



RENHE

Renhe Commercial Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1387

Annual Report 2014



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Corporate Information

Directors

Executive Directors

Dai Yongge (Chairman)
Wang Hongfang (Chief Executive Officer)
Zhou Jun
Dai Bin
Hu Yuzhou

Non-Executive Directors

Hawken Xiu Li
Jiang Mei
Zhang Xingmei
Zhang Dabin
Wang Chunrong

Independent Non-Executive Directors

Fan Ren-Da, Anthony
Wang Shengli
Wang Yifu
Leung Chung Ki
Tang Hon Man

Audit Committee

Fan Ren-Da, Anthony (Chairman)
Wang Shengli
Wang Yifu

Remuneration Committee

Wang Shengli (Chairman)
Dai Yongge
Wang Yifu

Nomination Committee

Wang Shengli (Chairman)
Dai Yongge
Wang Yifu

Authorised Representatives

Wang Hongfang
Hung Fan Kwan FCPA, FCCA

Company Secretary

Hung Fan Kwan FCPA, FCCA

Auditors

KPMG
Certified Public Accountants

Registered Office

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P.O. Box 2681
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Cayman Islands

Principal Place of Business in Hong Kong

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Central
Hong Kong

China Office

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Hong Kong Share Registrar

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
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183 Queen's Road East
Wanchai
Hong Kong

Stock Code

The Stock Exchange of Hong Kong Limited: 1387

Senior Notes

Singapore Stock Exchange Short Name:
RENHECOMMUS\$300M11.75%N150518R,
RENHECOMMUS\$300M11.75%N150518A
ISIN Code: USG75004AA24, US75972CAA71
RENHECOMMUS\$300M13%N160310R,
RENHECOMMUS\$300M13%N160310A
ISIN Code: USG75004AB07, US75972CAB54

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Chairman's Statement

On behalf of the board of directors (the "Board") of Renhe Commercial Holdings Company Limited (the "Company"; together with its subsidiaries, collectively the "Group"), I report to all shareholders on the annual results of the Group for the financial year ended 31 December 2014.

Our Business During 2014

During the period under review, the Group's revenue recorded a slight increase of 1.5% to RMB555.4 million, compared to RMB547.4 million in 2013. Among which, the recurring income from operating lease increased by 17.4% from RMB454.7 million in last year to RMB533.7 million in 2014, while income from transfer of operation rights has decreased by 76.7% to RMB21.6 million, compared to RMB92.7 million last year. The substantial decrease in the income derived from transfer of operation rights was actually in line with our new business strategy to focus on enhancing leasing income from our existing shopping malls instead of transferring operation rights in the past. However, mainly due to a substantial net revaluation loss on investment properties which amounted to RMB1,364.5 million, the Group recorded a loss of RMB1,714.5 million during the period under review.

Given the challenging macro environment and our capital constraints, we had been slowing down our expansion and adopted a prudent approach in commencement of new projects since 2013. As a result, the Group had no new shopping malls added to its portfolio and had no commencement of new projects during the year. As at 31 December 2014, the Group managed 22 malls across 12 cities in China with a total gross floor area ("GFA") of 1.27 million square meters ("sq.m") under management, and a leasable GFA of 0.83 million sq.m.

Moving on to our financial position, the Group's gearing ratio maintained a healthy level of 23% as at 31 December 2014 (before the completion of the tender offer of the senior notes and the rights issue which took place in January 2015). The successful completion of the tender offer and the rights issue enabled us to lower our gearing ratio and reduce our financial expenses.

Major Events in 2014

2014 was an important year to our Group. During the year, certain changes were made to the Board. On 30 June 2014, myself had resigned from the position as Chief Executive Officer but remains as the Chairman of the Group and an executive director. Mr. Wang Hongfang succeeded me as the Chief Executive Officer. While two executive directors, namely Mr. Wang Luding and Mr. Jin Tao, had resigned as executive directors, and Mr. Zhang Dabin and Ms. Wang Chunrong (both were our former executive directors) had been re-designated as non-executive directors of the Company, we have two new members joining our Board. Mr. Dai Bin joined on 30 June 2014, followed by Mr. Hu Yuzhou who joined on 8 January 2015.

Chairman's Statement

During the year, we also announced a tender offer of our senior notes due in 2015 (the "Senior Notes 2015") and senior notes due in 2016 (the "Senior Notes 2016") (the "Tender Offer"), a consent solicitation for the amendments and waiver to the indentures attached to the Senior Notes 2015 and Senior Notes 2016 (the "Consent Solicitation"), and a rights issue (the "Rights Issue") on 24 November 2014. The Tender Offer and the Consent Solicitation was completed on 1 January 2015 while the Rights Issue became unconditional on 2 January 2015. The results were satisfactory. Approximately 73% of the total principal outstanding of each of the Senior Notes 2015 and Senior Notes 2016 had been tendered to us, and consents from 90% and 94.6% of the total aggregate principal amount of the Senior Notes 2015 and Senior Notes 2016, respectively had been received in respect of the Consent Solicitation. The Rights Issue was also very successful with subscription rate of approximately 92%. Majority of the new capital raised from the Rights Issue together with new bank loans arranged during the period were utilized for the payment of the Tender Offer.

Outlook for 2015

2014 is also a crucial year for China as its economy as a whole has been undergoing a transformational period. The Chinese government had been trying to rebalance the economy through structural changes, from rapid growth through heavy investment and export business in the past, to a more moderate growth through sustainable consumption. Such changes led to a slowdown on GDP growth in 2014 to 7.4%, and market predicts China's economy will continue or further slowdown in 2015.

In respect of the retail property market in China, it faces severe challenges from different aspects. The rapid growth of e-commerce business and increasing consumer preference for shopping online has created huge impact on traditional shopping mall business. This not just happened in China, but becomes a new phenomenon in other countries too. This together with China's slowing down economy result in slowing retail sales, and consequently lead to retailers become more prudent and conservative in terms of expansion. Situation in China in particular, is further impacted by increasing new supply of retail space coming onto the market, both in non-core locations as well as central retail areas. This creates fierce competition between retail space operators and landlords in fighting for occupancy rate, attracting traffic flow and improving rental growth.

We believe the challenging macro environment will continue and may further intensify during 2015. Going into 2015, we will continue the prudent and cautious approach in terms of commencing construction of new projects. As to the projects under construction, we will be conservative and tightly control our capital expenditure by pacing down the construction progress. Projects located in areas with better prospects will be prioritized. Projects in other areas may be delayed or temporary suspended. In terms of our revenue, we will continue to focus on the rental growth derived from our existing shopping malls, by evolving new strategies and operational modes to adapt to the new environment on one hand, as well as optimizing our management structure and efficiency. We believe this will enable us to get through the strong head wind in the cold winter.



Chairman's Statement

Despite the tough period we are going through, the Group will endeavor to create value for our shareholders, customers and employees.

Lastly, on behalf of the Board and our management, I would like to thank all of our shareholders, in particular those who supported the Rights Issue, and also holders of the Senior Notes 2015 and Senior Notes 2016 who supported our Tender Offer. This exercise was important to us and would enable us going through the tough time. I would also like to thank all our members of the Board for their positive input, and our business partners for their full support and trust in us. Also thank you to our senior management team and our employees for all their hard work, commitment and faith in us. On behalf of the Board, I sincerely thank various local governments for their support to our Group throughout the years.

Dai Yongge

Chairman

26 March 2015

Management Discussion and Analysis

Business Review

The Group currently manages 22 malls across 12 cities in China with a total GFA of 1.27 million sq.m under management, and a leasable GFA of 0.83 million sq.m. The Group's project reserves stand at 4.81 million sq.m. This includes 12 projects with total planned GFA of 1.32 million sq.m where construction has been commenced, and also 19 projects with a total approved GFA of 3.49 million which the Group has received approvals for the construction.

2014 was an extremely challenging year. China's economy has been undergoing a transformational period and led to a slowdown in GDP growth in 2014 to 7.4%. Apart from this, developers and operators of retail properties in China have been facing additional challenges from other aspects. The rapid growth of e-commerce business and increasing consumer preference for shopping online have created huge impact on traditional shopping mall business. This together with a slowing down economy result in slowing retail sales and retailers become conservative in expansion plans. Certain areas in China in particular, is further impacted by increasing new supply of retail space coming onto the market, both in non-core locations as well as central retail areas. This creates fierce competition between retail space operators and landlords in fighting for occupancy rate, attracting traffic flow and improving rental growth.

Given the challenging macro environment and our capital constraints, the Group had been slowing down the expansion and had adopted a prudent and cautious approach in commencement of new projects since 2013. As a result, the Group had no new shopping malls added to its portfolio and had no commencement of new projects during the year under review.




