020         |
| <b>Lease liability recognised as at 1 January 2019</b>  | <b>380,121</b>  |
| Of which are:   |                 |
| Current lease liabilities   | 54,414          |
| Non-current lease liabilities   | 325,707         |
|   | <b>380,121</b>  |

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, then adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The group presented right-of-use assets that met the definition of investment properties as “investment property right-of-use assets”, which were measured at fair value on adoption.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 3 ACCOUNTING POLICIES (CONTINUED)

#### 3.3 Changes in accounting policies (continued)

##### (a) Adjustments recognised on adoption of HKFRS 16 (continued)

The recognised right-of-use assets and investment property right-of-use assets relate to properties.

|                       | As at                      |                              |
|-----------------------|----------------------------|------------------------------|
|                       | 30 June<br>2019<br>RMB'000 | 1 January<br>2019<br>RMB'000 |
| Properties            | 193,786                    | 214,580                      |
| Investment properties | 574,179                    | 623,356                      |
|                       | <b>767,965</b>             | 837,936                      |

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

- right-of-use assets – increased by RMB214,580,000
- investment property right-of-use assets – increased by RMB623,356,000
- lease receivables from financing lease – increased by RMB13,993,000
- deferred tax liabilities – increased by RMB117,952,000
- lease liabilities – increased by RMB380,121,000

The net impact on retained earnings as at 1 January 2019 was an increase of RMB353,856,000.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3 ACCOUNTING POLICIES (CONTINUED)

### 3.3 Changes in accounting policies (continued)

#### (a) Adjustments recognised on adoption of HKFRS 16 (continued)

The significant impact on the Group's net loss after tax for the six months ended 30 June 2019 as a result of adoption of HKFRS 16:

- fair value loss on investment property right-of-use assets – increased by RMB49,177,000
- depreciation charge of right-of-use assets – increased by RMB20,760,000
- interest expense – increased by RMB9,420,000
- income tax credit – increased by RMB10,595,000

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 “Determining whether an Arrangement contains a Lease”.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3 ACCOUNTING POLICIES (CONTINUED)

### 3.3 Changes in accounting policies (continued)

#### (b) *The Group's leasing activities and how these are accounted for*

The Group leases various offices, department stores, retail stores and parking spaces. Rental contracts are typically made for fixed periods of 2 to 15 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3 ACCOUNTING POLICIES (CONTINUED)

### 3.3 Changes in accounting policies (continued)

#### (b) *The Group's leasing activities and how these are accounted for (continued)*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

HKFRS 16 does not contain substantial changes to lessor accounting compared to HKAS 17. The lessor still has to classify leases as either finance or operating, depending on whether substantially all of the risk and rewards incidental to ownership of the underlying asset have been transferred.

HKFRS 16 requires the lessor to evaluate the sublease with reference to the right-of-use asset. Based on this re-assessment, if it is now classified as a finance lease at the date of initial application. It de-recognises the right-of-use asset related to the head lease, and it recognises a receivable at an amount equal to the net investment in the sub-lease. If the sub-lease is classified as an operating lease, the lessee presents right-of-use assets that meets the definition of investment properties, it should be reclassified as "investment property right-of-use assets", and valued using the fair value model.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 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 operating 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 etc.);
- (ii) Supermarket and convenience store (trading under the brand "Yihua Lejia Supermarket" (益華樂家超市), "Wangoo Health Supermarket" (萬果健康超市) 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 etc.);
- (iii) Electrical appliance (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 and Jiangmen 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 and provision of property management service in the PRC);
- (vii) Property development (mainly includes development and sale of residential properties, carparks and commercial properties in the PRC);
- (viii) Others (mainly an investment accounted for using the equity method and subsidiaries, which are engaged in sale and production of game console, educational software development and virtual reality business).







# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 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 2019 and 2018 is set out as follows:

|   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2019<br>RMB'000          | 2018<br>RMB'000 |
| Direct sales of goods                             | 56,261                   | 87,649          |
| Sales of properties                               | 44,516                   | 285,187         |
| Commission income from concessionaire sales       | 74,888                   | 89,996          |
| Management fee and service income from operations | 28,147                   | 23,790          |
| Rental income                                     | 49,517                   | 30,705          |
| Consulting service income                         | 4,717                    | 996             |
|   | <b>258,046</b>           | <b>518,323</b>  |

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

As at 30 June 2019 and 31 December 2018, 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 a semi-custom development agreement with a supplier regard to a chip development project (the “Development Project”). As at 30 June 2019, payment to the suppliers was US\$28,500,000 (equivalent to RMB195,929,000) for the Development Project. Further payments of US\$6,570,000 (equivalent to RMB45,167,000) for the Development Project, have to be paid to the supplier during the year ending 31 December 2019 as certain development milestones have been reached. All the costs specifically related to the Development Project have been accounted for as intangible assets when the chip development was completed in 2018.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 5 SHARE OF NET (LOSSES)/PROFITS OF AN ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD, INVESTMENT IN AN ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD (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 |                 |
|--|--------------------------|-----------------|
|  | 2019<br>RMB'000          | 2018<br>RMB'000 |
| Beginning of the period                            | 34,300                   | 41,562          |
| Additions  | –                        | –               |
| Share of post-tax (losses)/profits of an associate | (11,570)                 | 5,691           |
| End of the period                                  | 22,730                   | 47,253          |

### 6 INCOME TAX (CREDIT)/EXPENSES

- 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.
- Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2018: 16.5%) of the estimated assessable profit.
- 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.

- Certain PRC property development subsidiaries are also subject to the PRC land appreciation tax (“LAT”) 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 6 INCOME TAX (CREDIT)/EXPENSES (CONTINUED)

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

|                              | Six months ended 30 June |                 |
|------------------------------|--------------------------|-----------------|
|                              | 2019<br>RMB'000          | 2018<br>RMB'000 |
| Current income tax           |                          |                 |
| – PRC CIT                    | 2,999                    | 13,888          |
| – PRC LAT                    | 474                      | 7,518           |
| Total current tax expenses   | 3,473                    | 21,406          |
| Deferred income tax          |                          |                 |
| – PRC CIT                    | (22,066)                 | (1,703)         |
| – PRC LAT                    | (4,724)                  | (10,630)        |
| Total deferred tax credit    | (26,790)                 | (12,333)        |
| Income tax (credit)/expenses | (23,317)                 | 9,073           |

### 7 DIVIDEND

No interim dividend in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: Nil) was proposed by the board of directors.

### 8 (LOSSES)/EARNINGS PER SHARE

The basic losses per share attributable to owners of the Company during the six months ended 30 June 2019 is RMB0.1006 per share (six months ended 30 June 2018: RMB0.0057 earnings per share). As there were no potential dilutive ordinary shares during the six months ended 30 June 2019 and 2018, diluted (losses)/earnings per share was equal to basic (losses)/earnings per share.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 9 PROPERTY, PLANT AND EQUIPMENT