Malls under management

Cities	Number of malls	GFA under management – sq.m	Investment properties GFA – sq.m	Inventory GFA – sq.m	Location
Harbin	9	168,081	66,718	4,209	beneath Dongdazhi Street, Guogeli Avenue and Shitoudao Street etc, Nangang and Daoli District, Harbin City
Shenyang	3	210,602	80,225	92,163	beneath Changjiang Street and Bitang Garden, Huanggu District; Zhong Street and Zhengyang Street, Shenhe District; Taiyuan North Street and Zhongshan Road, Heping District, Shenyang City
Guangzhou	1	47,554	4,250	–	beneath Zhanqian Road and Zhannan Road, Guangzhou City
Wuhan	1	69,209	19,827	–	beneath Hanzheng Street, Zhongshan Avenue, Liji Road, Duofu Road and South Youyi Road, Wuhan City
Wuxi	1	429,255 (note 1)	419,911 (note 1)	–	No. 18 Xigan Road, Wuxi City
Handan	1	68,027	62,570	4,451	beneath Lingxi Avenue, Heping Road and Huanchengxi Road, Handan City
Putian	1	55,084	43,194	–	beneath Wenxian Road, Xueyuanzhong Street and Xueyuannan Street, Putian City
Anyang	1	25,310	21,989	–	beneath Jiefang Avenue, Anyang City
Ganzhou	1	59,900 (note 2)	45,375 (note 2)	–	beneath Wenqing Road, Ganzhou City
Fushun	1	10,596	10,596	–	beneath Zhongyang Avenue and Dongyi Street, Fushun City
Yueyang	1	81,780 (note 3)	41,780 (note 3)	27,895	beneath Dongmaoling Road and Pedestrian Street, Yueyang City
Jinzhou	1	40,765	10,765	29,614	beneath Zhongyang Avenue, Luoyang Road and Shanghai Road, Jinzhou City
Total	22	1,266,163	827,200	158,332	

Notes

1. Includes car parking space of 56,507 sq.m
2. Includes car parking space of 25,040 sq.m
3. Includes car parking space of 9,908 sq.m

Management Discussion and Analysis

Project reserves (including projects under construction)

	Under construction [†]	Development status	Usage	Expected completion date	Total construction		Total Investment properties		Inventory	Location
					GFA – sq.m	GFA – sq.m	GFA – sq.m	GFA – sq.m		
1	Chongqing Banan Project Phase 1	Under construction	Commercial	2016	60,669	40,669	20,000		20,000	beneath Baxian Avenue, Banan District, Chongqing City
2	Chongqing Dadukou Project Phase 1	Under construction	Commercial	2016	40,379	20,379	20,000		20,000	beneath Jinxia Road, Dadukou District, Chongqing City
3	Liaoning Anshan Project Phase 2	Under construction	Commercial	2016	118,000	118,000	-		-	beneath Gaoxin Square, Anshan City
4	Hainan Sanya Project	Under construction	Commercial	2016	135,190	100,190	35,000		35,000	beneath Yingbin Road, Sanya City
5	Liaoning Shenyang Project Phase 2	Under construction	Commercial	2015	118,058	88,058	30,000		30,000	beneath Chaoyang Street and surrounding 5 streets, beneath Minzhu Road, Shenyang City
6	Guangdong Dongguan Humen Project Phase 1*	Under construction	Commercial	2016	423,890	273,890	150,000		150,000	beneath Binhai Avenue, Dongguan City
7	Hebei Qinhuangdao Project Phase 1	Under construction	Commercial	2015	23,282	13,282	10,000		10,000	beneath Wenhua Road, Haigang District, Qinhuangdao City
8	Liaoning Anshan Project Phase 3	Under construction	Commercial	2016	18,928	-	18,928		-	beneath Dongshan Street, Anshan City
9	Jiangxi Yingtan Project Phase 1	Under construction	Commercial	2015	86,000	61,000	25,000		25,000	beneath Zhongxin Square, Shengli Road, Jiaotong Road and Yingtan Garden, Yingtan City
10	Guangdong Dongguan Humen Project Phase 2*	Under construction	Commercial	2015	228,000	178,000	50,000		50,000	beneath Bada Avenue, Taiping Square, Wenguang Centre and Renminzhonglu, Dongguan City
11	Guangzhou Project Phase 2	Under construction	Commercial	2015	41,861	6,861	35,000		35,000	beneath Zhanqian Road, Guangzhou City
12	Shandong Yantai Project Phase 1	Under construction	Commercial	2015	30,000	5,000	25,000		25,000	beneath Xi Avenue, Yantai City
	Total				1,324,257	905,329	418,928		418,928	



Management Discussion and Analysis

Project reserves (including projects under construction) (continued)

	Approved and under planning stage	Development status	Usage	Expected completion date	Approved GFA - sq.m	Location
1	Harbin Project Phase 4	Approved and under planning stage	TBD	TBD	15,738	beneath Songhuajiang Road, Harbin City
2	Harbin Project Phase 5	Approved and under planning stage	TBD	TBD	10,000	beneath Wenjiao Street, Harbin City
3	Harbin Project Phase 6	Approved and under planning stage	TBD	TBD	31,500	beneath Shengzhi Avenue and Shierdaojie, Harbin City
4	Tianjin Project	Approved and under planning stage	TBD	TBD	121,220	beneath Jinchongqiao Avenue, Tianjin City
5	Tianjin West Station South Plaza Project	Approved and under planning stage	TBD	TBD	100,000	beneath West Station South Plaza, Tianjin City
6	Hubei Wuhan Xibeihu Project	Approved and under planning stage	TBD	TBD	460,000	beneath Jianzhu Avenue, West lake, North lake, Fountain Garden, Jianshe Avenue and Xinhua Road, Jiangnan District, Wuhan City
7	Shenzhen Project	Approved and under planning stage	TBD	TBD	160,000	beneath Huangjiangbei Road and Hongli Road, Shenzhen City
8	Shandong Qingdao Project	Approved and under planning stage	TBD	TBD	500,000	beneath Dunhua Road and Lianyungang Road, Qingdao City
9	Jiangsu Wuxi Taihu Plaza Project	Approved and under planning stage	TBD	TBD	250,000	beneath Taihu Plaza, Wuxi City
10	Hebei Zhangjiakou Project	Approved and under planning stage	TBD	TBD	150,000	beneath Wuyi Avenue, Dongan Avenue, Shenglibei Road, Xuanhua Road and Jiefang Road, Zhangjiakou City
11	Jiangxi Yingtan Project Phase 2	Approved and under planning stage	TBD	TBD	69,000	beneath Jiactong Road, Sitaxi Road and Shidong Road, Yingtan City
12	Shandong Yantai Project Phase 2	Approved and under planning stage	TBD	TBD	56,000	beneath Xi Avenue, Yantai City
13	Hebei Qinhuangdao Project Phase 2	Approved and under planning stage	TBD	TBD	96,718	beneath Wenhua Road, Qinhuangdao City
14	Henan Zhengzhou Project Phase 2	Approved and under planning stage	TBD	TBD	350,000	beneath Jinshuidong Road and Hengshan Road, Zhengzhou City
15	Henan Luoyang Project	Approved and under planning stage	TBD	TBD	194,840	beneath Longmen Avenue, Luoyang City
16	Anhui Wuhu Project	Approved and under planning stage	TBD	TBD	150,000	beneath Zhushan Garden and Beijingxi Road, Wuhu City
17	Yunnan Kunming Project	Approved and under planning stage	TBD	TBD	200,000	beneath Huanchengnan Road, Dongsi Street, Xichang Road and Haigeng Road, Kunming City
18	Jiangxi Nanchang Bayi Tunnel Project	Approved and under planning stage	TBD	TBD	162,000	beneath Bayi Avenue, Nanchang City
19	Guizhou Guiyang Project Phase 1	Approved and under planning stage	TBD	TBD	420,000	beneath Ruijin Road, Yanan Road, Dananmen, Zhanqian Square and surrounding 15 streets, Guiyang City
	Total				3,487,016	
	Grand Total				4,811,273	905,329
						418,928

Notes:

- Includes car parking space with GFA of 30,000 sq.m
 - Includes car parking space with GFA of 18,476 sq.m
 - Includes car parking space with GFA of 25,385 sq.m
 - Includes car parking space with GFA of 5,587 sq.m
- # all properties under construction are 100% owned by the PRC subsidiaries
- * held by 90% owned subsidiary
- TBD to be determined

Management Discussion and Analysis

Financial Review

Revenue

Annual revenue grew by 1.5% to RMB555.4 million in 2014 from RMB547.4 million in 2013.

Operating lease income grew by 17.4% to RMB533.7 million this year as compared to RMB454.7 million last year while revenue from transfer of operation rights dropped by 76.7% to RMB21.6 million from RMB92.7 million last year.

	2014	2013	Change	Change
	RMB'000	RMB'000	RMB'000	%
Operating lease	533,708	454,692	79,016	17.4
Transfer of operation rights	21,649	92,718	(71,069)	(76.7)
Revenue	555,357	547,410	7,947	1.5

Operation Rights Transfer

Revenue generated from transfer of operation rights was recognized when significant risks and rewards of the operation rights have been transferred to the buyers. Revenue generated from transfer of operation rights during the financial year 2014 was RMB21.6 million, down by 76.7% as compared with RMB92.7 million last year. During 2014, the Group had transferred 1,115 sq.m in various projects as compared to 3,985 sq.m in 2013. Transfer of operation rights this year mainly comprised 671 sq.m of Yueyang Project and 386 sq.m of Jinzhou Project. As the location of the projects were different, the average transfer price of RMB19,416 per sq.m for this year was lower than that of RMB23,267 per sq.m last year.

Operating Lease Income

As we derive all our operating lease income from the lease of space in our shopping centres, our operating lease income for a given period depends primarily on the following factors: (i) the GFA of shops available for leasing during the period; and (ii) the average rental of shops during the period.

Revenue generated from operating lease income for this year increased by 17.4% to RMB533.7 million from RMB454.7 million last year. The increase in operating lease income was mainly attributed to the opening of two malls in Shenyang in the second half of last year which raised lease income to RMB58.4 million this year as compared to RMB3.2 million last year. The commencement of Jinzhou Project also added RMB17.8 million.

Cost of Sales

Cost of sales mainly comprise the cost for the transfer of operation rights amounting to RMB11.8 million which represent either costs of construction of properties or carrying amount of properties relating to the operation rights transferred during the year. Cost for the transfer of operation rights decreased to RMB11.8 million this year from RMB26.1 million last year as a result of the decrease in the area of transfer to 1,115 sq.m from 3,985 sq.m last year.

Gross Profit

Gross profit increased to RMB543.5 million in 2014 from RMB521.3 million last year.

Gross margin for the transfer of operation rights decreased to 45.4% in 2014 from 71.8% in 2013 as the average transfer price realized decreased to RMB19,416 per sq.m from RMB23,267 per sq.m last year as well as the higher cost of construction for the projects transferred during this year.

Net Valuation Loss on Investment Properties

The net valuation loss on investment properties for the year ended 31 December 2014 was approximately RMB1,364.5 million as compared to net loss of approximately RMB832.3 million for the corresponding period in 2013. The major reasons for the valuation loss are set out below.

Valuation loss for completed projects

(i) Wuhan Project

During the second half of 2014, the Wuhan local government commenced the construction of the new No. 6 Line of the Wuhan Metro. Two stops of this new metro line will connect with the Wuhan Project. The completion of this new metro line is expected to be in 2017.

Due to construction of this new metro line, certain retail area of the Wuhan Project with GFA of approximately 5,823 sq.m was reclaimed and its neighboring area is also being affected. As a result of the construction of the new metro line, the market value of the investment properties in relation to the Wuhan Project has therefore been adjusted and reduced. This resulted in a valuation loss of approximately RMB136.7 million recorded for the year ended 31 December 2014.

Although the Wuhan Project may continue to suffer during the construction of this new metro line, however our management is of the view that the connection with the new metro line will bring further traffic flow to our Wuhan shopping mall is therefore beneficial to the shopping in the long run.

Management Discussion and Analysis

(ii) *Shenyang Project*

Another major valuation loss for completed projects is resulted from one of our Shenyang projects. During the year ended 31 December 2014, the net valuation loss resulted from the Shenyang project amounted to approximately RMB198.2 million. The major reason for such valuation loss was due to continuous challenging environment in the rental and second-hand commercial property market in Shenyang.

Valuation loss for projects under construction

(i) *Dongguan Humen Project*

For the year ended 31 December 2014, the valuation loss resulted from the Dongguan Humen Project (both Phase 1 and Phase 2) amounted to approximately RMB623.5 million (compared to approximately RMB625.4 million for the year ended 31 December 2013). This is the second year where valuation loss was resulted from the Dongguan Humen Project, mainly due to the change of land use from retail use to car parking space.

Construction of the Dongguan Humen Project (both Phase 1 and Phase 2) commenced in late 2011. According to the construction plan approved by the National Civil Defence Office (“NCDO”), the maximum GFA allowed for the entire project was approximately 674,642 sq.m, including a parking space with GFA of approximately 96,428 sq.m (Phase 1 and Phase 2 together). During the initial construction of the Dongguan Humen Project in 2011, our management was of the view that there was not enough demand to support the large parking space as planned and approved by NCDO. The Company then started discussing and negotiating with the local authorities to postpone or cancel the construction of the parking space and we received positive feedback until around mid-2012 where the new local government took a different view on this issue. By late 2013, based on the then communication with the local authorities, we agreed to include an initial parking space of approximately 38,063 sq.m (Phase 1 and Phase 2 together) but still subject to further discussion on the remaining parking space as requested by the local authorities. This change of land use and the consequent valuation loss of approximately RMB625.4 million was therefore recorded in our 2013 full-year results.

In 2014, based on the continuous negotiation with the local authorities, the management further agreed to include an additional conversion of parking space with GFA of approximately 17,322 sq.m, bringing the total GFA for car parking space to 55,385 sq.m in total. Valuation losses due to this further change of land use plus delay in completion amounted to approximately RMB623.5 million for the year ended 31 December 2014. As at the date of this announcement, despite discussions with the local authorities on parking space still continue, however, the management is of the view that it is not likely to have further substantial change of land use for the Dongguan Humen Project going forward.

Other Income

Other income increased by 5.7% to RMB104.7 million from RMB99.0 million in 2013 which was mainly due to the gain on disposal of property and equipment.

Administrative Expenses

Administrative expenses decreased by 59.2% to RMB409.5 million in 2014 from RMB1,004.0 million in 2013, which was mainly due to recording of the impairment loss on amount due from disposed subsidiaries of RMB540.2 million in 2013.

Other Operating Expenses

Other operating expenses decreased by 1.6% to RMB339.6 million in 2014 from RMB345.3 million in 2013, principally due to decrease in staff cost and advertisement expense, but offset by the compensation expense incurred for Wuhan Project due to the construction of subway.

Finance Income

Finance income increased to RMB123.2 million in 2014 from RMB72.8 million in 2013 as a result of increase in interest income on trade receivables.

Finance Expenses

Finance expenses increased to RMB541.5 million in 2014 from RMB476.9 million in 2013 as a result of increase in bank loans and loans from other financial institutions.

Investment Properties

Investment properties, either completed or under construction, are revalued in accordance with the valuation report prepared by BMI Appraisals Limited, a professional firm of professional surveyors. The analysis of investment properties as at 31 December 2014 is as follows:

	2014	2013	Change	Change
	RMB'million	RMB'million	RMB'million	%
Completed projects	16,083.7	15,436.0	647.7	4.2
Projects under construction	10,114.3	10,312.6	(198.3)	(1.9)
Total	26,198.0	25,748.6	449.4	1.7

Management Discussion and Analysis

The total value of investment properties increased by 1.7% to RMB26,198.0 million as at 31 December 2014 from RMB25,748.6 million last year.

Trade Receivables and Other Assets

Trade receivables and other assets that were recorded as current asset as at 31 December 2014 was RMB2,892.1 million as compared with RMB893.7 million as at 31 December 2013. The increase was mainly due to the receipt of subscription proceeds of the Rights Issue of RMB2,451.2 million, which were restricted to the use of subscription upon the Rights Issue became unconditional on 2 January 2015. This balance also comprised trade receivables of RMB176.1 million (RMB350.7 million as at 31 December 2013) arose from the transfer of operating rights which buyers would obtain bank loan or use cash to settle. The balance as at 31 December 2013 also comprised receivables of RMB260.2 million from disposed subsidiaries which was subsequently settled in this year. Apart from this, there were trade receivables booked as non-current asset amounted to RMB520.5 million as at 31 December 2014 as compared with RMB1,171.9 million as at 31 December 2013 which solely arose from the transfer of operation rights in previous years that the Group has re-negotiated with the buyers to settle the outstanding balance within five years. To facilitate the Company's plan of repositioning certain shopping malls, the Company has acquired certain shop units from buyers at market value. Under these arrangement, trade receivables of around RMB615.5 million has been offset during this year.

Liquidity and Financial Resources

As at 31 December 2014, total assets of the Group amounted to RMB37,308.6 million (31 December 2013: RMB35,963.0 million). For 2014, loss attributable to equity shareholders of the Company amounted to RMB1,666.5 million (31 December 2013: RMB1,699.6 million). In 2010, capital base of the Group has been strengthened as a result of net proceeds of RMB5,801.7 million through issuing Senior Notes 2015 of USD300,000,000 on 18 May 2010 and Senior Notes 2016 totalling USD600,000,000 on 10 September 2010 and 15 November 2010. The Senior Notes 2015 bear interest at 11.75% per annum, payable semi-annually in arrears, and will be due in 2015 while the Senior Notes 2016 bear interest at 13% per annum, payable semi-annually in arrears, and will be due in 2016.