|   | Leasehold<br>improvements<br>RMB'000 | Buildings<br>RMB'000 | Office<br>equipment<br>RMB'000 | Vehicles<br>RMB'000 | Other<br>equipment<br>RMB'000 | Construction<br>in progress<br>RMB'000 | Total<br>RMB'000 |
|---|--------------------------------------|----------------------|--------------------------------|---------------------|-------------------------------|--|------------------|
| <b>As at 31 December 2018</b>                                   |                                      |                      |                                |                     |                               |  |                  |
| Cost  | 314,908                              | 45,981               | 19,993                         | 5,063               | 38,660                        | 24,282                                 | 448,887          |
| Accumulated depreciation  | (180,533)                            | (864)                | (16,056)                       | (3,442)             | (22,924)                      | -                                      | (223,819)        |
| Accumulated impairment charge                                   | (56,879)                             | -                    | -                              | -                   | (947)                         | -                                      | (57,826)         |
| Net book amount   | 77,496                               | 45,117               | 3,937                          | 1,621               | 14,789                        | 24,282                                 | 167,242          |
| <b>Six months ended</b>   |                                      |                      |                                |                     |                               |  |                  |
| <b>30 June 2019</b>   |                                      |                      |                                |                     |                               |  |                  |
| Opening net book amount   | 77,496                               | 45,117               | 3,937                          | 1,621               | 14,789                        | 24,282                                 | 167,242          |
| Additions   | 8,465                                | -                    | 483                            | 162                 | 3,239                         | 7,539                                  | 19,888           |
| Disposals   | (586)                                | -                    | (822)                          | (291)               | (447)                         | -                                      | (2,146)          |
| Transfers   | 763                                  | -                    | 67                             | -                   | -                             | (830)                                  | -                |
| Depreciation  | (8,096)                              | (849)                | (752)                          | (416)               | (1,942)                       | -                                      | (12,055)         |
| Impairment charge   | (163)                                | -                    | (1)                            | -                   | (711)                         | -                                      | (875)            |
| Accumulated depreciation transferred out due to assets disposal | -                                    | -                    | 659                            | 46                  | 152                           | -                                      | 857              |
| Closing net book amount   | 77,879                               | 44,268               | 3,571                          | 1,122               | 15,080                        | 30,991                                 | 172,911          |
| <b>As at 30 June 2019</b>                                       |                                      |                      |                                |                     |                               |  |                  |
| Cost  | 323,550                              | 45,981               | 19,721                         | 4,934               | 41,452                        | 30,991                                 | 466,629          |
| Accumulated depreciation  | (188,629)                            | (1,713)              | (16,149)                       | (3,812)             | (24,714)                      | -                                      | (235,017)        |
| Accumulated impairment charge                                   | (57,042)                             | -                    | (1)                            | -                   | (1,658)                       | -                                      | (58,701)         |
| Net book amount   | 77,879                               | 44,268               | 3,571                          | 1,122               | 15,080                        | 30,991                                 | 172,911          |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 10 LEASES

### (a) Amounts recognised in the interim condensed consolidated balance sheet

The interim condensed consolidated balance sheet shows the following amounts relating to the leases in respect of properties:

|   | As at                      |                              |
|---|----------------------------|------------------------------|
|   | 30 June<br>2019<br>RMB'000 | 1 January<br>2019<br>RMB'000 |
| Right-of-use assets                     | 193,786                    | 214,580                      |
| Investment property right-of-use assets | 574,179                    | 623,356                      |
| Lease receivables from financing lease  |                            |                              |
| Non-current                             | 11,164                     | 12,248                       |
| Current                                 | 2,184                      | 1,745                        |
|   | 13,348                     | 13,993                       |
| Lease liabilities                       |                            |                              |
| Non-current                             | 295,511                    | 325,708                      |
| Current                                 | 59,547                     | 54,413                       |
|   | 355,058                    | 380,121                      |

As at 1 January 2019, certain portions of right-of-use assets, amounting to RMB82,415,000, and investment property right-of-use assets, amounting to RMB204,088,000, were leased from the companies controlled by Mr. Chen Daren, a director of the Company. There were no additions to the right-of-use assets during the six months ended 30 June 2019.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 10 LEASES (CONTINUED)

**(b) Amounts recognised in the interim condensed consolidated statement of comprehensive income**

The interim condensed consolidated statement of comprehensive income shows the following amounts relating to the leases in respect of properties:

|   | <b>Six months<br/>ended<br/>30 June<br/>2019<br/>RMB'000</b> |
|---|--|
| Fair value loss on investment property right-of-use assets  | <b>49,177</b>  |
| Depreciation charge of right-of-use assets<br>(included in depreciation and amortisation)                                       | <b>20,760</b>  |
| Interest expense (included in finance costs)  | <b>9,420</b>   |
| Expenses relating to leases of short-term leases<br>(included in operating lease rental expense and<br>property management fee) | <b>161</b>   |
| Income tax credit   | <b>10,595</b>  |

The total cash outflow for leases in the six months ended 30 June 2019 is RMB34,483,000.