On 24 November 2014, the Company announced the Tender Offer of all of our Senior Notes 2015 and the Senior Notes 2016, as well as the Consent Solicitation for the amendments and waiver to the Indenture attached to the Senior Notes 2015 and Senior Notes 2016.

On the same day, the Company also announced the Rights Issue of a total of 10,574,066,000 rights shares at the price of HKD0.32 per share on the basis of one rights share for every two existing shares. At the time of the announcement, the controlling shareholder and Chairman of the Company, together with Atlantis Investment Management (Hong Kong) Limited, had irrevocably undertaken to subscribe their respective entitled rights shares.

Results of the Tender Offer and the Consent Solicitation were announced on 31 December 2014. The results were satisfactory. A total of USD221,291,100 of the Senior Notes 2015 (representing 73.8% of the total principal outstanding) and a total of USD438,802,000 of the Senior Notes 2016 (representing 73.1% of the total principal outstanding) had been tendered. The Consent Solicitation was also successful. The Company received consents from holders of 90.0% and 94.6% of the total aggregate principal amount of the Senior Notes 2015 and Senior Notes 2016 respectively. The total capital required for payment of the Tender Offer together with the accrued interest to the holders of the Senior Notes 2015 and Senior Notes 2016 amounted to USD587,785,700. The payment was settled on 7 January 2015 with net proceeds resulted from the Rights Issue and new bank loans previously arranged and drawdown on the same day.

The Rights Issue became unconditional on 2 January 2015. Based on the acceptance results, the Rights Issue has received approximately 92% subscription rate. The net proceeds of the Rights Issue amounted to approximately HKD3,297 million, majority of which has been utilized as payment of the Tender Offer.

In terms of available financial resources as at 31 December 2014, the Group's total available cash at bank and on hand was RMB884.5 million (31 December 2013: RMB1,284.1 million). The total restricted bank deposits was RMB2,580.8 million (31 December 2013: RMB185.9 million).

At the end of 2014, gearing ratio for the Group was 23.0%, which is calculated by dividing the interest-bearing borrowings by total assets (31 December 2013: 21.7%).

The Group services its debts primarily with recurring cash flow generated from its operation. Together with the proceeds raised by our initial public offering and the second offering, the Board is confident that the Group has adequate financial resources to meet its future debt repayment and support its working capital and future expansion requirements.

Apart from the senior notes, the Group has bank loans and loans from other financial institutions totalling RMB3,115.4 million as at 31 December 2014 (2013: RMB2,377.2 million).

Foreign Exchange Rate Risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through People's Bank of China (the "PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies. Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) and must be arranged through the PBOC with government approval.

Management Discussion and Analysis

All cash and bank balances of the Group denominated in Renminbi were placed in banks in the PRC. Renminbi is not freely convertible and the remittance of earnings to overseas is subject to exchange control promulgated by the PRC government. All the revenue-generating operations of the Group are transacted in Renminbi. The Group also kept certain bank balances in Hong Kong which are denominated in US dollar or HK dollar and the senior notes are denominated in US dollar. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than the functional currency of our subsidiaries (Renminbi) in the PRC and functional currency of the overseas group entities (Hong Kong dollar). Depreciation or appreciation of the Renminbi and Hong Kong dollar against foreign currencies can affect the Group's results. The Group currently does not hedge our foreign exchange risk but may do so in the future.

Capital Commitments

As of 31 December 2014, the future capital expenditure for which the Group had contracted but unprovided for and authorized but not yet contracted amounted to RMB2,590.5 million (31 December 2013: approximately RMB2,684.8 million) and RMB2,384.4 million (31 December 2013: RMB2,836.9 million), respectively.

Contingent Liabilities

Guarantees Provided to Buyers

The Group has provided guarantees and made deposits to bank to assist the buyers of operation rights to obtain bank loans. The outstanding guarantees as at 31 December 2014 amounted to RMB300.5 million (31 December 2013: RMB490.4 million). The guarantees and deposits will be released accordingly along with the repayment of loan principal by the buyers.

Human Resources

As at 31 December 2014, the Group employed 1,427 staff members (31 December 2013: 3,261). The Group's employees are remunerated according to the nature of job, individual performance and market trends with built-in merit components. Total remuneration for the year ended 31 December 2014 was approximately RMB187.9 million (2013: approximately RMB217.7 million). We have established a training programme that aims to support and encourage members of our management team to continue improving their management skills, including arranging for seminars and their skill and develop their careers. We provide orientation training as well as on-the-job training on a regular basis on various topics, such as internal regulations, computer and management skills, sales skills and career development. Employees in Hong Kong participate in Mandatory Provident Fund scheme, and employees in Mainland China also participate in similar schemes.

Dividend

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2014 (2013: Nil).

Directors and Senior Management Profile



Executive Directors

Mr. DAI Yongge (戴永革), aged 46, was appointed as an Executive Director in December 2007 and the Chairman on 25 August 2008, and is a member of the remuneration committee and nomination committee of the Board. He was also the Chief Executive Officer between 26 February 2008 and 29 June 2014.

With over 18 years of experience in the management of underground shopping centres, Mr. Dai is primarily responsible for the Group's overall strategic planning and the management of the Group's business. Mr. Dai became a director of Harbin Renhe Century, the vice chairman of Guangzhou Renhe and the chairman of Zhengzhou Renhe in 2003, 2005 and 2007 respectively and was responsible for the Group's strategic planning and management of the underground shopping centres in Harbin, Guangzhou and Zhengzhou. He was appointed as the chief executive officer of Renhe Group between 1999 and 2003 and was responsible for the strategic planning and management of Renhe Group. Mr. Dai was also involved in the management of a number of retail businesses in the PRC for over 10 years before becoming the chairman of Renhe Group in 1999. Mr. Dai is a brother of Mrs. Hawken Xiu Li, the spouse of Ms. Zhang Xingmei and father of Mr. Dai Bin.



Mr. WANG Hongfang (王宏放), aged 55, was appointed as the Chief Executive Officer in June 2014. He was also appointed as an Executive Director in December 2007 and as the Executive President (Investments and Financing) of the Company on 26 February 2008.

Mr. Wang joined Renhe Group in 2003 and has over 20 years of management experience. He is primarily responsible for the management of the Group's investments and financing. In 2003, he was appointed as the vice president of Renhe Group and became the executive president in 2006. Prior to joining Renhe Group, he was assigned management positions in a number of companies in the PRC during the period from 1994 to 2000. From 2001 to 2003, Mr. Wang was the president of Harbin Jurong New Power Co., Ltd. in which he was responsible for the overall planning and management of its business. Mr. Wang graduated from Harbin Institute of Technology (哈爾濱工業大學) with a bachelor's degree in automatic control mechanics (自動化控制) in 1982 and a master's degree in politics and economics in 1991.

Directors and Senior Management Profile



Mr. ZHOU Jun (周軍), aged 45, joined the Group in 2010 and has been our Executive Director since April 2012. He is primarily responsible for the management of the operations of shopping centres in Eastern China. Mr. Zhou has over 18 years of experience in the management and marketing of retail businesses. Prior to joining the Group, Mr. Zhou held various positions including general manager and president of a number of large-scaled shopping centres in China from 1997 to 2010, and was responsible for the overall development, business solicitation and management of operations of shopping centres. Mr. Zhou graduated from Luxun Academy of Fine Arts (魯迅美術學院) majoring in decoration, and completed an advanced program organized by Shenzhen Graduate School of Tsinghua University (清華大學深圳研究生院) for senior management in 2007.



Mr. DAI Bin (戴彬), aged 23, was appointed as our Executive Director in June 2014, and is primarily involved in the operation and management of the Company. He graduated from University of New South Wales, Australia, with a bachelor's degree of commerce, major in finance in 2012. Mr. Dai Bin is the son of Mr. Dai Yongge and Ms. Zhang Xingmei. He is also the nephew of Mrs. Hawken Xiu Li.



Mr. HU Yuzhou (扈玉舟), aged 52, was appointed as our Executive Director and Executive President of the Company in January 2015. He is primarily responsible for the management of the operation of the Company and its subsidiaries in PRC.

Mr. Hu graduated from Beijing Renwen Hanshou Daxue, now known as Beijing Humanities University, with area of study in finance and taxation, in 1991. He possesses over 10 years of experience in management of department stores and shopping malls. From 1985 to 1995, Mr. Hu had served at Chaoyang branch of Inland Revenue Department of Changchun. Since 1998 till 2005, he joined Changchun Charter Times Square Department Store Company Limited as general manager, and starting from 2005 to 2012, he had been appointed as president of Charter Department Store Group. From 2008 to 2013, Mr. Hu was appointed as non-executive director of Shengjing Bank Co., Limited. From 2013 onwards, he has been appointed chief executive officer of Liaoning Luxville Commercial Development Co., Ltd. In addition, Mr. Hu had been a deputy of Chaoyang District, Changchun City of Jilin Province, to the National People's Congress of the People's Republic of China from 2006 to 2011.

Non-Executive Directors

Mrs. HAWKEN Xiu Li (秀麗 • 好肯), aged 52, was appointed as our Non-Executive Director in November 2007. Mrs. Hawken joined Renhe Group in 1996 and is responsible for assisting our Executive Directors to formulate the Company's business strategies. She was appointed as a director of Harbin Renhe since 1996 and was appointed as its chairperson in 2002 until present. She has also been a director of Harbin Baorong since 2000. Mrs. Hawken graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in Chinese Literature in 1986. Mrs. Hawken is a sister of Mr. Dai Yongge and aunt of Mr. Dai Bin.

Ms. JIANG Mei (蔣梅), aged 43, was appointed as our Non-Executive Director in December 2007. Ms. Jiang joined Renhe Group in 2002 and is responsible for assisting our Executive Directors to formulate our Group's business strategies. Since 2002, she has been a director of Harbin Renhe Century. She has also been a director of Guangzhou Renhe and a director of Zhengzhou Renhe since 2005 and 2007, respectively. Prior to joining Renhe Group, she was the deputy general manager of an advertising company in the PRC from 1993 to 2000. Ms. Jiang graduated from Beijing Dance Academy (北京舞蹈學院) in 1991.

Ms. ZHANG Xingmei (張興梅), aged 46, was appointed as our Non-Executive Director in December 2007. Ms. Zhang joined Renhe Group in 1996 and has over 18 years of management experience of the underground shopping centres in the PRC. Since 1996, Ms. Zhang has been appointed as a director of Harbin Renhe. Since 2000, she has been a director of Harbin Baorong. She has also been the chairperson of Harbin Renhe Century since 2002. She has been appointed as a director of Guangzhou Renhe and Zhengzhou Renhe since 2005 and 2007 respectively, and is responsible for overseeing the operation of their underground shopping mall projects. Ms. Zhang graduated from Heilongjiang Institute of Economic Management (黑龍江省哈爾濱經濟管理幹部學院) with a college degree in business administration in 1992. Ms. Zhang is the spouse of Mr. Dai Yongge and mother of Mr. Dai Bin.

Mr. ZHANG Dabin (張大濱), aged 56, was re-designated as our Non-Executive Director in June 2014, prior to which he had been our Executive Director since December 2007. He was also appointed as the Executive President (Project Construction) of the Company in 2008. Mr. Zhang joined Renhe Group in 1999 and has more than 21 years of experience in real estate planning related businesses. From 1999 to 2003, Mr. Zhang was appointed as the chairman of Renhe Group. In 2003, he became the chief executive officer and a director of Renhe Group. Mr. Zhang was appointed as a director of Harbin Baorong, Harbin Renhe Century, Guangzhou Renhe and Zhengzhou Renhe in 2000, 2002, 2005 and 2007 respectively, in which he was in charge of the overall strategic planning and construction of the Group's projects. Prior to joining Renhe Group, he worked at Heilongjiang Province Urban Real Estate Development Company (黑龍江省城鎮房屋開發公司) as an assistant general manager from 1990 to 1992 and a deputy general manager from 1992 to 1999 and was responsible for overseeing the development of the real estate projects. Mr. Zhang was one of the members of the National Defense General Staff Corps of Engineers Construction Engineering Design (工程兵國防人防工程施工圖設計文件審查中心專家組) in 2007.

Directors and Senior Management Profile

Ms. WANG Chunrong (王春蓉), aged 46, was re-designated as our Non-Executive Director since June 2014, prior to which she had been our Executive Director since December 2007. She was also appointed as a Vice President (Finance) of the Company on 26 February 2008. Ms. Wang joined the Renhe Group in 1996 and has over 24 years of experience in financial management. Ms. Wang is primarily responsible for overseeing the finance function of the Group. She worked as a manager at the finance department of Harbin Renhe Group from 1996 to 2000, and was later appointed as a director of Harbin Renhe since 2002. She is responsible for the financial management of the Group. Prior to joining Renhe Group, she worked at the accounting department of Heilongjiang Province Technology Information Research Office (黑龍江省科技情報研究所) from 1990 to 1996. She was appointed as the vice president of Renhe Group in 2003. Ms. Wang graduated from Harbin Radio and TV University (哈爾濱廣播電視大學) in 1990.

Independent Non-Executive Directors

Mr. FAN Ren-Da, Anthony (范仁達), aged 54, joined in 2007 as an independent Non-Executive Director of the Company. He holds a Master's Degree in Business Administration from the USA. He is the chairman and managing director of AsiaLink Capital Limited. Prior to that, he held senior positions with various international financial institutions and was the managing director of a company listed on the Stock Exchange. Mr. Fan is an independent non-executive director of CITIC Resources Holdings Limited (Stock Code: 1205), Raymond Industrial Limited (Stock Code: 229), Uni-President China Holdings Limited (Stock Code: 220), LT Commercial Real Estate Limited (Stock Code: 112), CGN Meiya Power Holdings Co. Ltd. (Stock Code: 1811), China Development Bank International Investment Limited (Stock Code: 1062), Guodian Technology & Environmental Group Corporation Limited (Stock Code: 1296), Neo-Neon Holdings Ltd (Stock Code: 1868), Shanghai Industrial Urban Development Group Limited (Stock Code: 563), Technovator International Limited (Stock Code: 1206), Tenfu (Cayman) Holdings Company Limited (Stock Code: 6868) and Hong Kong Resources Holdings Company Limited (Stock Code: 2882), all listed on the Main Board of the Stock Exchange.

Mr. WANG Shengli (王勝利), aged 65, was appointed as an independent Non-Executive Director of the Company since August 2008. He is the chairman of the remuneration committee and the nomination committee, and a member of the audit committee, of the Board of the Company. Mr. Wang is a retired military officer in the PRC with over 40 years of experience in the national defense force. Mr. Wang is currently the vice president of the China Commercial Real Estate Association (中國商業地產聯盟), a national association for the commercial real estate industry in the PRC which has a very close working relationship with the Ministry of Commerce of the PRC, Ministry of Construction of PRC and similar government agencies. Mr. Wang is also currently the vice chairman of the civil air defense subdivision of China Civil Engineering Society (中國土木工程協會防護工程分會副理事長), the consultant of Beijing Civil Defense Association (北京民防協會) and the consultant of Shandong Province Civil Defense Association (山東民防協會). From 1985 to 2005, he was an officer of the Civil Air Defense Department of the PRC (中國國家人民防空辦公室). Mr. Wang graduated from Liaoning University (遼寧大學) in 1985 with a bachelor's degree in Chinese Literature and politics.



Directors and Senior Management Profile

Mr. WANG Yifu (王一夫), aged 64, was appointed as an independent Non-Executive Director of the Company since August 2008. He is also a member of each of the audit committee, remuneration committee and nomination committee of the Board of the Company. Mr. Wang has over 32 years of experience in the banking and finance industry. He worked at several branches of the China People's Construction Bank (中國人民建設銀行) in Harbin from 1975 to 1993, during which he had worked at the accounting and investment divisions of various branches. He was appointed as the director (行長) of the marketing division and the senior economist of Harbin main branch of the China People's Construction Bank in 1991 and 1993, respectively. In 1996, Mr. Wang was appointed as the supervisor (監事長) of the internal auditing department of Harbin Commercial Bank (哈爾濱商業銀行) and was promoted to vice-governor (副行長) of the same department in 1999. Since 2004, Mr. Wang has been the inspector (調研員) of Harbin Commercial Bank (哈爾濱商業銀行). Mr. Wang graduated from Northeast Heavy Machinery College (東北重型機械學院) with a college degree in mechanical engineering in 1975.

Mr. LEUNG Chung Ki (梁松基), aged 58, was appointed as the independent Non-Executive Director of the Company since 2012. Mr. Leung graduated with bachelor degree in business administration in the Chinese University of Hong Kong and a master degree in business administration in the De Paul University in United States. Mr. Leung has over 22 years of banking experience and holds directorships in various companies engaging in investment since 2000.

Mr. TANG Hon Man (鄧漢文), aged 56, was appointed as the independent Non-Executive Director of the Company since 2012. Mr. Tang graduated with a bachelor degree in business administration in the Chinese University of Hong Kong. Mr. Tang has over 27 years of working experience and has been appointed as the director of supply chain management division of an international electronic product distribution group since 2006 and a director of supply chain management division of a global 3D printing technology company listed in the United States of America since April 2013.

Senior Management

Mr. CHU Chengfa (楚成發), aged 47, is the vice president of our Company, and is responsible for the management of the Group's administration and legal affairs. Mr. Chu joined Renhe Group in 1999 and has almost 23 years of experience in the legal compliance field. Mr. Chu was appointed as the head of the legal affairs department of Renhe Group in 1999 and vice president of Renhe Group in 2003, advising the overall legal compliance of all the Group's projects. Prior to joining Renhe Group, Mr. Chu worked at Heilongjiang Province Hongsheng Trade Co. (黑龍江省宏盛經貿公司) as the head of the legal department and the deputy general manager of the company from 1991 to 1999. Mr. Chu graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in law in 1991.