**(c) The Group's lease activities**

The Group leases various properties. Rental contracts are typically made for 2 to 15 years. The lease agreements do not impose any covenants.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 11 INVESTMENT PROPERTIES

|  | <b>Completed<br/>investment<br/>properties<br/>RMB'000</b> | <b>Investment<br/>properties<br/>under<br/>construction<br/>RMB'000</b> | <b>Total<br/>RMB'000</b> |
|--|--|---|--------------------------|
| <b>At fair value</b>   |  |   |                          |
| <b>Six months ended 30 June 2019</b>   |  |   |                          |
| <b>Opening net book amount as at<br/>1 January 2019 and closing net book<br/>amount as at 30 June 2019</b> | 705,570  | 116,600   | 822,170                  |
| <b>Six months ended 30 June 2018</b>   |  |   |                          |
| <b>Opening net book amount as at<br/>1 January 2018</b>  | 107,665  | 632,945   | 740,610                  |
| Capitalised subsequent expenditures  | –  | 25,745  | 25,745                   |
| Transfer   | 648,412  | (648,412)   | –                        |
| Revaluation gains recognised in<br>profit or loss  | –  | 22,723  | 22,723                   |
| <b>Closing net book amount as at<br/>30 June 2018</b>  | 756,077  | 33,001  | 789,078                  |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 12 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

|  | As at                      |                                |
|--|----------------------------|--------------------------------|
|  | 30 June<br>2019<br>RMB'000 | 31 December<br>2018<br>RMB'000 |
| Trade receivables  | 36,561                     | 30,088                         |
| Other receivables  | 137,473                    | 114,026                        |
| Rental and other deposits  | 37,714                     | 37,537                         |
| Prepayments  | 10,958                     | 13,240                         |
| Prepaid taxes  | 6,215                      | 7,540                          |
| Lease receivables from financing lease                                 | 31,691                     | –                              |
|  | <b>260,612</b>             | 202,431                        |
| Less: impairment charge  | (6,147)                    | (5,880)                        |
| Less: unearned financial income  | (18,343)                   | –                              |
| Less: non-current portion of prepayments and<br>other receivables      | (5,717)                    | (7,425)                        |
| Less: non-current portion of lease receivables from<br>financing lease | (11,164)                   | –                              |
|  | <b>219,241</b>             | 189,126                        |

The majority of the Group's sales are made with cash payment. The balance of trade receivables mainly included commission income, 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 2019 and 31 December 2018, the ageing analysis of the trade receivables based on invoice date are as follows:

|                   | As at                      |                                |
|-------------------|----------------------------|--------------------------------|
|                   | 30 June<br>2019<br>RMB'000 | 31 December<br>2018<br>RMB'000 |
| Trade receivables |                            |                                |
| – Within 2 months | 19,131                     | 22,251                         |
| – Over 2 months   | 17,430                     | 7,837                          |
|                   | <b>36,561</b>              | 30,088                         |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 13 TRADE AND OTHER PAYABLES

|   | As at                      |                                |
|---|----------------------------|--------------------------------|
|   | 30 June<br>2019<br>RMB'000 | 31 December<br>2018<br>RMB'000 |
| Trade payables  | 61,634                     | 55,088                         |
| Notes payable   | 1,791                      | 8,680                          |
| Staff salaries, bonuses and welfare payables              | 9,051                      | 12,348                         |
| Payables to concessionaires and lessees                   | 229,792                    | 210,168                        |
| Other taxes and surcharges payable                        | 15,608                     | 22,514                         |
| Rental and other deposits                                 | 48,754                     | 55,225                         |
| Payables for construction costs                           | 135,003                    | 167,068                        |
| Unpaid cash consideration for completed acquisitions      | 45,912                     | 45,912                         |
| Payables to former shareholders of an acquired subsidiary | 29,437                     | 29,437                         |
| Deemed acquisition cost of land use right                 | 26,853                     | 45,895                         |
| Deposits received on sale of properties                   | 49,725                     | 82,296                         |
| Other payables  | 233,175                    | 177,712                        |
|   | <b>886,735</b>             | 912,343                        |
| Less: non-current portion of other payables               | (51,035)                   | (57,141)                       |
|   | <b>835,700</b>             | 855,202                        |