Directors and Senior Management Profile

Mr. HUNG Fan Kwan (孔繁崑), FCPA, FCCA, aged 50, is our vice president and chief financial officer, qualified accountant and company secretary, and is primarily responsible for overseeing the Group's financial reporting, internal controls and compliance with the requirements under the Hong Kong Listing Rules with regard to financial reporting and other accounting-related issues. Mr. Hung joined the Group in March 2008, is retained by the Group on a full-time basis and has over 27 years experience in accounting, finance and treasury functions. Prior to joining the Group, Mr. Hung was appointed to a number of senior accounting and financial positions with various listed and private companies in Hong Kong, including as executive director, chief financial officer and qualified accountant of Modern Beauty Salon Holdings Limited, a company listed on the Main Board of the Stock Exchange, and was previously a vice audit manager at Coopers & Lybrand (currently known as PricewaterhouseCoopers). Mr. Hung graduated with a Professional Diploma in Accountancy from the Hong Kong Polytechnic University and is a fellow member of the Chartered Association of Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in England and Wales.

Mr. YUE Taoming (岳陶明), aged 52, is a deputy general manager of our project construction department. Mr. Yue joined Renhe Group in 1999 and has over 15 years of experience in managing underground construction projects. From 1999 to 2006, he was a vice president of Renhe Group and was responsible for overseeing the underground construction projects of the Group. Since 2006, he has been the general manager of Zhengzhou Renhe and is responsible for the overall management of underground shopping mall units. Mr. Yue graduated from Hebei Institute of Industrial (河北工業職業技術學院) (formerly known as Hebei School of Foreign Trade 河北外貿學校) with a college degree in trading in 1990.

Mr. SUN Qiwei (孫啟偉), aged 55, is a deputy general manager of our project construction department. Mr. Sun joined Renhe Group in 1996 and has over 18 years of experience in business administration and management of underground construction projects. He was the office head of Harbin Renhe from 1996 to 1999. From 1999 to 2003, he was appointed as an assistant general manager and head of the office of Renhe Group. From 2006 to 2007, Mr. Sun was appointed as a general manager of Guangzhou Renhe. Since 2007, he has been appointed as the vice general commander of the construction command office of Zhengzhou Renhe. From 2003 to 2006, he was a deputy general manager of Harbin Hada Fruits and Vegetables Wholesale Market Co. Limited (哈達果菜批發市場有限公司). Mr. Sun graduated from Harbin Radio and TV University (哈爾濱廣播電視大學) with a college degree in Chinese journalism in 1988.

Mr. CHEN Bangju (陳幫聚), aged 61, is a general manager of our project construction department, primarily responsible for the engineering design of the construction projects. Mr. Chen has over 44 years of experience in the engineering of civil defense constructions. Mr. Chen joined the Group in 2007 and has been appointed as the vice general commander of the construction command office of Zhengzhou Renhe. Prior to joining the Group, Mr. Chen had worked at Heilongjiang Province Civil Defense Office (黑龍江省人防辦公室) since 1970 and had been the vice commissioner of the engineering design department and the commissioner of the same department. From 2006 to 2007, he was appointed as a senior counselor of Heilongjiang Province Civil Defense Office (黑龍江省人防辦公室). Mr. Chen graduated from Harbin Institute of Construction (哈爾濱建工學院) in 1984, specialized in industrial and residential construction engineering.



Directors and Senior Management Profile

Mr. GENG Xiaoguo (耿孝國), aged 50, is a vice president and deputy general manager of our project construction department. Mr. Geng joined our Group in 2001 and has over 13 years of experience in project construction, mainly involved in the application process of the construction projects when they first commenced. Since 2006, Mr. Geng has been appointed as a director of Guangzhou Renhe. Mr. Geng graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in law in 1987.

Ms. LI Dongling (李冬玲), aged 43, is a vice president and deputy general manager of our investment and operation department. Ms. Li joined Renhe Group in 2003 and has over 13 years of experience in the field of marketing and sales. Since 2003, Ms. Li has been appointed as a deputy general manager of the sales and marketing department of Renhe Group. Prior to joining Renhe Group, she worked at the business management department as well as the sales and marketing department of Harbin Hong Bo Trade Group (哈爾濱紅博商貿集團) from 1999 to 2003 and she was promoted as the head of both departments in early 2003. Ms. Li graduated from Harbin Polytechnic University (哈爾濱理工大學) with a college degree in business administration in 1995.

Ms. CHAN Rebecca (陳慧瑩), aged 39, is a vice president of the Company, responsible for the Company's capital market operations. Ms. Chan joined the Group in July, 2014. Ms. Chan has over 15 years of experience in corporate finance and capital markets transaction. Before joining the Group, Ms. Chan was trained as a solicitor in Hong Kong and subsequently switched to investment banking in 2005 and had been working for various investment banks since then, including UBS AG and J. P. Morgan Asia. Her last position before joining the Group was an Executive Director with J. P. Morgan Asia's Equity Capital Markets department. Ms. Chan holds a law degree (LL. B) from University of Sheffield, United Kingdom. Ms. Chan is also a qualified solicitor of the HKSAR.

Mr. LI Xiang (李响), aged 33, is a vice president of the Company. Mr. Li joined the Group in August 2014 with over 9 years of experience in investment banking. Prior to joining the Group, Mr. Li was a Vice President with J. P. Morgan Asia's Equity Capital Markets department. He has a master degree from the University of Oxford.

Mr. SONG Lei (宋磊), aged 42, is a vice president and deputy general manager of our business management department. Mr. Song joined Renhe Group in 2002 and has over 17 years of experience in business management. Since 2002, he has been appointed as a deputy general manager of business management department of Renhe Group and assumed an important role in the sales and marketing of the project at its inception. Prior to joining our Group, Mr. Song was a deputy general manager of business management department of Harbin Manhattan Multi-Line Group (哈爾濱曼哈頓多元集團有限公司) from 1997 to 2002. Mr. Song graduated from Beijing University (correspondence course/函授課程) with a bachelor's degree in investment management in 1999.

Directors and Senior Management Profile

Ms. ZHANG Guiru (張桂茹), aged 43, is a vice president and deputy general manager of our business management department. Ms. Zhang joined Renhe Group in 2003 and has over 16 years of experience in business management. Ms. Zhang has been appointed as a general director of Harbin Renhe Century in 2003 and is primarily responsible in management of the business of Harbin Renhe Century. She had worked at Hong Bo Center (紅博廣場) since 1997 and was appointed as the head of business management department of Hong Bo Center (紅博廣場) in 2003. Ms. Zhang graduated from Heilongjiang University with a bachelor's degree in computer software (計算機軟件) in 1994.

Ms. YAO Zhiyun (姚志雲), aged 41, is a general manager of our finance department. Ms. Yao joined Renhe Group in 2001 and has over 13 years of experience in the field of accounting and finance. Since 2001, Ms. Yao has been appointed as the head of the finance department of Renhe Group and is equipped with skills in operation analysis, cost control, tax planning and other financial management related tasks. Ms. Yao was qualified as a senior accountant in 2002 by Heilongjiang Province Government (黑龍江省人事廳). Ms. Yao graduated from Shenyang Industrial University (瀋陽工業大學) with a bachelor's degree in accounting in 1998.



Report of the Directors

The directors present their annual report together with the audited financial statements of the Company and the Group for the year ended 31 December 2014.

Principal Activities

The Company acts as an investment holding company. The principal activities of its major subsidiaries as at 31 December 2014 are set out in note 18 to the financial statements.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	4%	
Five largest customers in aggregate	14%	
The largest supplier		21%
Five largest suppliers in aggregate		50%

None of the directors, their respective associates or, so far as the directors are aware, any shareholder who owns more than 5% of the issued share capital of the Company has any interest in any of the said top five customers and suppliers of the Group for the year.

Financial Statements

The loss of the Group for the year ended 31 December 2014 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 46 to 131.

Transfer to Reserves

Loss attributable to equity shareholders of the Company, before dividends, of RMB1,666,513,000 (2013: loss of RMB1,699,604,000) have been transferred to reserves. Other movements in reserves are set out in the Group's consolidated statement of changes in equity for the year ended 31 December 2014.

Report of the Directors

Charitable Donations

Charitable donations made by the Group during the year amounted to RMB Nil (2013: Nil).

Investment Properties

Details of the changes in investment properties of the Group are set out in note 16 to the financial statements.

Property and Equipment

Details of the changes in property and equipment of the Group are set out in note 15 to the financial statements.

Share Capital and Share Options

Details of the changes in the Group's share capital and share options during the year and details of the Company's share option schemes are set out in notes 27(c) and 29 to the financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.