As at 30 June 2019 and 31 December 2018, the ageing analysis of trade payables based on invoice date are as follows:

|                   | As at                      |                                |
|-------------------|----------------------------|--------------------------------|
|                   | 30 June<br>2019<br>RMB'000 | 31 December<br>2018<br>RMB'000 |
| Trade payables    |                            |                                |
| – Within 3 months | 46,934                     | 48,209                         |
| – Over 3 months   | 14,700                     | 6,879                          |
|                   | <b>61,634</b>              | 55,088                         |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 14 BORROWINGS

|   | As at                      |                                |
|---|----------------------------|--------------------------------|
|   | 30 June<br>2019<br>RMB'000 | 31 December<br>2018<br>RMB'000 |
| <b>Non-current</b>                            |                            |                                |
| Long-term borrowings                          |                            |                                |
| – Bonds – unsecured (note (a))                | 150,763                    | 178,697                        |
| – Bonds – secured (note (b))                  | 42,440                     | 42,910                         |
| – Bank borrowings – secured (note (c))        | 98,483                     | 111,785                        |
| – Other borrowings – unsecured (note (d))     | 96,621                     | 96,621                         |
| – Other borrowings – secured (note (e))       | 31,100                     | 23,000                         |
| Less: current portion of long-term borrowings | (168,150)                  | (154,337)                      |
|   | <b>251,257</b>             | <b>298,676</b>                 |
| <b>Current</b>                                |                            |                                |
| Short-term borrowings                         |                            |                                |
| – Bonds – unsecured (note (f))                | 22,361                     | 2,015                          |
| – Bonds – secured (note (g))                  | 3,744                      | 3,255                          |
| – Bank borrowings – unsecured (note (h))      | 40,000                     | 35,000                         |
| – Bank borrowings – secured (note (i))        | 98,613                     | 89,500                         |
| – Other borrowings – unsecured (note (j))     | 21,648                     | 12,705                         |
| – Other borrowings – secured (note (k))       | 30,494                     | 10,000                         |
| Current portion of long-term bonds            | 34,028                     | 17,113                         |
| Current portion of long-term bank borrowings  | 37,501                     | 40,603                         |
| Current portion of other borrowings           | 96,621                     | 96,621                         |
|   | <b>385,010</b>             | <b>306,812</b>                 |
| <b>Total borrowings</b>                       | <b>636,267</b>             | <b>605,488</b>                 |

- (a) As at 30 June 2019, the Company issued various Hong Kong Dollar denominated and unsecured bonds to third parties for a total amount equivalent to RMB150,763,000. The bonds' coupon rates range from 5.0% to 26.8% (2018: 6.0% to 26.8%) per annum, which have repayment terms from two years to eight years (2018: two years to eight years).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 14 BORROWINGS (CONTINUED)

- (b) As at 30 June 2019, the Company issued various Hong Kong Dollar denominated and secured bonds to third parties for a total amount equivalent to RMB42,440,000. The bonds' coupon rates range from 6.5% to 7.0% per annum (2018: same), which have repayment terms from two years to three years (2018: one and a half years to three years), and were secured by guarantees given by a director of the Company.
- (c) As at 30 June 2019, the long-term bank borrowings were secured by guarantees given by the Company, subsidiaries within the Group.

Certain portions of the long-term bank borrowings, amounting to HK\$20,360,000 (equivalent to RMB17,911,000) (31 December 2018: HK\$24,500,000, equivalent to RMB21,467,000), were collectively pledged by restricted cash of the Group of RMB17,000 (31 December 2018: RMB3,782,000).

Certain portions of the long-term bank borrowings, amounting to US\$1,096,000 (equivalent to RMB7,532,000) (31 December 2018: US\$1,178,000, equivalent to RMB8,148,000), were secured by guarantees given by the Company and subsidiaries within the Group.

Certain portions of the long-term bank borrowings, amounting to RMB73,040,000 (31 December 2018: RMB82,170,000), were collectively pledged by investment properties of the Group of RMB373,400,000 (31 December 2018: RMB373,400,000).

- (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 were unsecured, bearing fixed interest rates and due on 30 June 2019.
- (e) During the period from February 2019 to May 2019, the Group obtained borrowings of RMB8,100,000 from a third party bearing interest rate of 5% per annum. The borrowings were secured by a guarantee given by the Company and to be repaid on 31 July 2020.

During the period from November 2018 to December 2018, the Group obtained borrowings of RMB23,000,000 from a third party bearing interest rate of 5% per annum. The borrowings were secured by a guarantee given by the Company and to be repaid on 31 July 2020.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 14 BORROWINGS (CONTINUED)

- (f) During the period from January 2019 to June 2019, the Company issued bonds at coupon rates ranging from 12.0% to 22.4% per annum with maturity within one year. The aggregated principal amount of these bonds amounted to HK\$23,118,000 (equivalent to RMB19,932,000).