Directors

The directors during the financial year were:

Chairman

Dai Yongge

Executive directors

Dai Yongge
Wang Hongfang
Zhou Jun
Dai Bin
Hu Yuzhou

Non-executive directors

Hawken Xiu Li
Jiang Mei
Zhang Xingmei
Zhang Dabin
Wang Chunrong

Independent non-executive directors

Fan Ren-Da, Anthony
Wang Shengli
Wang Yifu
Leung Chung Ki
Tang Hon Man

Biographical Details of the Directors

The biographical details of the current directors are set out on page 17 to page 21 of this annual report.

Report of the Directors

Directors' Service Contracts and Rotation

Most of the executive directors are engaged on a service contract for a term of three years. Each service contract will continue thereafter until terminated by not less than one month's notice in writing served by either party. Most of the non-executive and independent non-executive directors have been appointed to hold the office for a term of one year and thereafter continue for further successive periods of one year with maximum period of three years for further re-election at Annual General Meeting ("AGM"). In addition, the appointment of each of directors is subject to retirement by rotation in accordance with the Company's Articles of Association.

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and considers all the independent non-executive directors to be independent.

In accordance with the provisions of the Company's Articles of Association, Mr. Wang Hongfang, Ms. Wang Chunrong, Ms. Zhang Xingmei, Mr. Leung Chung Ki, Mr. Tang Hon Man, Mr. Dai Bin and Mr. Hu Yuzhou will retire from the Board at the forthcoming AGM but, being eligible, will offer themselves for re-election.

Other than disclosed above, none of the directors has entered or has proposed to enter into any service contract with the Company or any of its subsidiaries which is not expiring or determinable by the employing company within one year without payment of compensation other than statutory compensation.

Directors' Emoluments

Details of directors' emoluments on a named basis are set out in note 10 to financial statements. The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' responsibilities, abilities and performance, the Company's operations, as well as remuneration benchmark in the prevailing market conditions.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2014, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company as required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules were as follows:

(a) Long/short positions in shares/underlying shares of the Company:

Name of director	Capacity	Nature of interest (note 1)	Number of issued shares/ underlying shares	Approximate percentage of interest in the Company
Mr. Dai Yongge (note 2)	Beneficial owner	L	153,900,000	0.49%
	Interest in controlled corporations	L	15,526,538,082	48.94%
	Interest in a controlled corporation	S	66,556,293	0.20%
Mr. Wang Hongfang	Beneficial owner	L	28,050,000	0.09%
	Interest in a controlled corporation	L	24,575,000	0.07%
Mr. Zhang Dabin	Beneficial owner	L	3,000,000	0.00%
	Interest in a controlled corporation	L	47,100,000	0.15%
Ms. Wang Chunrong	Interest in a controlled corporation	L	47,200,000	0.14%
Ms. Zhang Xingmei	Interest of spouse	L (note 3)	15,680,438,082	49.43%
	Interest of spouse	S	66,556,293	0.20%

Report of the Directors

(b) Long positions in shares of associated corporations of the Company

Name of director	Capacity	Name of associated corporation	Number of ordinary shares	Percentage of the issued share capital of the associated corporation
Mr. Dai Yongge (note 4)	Beneficial owner	Shining Hill Investments Limited ("Shining Hill")	1	100.00%
	Interest in a controlled corporation	Super Brilliant Investments Limited ("Super Brilliant")	1	100.00%

Notes:

- (1) The letter "L" denotes the person's long position in such shares and the letter "S" denotes the person's short position in such shares.
- (2) Mr. Dai Yongge is deemed to be interested in such shares held through controlled corporations, Super Brilliant and Gloss Season Limited.
- (3) Ms. Zhang Xingmei is deemed to be interested in the shares held by her spouse, Mr. Dai Yongge.
- (4) On 30 June 2014, Mrs. Hawken Xiu Li transferred her entire interest in Shining Hill as a gift to her brother, Mr. Dai Yongge. As at 31 December 2014, Shining Hill indirectly holds 15,383,738,082 shares of the Company, representing 48.49% of the issued share capital of the Company, through its wholly-owned subsidiary, Super Brilliant.

Save as disclosed above, none of the directors or chief executives of the Company or their associates had, as at 31 December 2014, any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2014, the interests or short positions of the substantial shareholders (other than the directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of issued shares/ Nature of interest (note 1)	Approximate percentage of interest in the Company
Super Brilliant	Beneficial owner	15,383,738,082 (L)	48.49%
	Beneficial owner	66,556,293 (S)	0.20%
Shining Hill (note 2)	Interest in a controlled corporation	15,383,738,082 (L)	48.49%
	Interest in a controlled corporation	66,556,293 (S)	0.20%
海通證券股份有限公司 (note 3)	Interest in a controlled corporation	4,790,465,956 (L)	15.10%
Haitong International Securities Group Limited (note 3)	Interest in a controlled corporation	4,790,465,956 (L)	15.10%
China Life Insurance (Group) Company (note 4)	Interest in a controlled corporation	1,550,424,000 (L)	7.33%
China Life Insurance (Overseas) Company Limited	Beneficial owner	1,550,424,000 (L)	7.33%

Report of the Directors

Notes:

- (1) The letter “L” denotes the person’s long position in such shares, and the letter “S” denotes the person’s short position in such shares.
- (2) Mr. Dai Yongge is interested in the entire issued share capital of Shining Hill which in turn is interested in the entire issued share capital of Super Brilliant and therefore, Mr. Dai Yongge and Shining Hill are deemed or taken to be interested in the shares beneficially owned by Super Brilliant for the purposes of the SFO.
- (3) The long position is pursuant to the underwriting obligation under the underwriting agreement dated 24 November 2014 entered into between the Company and Haitong International Securities Company Limited (the “Underwriter”) in relation to the proposed issue by the Company of the rights shares at a subscription price of HK\$0.32 each on the basis of one rights share for every two existing shares held on 9 December 2014 (“Rights Issue”). According to the notice of interests filed by Haitong International Securities Group Limited and 海通證券股份有限公司 on 26 November 2014, the Underwriter is indirectly wholly-owned by Haitong International Securities Group Limited, which in turn, is indirectly owned as to 68.24% by 海通證券股份有限公司.
- (4) According to the disclosure form filed on 3 January 2014, based on 21,148,132,000 ordinary shares of the Company in issue as at the filing date, by China Life Insurance (Group) Company, the interests in shares were held by China Life Insurance (Overseas) Company Limited, which in turn, is a directly controlled corporation of China Life Insurance (Group) Company, and such interest in shares as to 7.33% of the interest in the Company has been diluted to 4.88%, upon completion of Rights Issue on 8 January 2015 resulting in the enlarged issued share capital of the Company of 31,722,198,000 shares.

Save as disclosed above and so far as the Directors are aware of, as at 31 December 2014, there was no other person, other than the directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

Share Option Scheme

The Company adopted a share option scheme on 25 August 2008. There is no outstanding share option during the year ended 31 December 2014.

Directors' Interest in Contracts

No contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Loans and Borrowings

Particulars of loans and other borrowings of the Company and the Group as at 31 December 2014 are set out in note 24 to the financial statements.

Continuing Connected Transactions

In accordance with paragraph 14A.55 of the Listing Rules, the independent non-executive directors of the Company have reviewed and confirmed that as at 31 December 2014 the continuing connected transactions of the Company were as disclosed in the prospectus of the Company dated 30 September 2008, have remained exempt from the reporting, announcement and independent shareholders' approval requirements under paragraph 14A.73 of the Listing Rules and that transactions have been entered into:

- (1) in the ordinary and usual course of business of the Company;
- (2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- (3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the listed issuer as a whole.

Report of the Directors

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 132 of this annual report.

Retirement Schemes

The Group is required to make contributions to the Schemes at the rate ranges from 12% to 22% of the eligible employee's salaries. Particulars of these retirement schemes are set out in note 28 to the financial statements.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

Audit Committee

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "Code"). The primary duty of the Audit Committee is to review and supervise the financial reporting process and internal control systems of the Group. The audit committee is comprised of three independent non-executive directors. The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2014.

Corporate Governance

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the year covered by this annual report, in compliance with the Code on Corporate Governance Practices saved as disclosed in the corporate governance report contained in this annual report.

Confirmations of Independence

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

Auditors

The consolidated financial statements of the Group have been audited by KPMG, who shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming AGM.

By order of the Board

Dai Yongge

Chairman

Hong Kong, 26 March 2015

Corporate Governance Report

Introduction

The Company recognizes the importance of corporate transparency and accountability. The Company is committed in achieving a high standard of corporate governance and leading the Group to attain better results and improve our image with effective corporate governance procedures.