In July 2018, the Company issued bonds at coupon rate of 1.6% per annum with maturity period of six months, which have been renewed for another one year. The aggregated principal amount of these bonds amounted to HK\$2,300,000 (equivalent to RMB2,015,000).

- (g) On 2 February 2019, the Company issued a bond at coupon rate of 7% per annum with maturity period of one year. The principal amount of the bond amounted to HK\$500,000 (equivalent to RMB426,000).

During the period from July 2018 to October 2018, the Company issued bonds at coupon rate of 7% per annum with maturity period of one year. The aggregated principal amount of these bonds amounted to HK\$3,800,000 (equivalent to RMB3,328,000), which were secured by guarantees given by a director of the Company.

- (h) The short-term bank borrowings, amounting to RMB40,000,000 (31 December 2018: RMB35,000,000), were unsecured, bearing fixed interest rates and repayment terms.
- (i) As at 30 June 2019, the short-term bank borrowings were secured by guarantees given by the Company and subsidiaries within the Group.

Certain portions of the short-term bank borrowings, amounting to RMB14,250,000, were collectively pledged by restricted cash of the Group of RMB15,000,000.

Certain portions of the short-term bank borrowings, amounting to RMB54,863,000 (31 December 2018: RMB60,000,000), were collectively pledged by investment properties of the Group of RMB449,000,000 (31 December 2018: RMB449,000,000).

Certain portions of the short-term bank borrowings, amounting to RMB29,500,000 (31 December 2018: RMB29,500,000) were collectively pledged by properties under development of the Group of RMB28,117,000 (31 December 2018: RMB26,022,000).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 14 BORROWINGS (CONTINUED)

- (j) During the period from January 2019 to June 2019, the Company obtained short-term other borrowings of HK\$11,500,000 (equivalent to RMB9,850,000). The borrowings were unsecured, and bearing fixed interest rates.

In January 2019, the Company obtained short-term other borrowings of HK\$11,960,000 (equivalent to RMB10,521,000). The borrowings were unsecured and bearing fixed interest rates.

In August and September 2018, the Company obtained a three-month borrowing of HK\$9,500,000 (equivalent to RMB8,324,000) and an six-month borrowing of HK\$5,000,000 (equivalent to RMB4,381,000) respectively from third parties. The borrowings were unsecured, bearing fixed interest rates and repayment terms. As at 30 June 2019, HK\$1,150,000 (equivalent to RMB1,012,000) of the six-month borrowing was still outstanding.

- (k) On 25 January 2019, the Company obtained an six-month borrowing of HK\$20,000,000 (equivalent to RMB17,318,000) from a third party bearing interest rate of 18% per annum. The borrowing was secured by a guarantee given by six directors of the Company. The Group raised net proceeds of approximately RMB16,885,000.

On 27 June 2019, the Group obtained an one-year borrowing of RMB3,000,000 from a third party bearing interest rate of 24% per annum. This borrowing was pledged by properties under development of the Group of RMB28,117,000.

In December 2018, the Group obtained an one-year borrowing of RMB10,000,000 from a third party bearing interest rate of 16.8% per annum. This borrowing was pledged by properties under development of the Group of RMB26,022,000.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 14 BORROWINGS (CONTINUED)

- (1) As at 30 June 2019, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

| Contractual maturities of financial liabilities                            | Within 1 year<br>RMB'000 | Between 1 and 2 years<br>RMB'000 | Between 2 and 5 years<br>RMB'000 | Over 5 years<br>RMB'000 | Total<br>RMB'000 |
|--|--------------------------|----------------------------------|----------------------------------|-------------------------|------------------|
| <b>As at 30 June 2019</b>  |                          |                                  |                                  |                         |                  |
| <b>Non-derivatives</b>   |                          |                                  |                                  |                         |                  |
| Trade and other payables<br>(excluding other taxes and surcharges payable) | 820,092                  | 26,632                           | 23,586                           | 817                     | 871,127          |
| Amounts due to related parties   | 14,717                   | –                                | –                                | –                       | 14,717           |
| Borrowings   | 441,767                  | 160,148                          | 142,345                          | 11,746                  | 756,006          |
| Lease liabilities  | 76,189                   | 75,938                           | 189,562                          | 67,022                  | 408,711          |
| <b>Total non-derivatives</b>   | <b>1,352,765</b>         | <b>262,718</b>                   | <b>355,493</b>                   | <b>79,585</b>           | <b>2,050,561</b> |
| <b>As at 31 December 2018</b>  |                          |                                  |                                  |                         |                  |
| <b>Non-derivatives</b>   |                          |                                  |                                  |                         |                  |
| Trade and other payables (excluding other taxes and surcharges payable)    | 832,688                  | 47,865                           | 686                              | 8,590                   | 889,829          |
| Amounts due to related parties   | 13,803                   | –                                | –                                | –                       | 13,803           |
| Borrowings   | 338,897                  | 190,127                          | 128,187                          | 25,105                  | 682,316          |
| <b>Total non-derivatives</b>   | <b>1,185,388</b>         | <b>237,992</b>                   | <b>128,873</b>                   | <b>33,695</b>           | <b>1,585,948</b> |



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 14 BORROWINGS (CONTINUED)

#### (m) Financing arrangements

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

|   | As at                      |                                |
|---|----------------------------|--------------------------------|
|   | 30 June<br>2019<br>RMB'000 | 31 December<br>2018<br>RMB'000 |
| – Expiring within one year (bank loans) | 65,887                     | 77,524                         |
| – Expiring beyond one year (bank loans) | 37,396                     | 19,775                         |
|   | <b>103,283</b>             | 97,299                         |

### 15 CURRENT PROVISIONS

|               | As at                      |                                |
|---------------|----------------------------|--------------------------------|
|               | 30 June<br>2019<br>RMB'000 | 31 December<br>2018<br>RMB'000 |
| A legal claim | 2,855                      | 2,855                          |

A contingent liability of RMB2,855,000 had been recognised arising from the acquisition of Yunfu Tairui Baisheng Real Estate Development Co., Ltd. (“Yunfu Baisheng”) in 2017. It was related to a litigation regarding building damages instituted by certain residents of a nearby building of the Yunfu Baisheng project. This litigation was rejected by the court in October 2018. As of today’s date, no other legal proceedings have been taken by all the residents against the Company for damages. The Directors consider that this building damages allegation has to be lasted for three to five years before it could be fully settled.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 16 FINANCIAL GUARANTEES

The face value of the financial guarantees issued by the Group as at 30 June 2019 and 31 December 2018 are analysed as follows:

|  | As at                      |                                |
|--|----------------------------|--------------------------------|
|  | 30 June<br>2019<br>RMB'000 | 31 December<br>2018<br>RMB'000 |
| Guarantees to an associate (note (a))  | 68,747                     | 68,632                         |
| Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (note (b)) | 310,586                    | 312,686                        |
|  | <b>379,333</b>             | 381,318                        |

- (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 RMB68,747,000). 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 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 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<br>2019<br>RMB'000 | 31 December<br>2018<br>RMB'000 |
| Property, plant and equipment | –                          | 2,339                          |
| Properties under development  | 71,222                     | 31,598                         |
|                               | 71,222                     | 33,937                         |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 18 RELATED-PARTY TRANSACTIONS

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

#### (a) Significant transactions with related parties

##### (i) Rental expenses and property management fee

|   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2019<br>RMB'000          | 2018<br>RMB'000 |
| Companies controlled by Mr. Chen Daren                              | 13,218                   | 41,498          |
| Companies jointly controlled by<br>Mr. Chen Daren and third parties | –                        | 3,337           |
|   | <b>13,218</b>            | <b>44,835</b>   |

##### (ii) Purchases of services

|  | Six months ended 30 June |                 |
|--|--------------------------|-----------------|
|  | 2019<br>RMB'000          | 2018<br>RMB'000 |
| Companies controlled by Mr. Chen Daren | 934                      | 578             |

##### (iii) Sales of goods

|  | Six months ended 30 June |                 |
|--|--------------------------|-----------------|
|  | 2019<br>RMB'000          | 2018<br>RMB'000 |
| Companies controlled by Mr. Chen Daren | 3,636                    | 993             |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 18 RELATED-PARTY TRANSACTIONS (CONTINUED)

### (a) Significant transactions with related parties (continued)

#### (iv) Interest expense incurred by leases

|  | Six months ended 30 June |         |
|--|--------------------------|---------|
|  | 2019                     | 2018    |
|  | RMB'000                  | RMB'000 |
| Companies controlled by Mr. Chen Daren | 4,136                    | –       |

#### (v) Funding transfer (outflow)/inflow – net

|   | Six months ended 30 June |           |
|---|--------------------------|-----------|
|   | 2019                     | 2018      |
|   | RMB'000                  | RMB'000   |
| Companies controlled by Mr. Chen Daren            | (134,179)                | (102,011) |
| Companies jointly controlled by<br>Mr. Chen Daren | 11,488                   | 290       |
| An associate of the Group                         | 5,887                    | 16,563    |
|   | (116,804)                | (85,158)  |

#### (vi) Provision of financial guarantees

|                                     | Six months ended 30 June |         |
|-------------------------------------|--------------------------|---------|
|                                     | 2019                     | 2018    |
|                                     | RMB'000                  | RMB'000 |
| An associate of the Group (note 16) | 68,747                   | 66,166  |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 18 RELATED-PARTY TRANSACTIONS (CONTINUED)

#### (a) Significant transactions with related parties (continued)

(vii) *The following persons have provided financial guarantees for borrowings:*

|                   | Six months ended 30 June |                 |
|-------------------|--------------------------|-----------------|
|                   | 2019<br>RMB'000          | 2018<br>RMB'000 |
| Mr. Chen Daren    | 46,184                   | 30,549          |
| Mr. Chen Zhengtao | 39,863                   | 40,000          |
| Mr. Chen Jianren  | 17,594                   | –               |
|                   | <b>103,641</b>           | <b>70,549</b>   |

#### (b) Balances with related parties

(i) *Amounts due from related parties*

|   | As at                      |                                |
|---|----------------------------|--------------------------------|
|   | 30 June<br>2019<br>RMB'000 | 31 December<br>2018<br>RMB'000 |
| Companies controlled by Mr. Chen Daren            | 221,742                    | 83,283                         |
| Companies jointly controlled by<br>Mr. Chen Daren | 2,638                      | 15,687                         |
| An associate of the Group                         | 45,820                     | 51,707                         |
|   | <b>270,200</b>             | <b>150,677</b>                 |

(ii) *Amounts due to related parties*

|   | As at                      |                                |
|---|----------------------------|--------------------------------|
|   | 30 June<br>2019<br>RMB'000 | 31 December<br>2018<br>RMB'000 |
| Companies controlled by Mr. Chen Daren            | 12,906                     | 10,431                         |
| Companies jointly controlled by<br>Mr. Chen Daren | 1,811                      | 3,372                          |
|   | <b>14,717</b>              | <b>13,803</b>                  |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 18 RELATED-PARTY TRANSACTIONS (CONTINUED)

### (b) Balances with related parties (Continued)

#### (iii) Lease liabilities due to related parties

|  | As at                      |                                |
|--|----------------------------|--------------------------------|
|  | 30 June<br>2019<br>RMB'000 | 31 December<br>2018<br>RMB'000 |
| Companies controlled by Mr. Chen Daren |                            |                                |
| – Non-current liabilities              | 115,427                    | –                              |
| – Current liabilities                  | 37,341                     | –                              |
|  | <b>152,768</b>             | –                              |

## 19 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 30 June 2019:

- (a) During the period from July 2019 to August 2019, the Group obtained a three-year borrowing of RMB1,820,000 from a third party bearing interest rate of 24% per annum. This borrowing was unsecured.
- (b) On 8 July 2019, the Group obtained an one-year bank borrowing of RMB20,000,000 bearing interest rate of 6.09% per annum. This borrowing was pledged by investment properties of the Group.
- (c) On 19 August 2019, the Group obtained a five-month bank borrowing of RMB10,000,000 bearing interest rate of 6.21% per annum. The borrowings were unsecured, bearing fixed interest rates.