Since listing, the Company had adopted the code provisions as set out in the Code, save and except for the following:

Code Provision A.2.1

Mr. Dai Yongge is the Chairman and was the Chief Executive Officer of the Company. With extensive experience in the management of underground shopping centres, Mr. Dai is responsible for the Group's overall strategic planning and the management of the Group's business. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high calibre individuals. However, in the spirit of corporate governance, the roles of chairman and chief executive officer of the Company have been segregated in compliance with the code provision A.2.1 of the CG Code since 30 June 2014. Mr. Dai Yongge has resigned from his position as Chief Executive Officer with effect from 30 June 2014, but remains as the Chairman of the Company, and an executive director, Mr. Wang Hongfang has been appointed as the Chief Executive Officer with effect from 30 June 2014.

Code Provision A.2.7

The Chairman of the Company did not hold any formal meeting with the independent non-executive directors and other non-executive directors due to the busy schedule of the Chairman and the non-executive directors. The Chairman may communicate with the independent non-executive directors and other non-executive directors on a one-to-one or group basis to understand their concerns and to discuss pertinent issues.

Code Provision A.6.7 and E.1.2

The Chairman of the Company and certain independent non-executive directors and other non-executive directors did not attend the AGM held on 26 June 2014 due to other business commitments or being overseas. In absence of the Chairman, Mr. Wang Hongfang, an executive director of the Company, acted as the Chairman of the AGM. The Board will finalize and inform the date of the AGM as earliest as possible to make sure that the Chairman and other non-executive directors (including independent non-executive directors) would attend the AGM of the Company in the future.

Save as disclosed above, there has been no deviation from the code provisions in the Code by the Company for the year ended 31 December 2014.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as the guidelines for the directors' dealings in the securities of the Company. Upon specific enquiries of all the directors, each of them confirmed that they have complied with the required standards set out in the Model Code for the year ended 31 December 2014 (the "Relevant Period") in relation to their securities dealings, if any.

Directors' Training

All directors have been given relevant guideline materials regarding the duties and responsibilities of being as a director, the relevant laws and regulations applicable to the directors, duty of disclosure of interests and business of the Group. Such induction materials will also be provided to newly appointed directors shortly upon their appointment as directors.

During the year, the Company continuously updated the directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. All directors were encouraged to participate in continuous professional development by attending seminars/in-house briefing/reading materials on different topics to develop and refresh their knowledge and skills.

The Board

The Board is responsible for the leadership and control of the Company and overseeing the Group's business, strategic decisions and performances. The management is delegated with the authority and responsibility by the Board for the management of the Group. In addition, the Board has also established various Board committees on 25 August 2008 and has delegated various responsibilities to the Board committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") (together, the "Board Committees"). All the Board Committees perform their distinct roles in accordance with their respective terms of reference. Further details of these committees are set out hereunder.

Most of the non-executive directors and independent non-executive directors are appointed for a term of one year, which are subject to retirement in accordance with the articles of association of the Company (the "Articles"). According to the Articles, at each AGM, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at an AGM at least once every three years.

The Company has received from each of the independent non-executive directors a confirmation of his independence in accordance with Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

The Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Corporate Governance Report

During the year under review, the Board held six meetings and attendance of each director at the meetings and AGM is set out below:

Name of Director	No. of Board meetings held during the Director's term of office in the relevant period	No. of Board meetings attended	Attendance rate	AGM
Executive Directors				
Dai Yongge	6	5	83%	0/1
Zhang Dabin (re-designated as non-executive director on 30 June 2014)	2	0	0%	0/1
Wang Hongfang	6	6	100%	1/1
Wang Chunrong (re-designated as non-executive director on 30 June 2014)	2	1	50%	0/1
Wang Luding (resigned on 30 June 2014)	2	1	50%	0/1
Zhou Jun	6	3	50%	0/1
Jin Tao (resigned on 30 June 2014)	2	2	100%	0/1
Dai Bin (appointed on 30 June 2014)	4	2	50%	N/A
Non-executive Directors				
Hawken Xiu Li	6	0	0%	0/1
Jiang Mei	6	1	17%	0/1
Zhang Xingmei	6	0	0%	0/1
Zhang Dabin (re-designated on 30 June 2014)	4	0	0%	N/A
Wang Chunrong (re-designated on 30 June 2014)	4	0	0%	N/A
Independent Non-executive Directors				
Fan Ren-Da, Anthony	6	3	50%	1/1
Wang Shengli	6	3	50%	0/1
Wang Yifu	6	6	100%	0/1
Leung Chung Ki	6	6	100%	0/1
Tang Hon Man	6	3	50%	0/1

Nomination Committee

The Company established a Nomination Committee on 25 August 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee include, without limitation, reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive directors and providing recommendations to the Board on matters relating to the appointment of directors. The Nomination Committee of the Company consists of Mr. Dai Yongge, an executive director, Mr. Wang Shengli and Mr. Wang Yifu, of whom Mr. Wang Shengli and Mr. Wang Yifu are independent non-executive directors and is chaired by Mr. Wang Shengli.

Below is the summary of the Board Diversity Policy:

The Company believes that having a diverse Board can enhance the quality of its performance. In this regard, the Company has developed a diversity policy for the Board, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender. In addition, the Nomination Committee will hold discussions towards achieving the goal of Board diversification and provide recommendations to the Board for adoption.

During the year under review, the Nomination Committee held two meetings and the attendance is listed below:

Name of Nomination Committee Member	No. of meetings held during the year	No. of meetings attended	Attendance rate
Wang Shengli (Chairman)	2	2	100%
Dai Yongge	2	1	50%
Wang Yifu	2	2	100%

Remuneration Committee

The Company established a Remuneration Committee on 25 August 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee include providing recommendations to the Board on the Company's structure and policy for remuneration of directors and senior management, determining the remuneration packages of individual executive directors and senior management, reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of options under the Share Option Scheme. The Remuneration Committee of the Company consists of Mr. Dai Yongge, an executive director, Mr. Wang Shengli and Mr. Wang Yifu, of whom Mr. Wang Shengli and Mr. Wang Yifu are independent non-executive directors and is chaired by Mr. Wang Shengli.

Corporate Governance Report

During the year under review, the Remuneration Committee held 1 meeting and the attendance is listed below:

Name of Remuneration Committee Member	No. of meetings held during the year	No. of meetings attended	Attendance rate
Wang Shengli (Chairman)	1	1	100%
Dai Yongge	1	1	100%
Wang Yifu	1	1	100%

Audit Committee

The Company established an Audit Committee pursuant to a resolution of the directors passed on 25 August 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duty of the Audit Committee is to review and supervise the financial reporting process and internal control systems of the Group. The Audit Committee of the Company consists of Mr. Fan Ren-Da, Anthony, Mr. Wang Shengli and Mr. Wang Yifu (being independent non-executive directors) and is chaired by Mr. Fan Ren-Da, Anthony. In compliance with Rule 3.21 of the Listing Rules, the chairman of the Audit Committee has possessed the appropriate professional and accounting qualifications.

During the year under review, there were two meetings held by the Audit Committee and the attendances are listed below:

Name of Audit Committee Member	No. of meetings held during the year	No. of meetings attended	Attendance rate
Fan Ren-Da, Anthony (Chairman)	2	2	100%
Wang Shengli	2	2	100%
Wang Yifu	2	2	100%

Auditors' Remuneration

During the year under review, the remunerations paid or payable to KPMG in respect of its audit services and non-audit services are RMB10,506,000 and RMB750,000 respectively.

Accountability and Audit

The directors acknowledge their responsibilities for preparing all information and representations contained in the financial statements of the Company for the year under review. The directors consider that the financial statements have been prepared in conformity with all appropriate accounting standards and requirements and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and the management with an appropriate enquiries, were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going concern basis.

Internal Control

The Company leveraged on the expertise offered by external professionals to develop its risk management system and conduct testing accordingly. Meanwhile, the Company has implemented the following measures to enhance its risk management process:

- **Control Environment**

The Company has established an audit committee and improved the organizational structure of the Company. The Company has already stipulated the internal staff manual of conduct to clarify the ethical value of the Company's staff, policy of conflict of interests and the communication channel of the management.

- **Risk Management**

The Company's management has many years of experience in operation and has stipulated specific strategic goals and operating goals for the Company.

- **Control Activities**

The Company has already started to stipulate written policies and procedures based on the Company's various businesses and financial activities, in order to define related control activities.

- **Information and Communication**

The Company's management understands the importance of information and communication, and has adopted measures including but not limited to reviewing the monthly consolidated financial statements, convening management meetings regularly and setting up email boxes as the communication channel between the staff and senior management, so as to strengthen the information and communication of the Company.

Corporate Governance Report

Investor Relations, Communications with Shareholders and Shareholders' Rights

Objective

The management of the Company believes that effective and proper investor relations play a vital role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence. As such, the Company is committed to establish strategic communication channels to ensure the access of reliable corporate information by the shareholders, financial communities as well as the public.

Communications with Shareholders

The directors consider communication with the Shareholders are mainly in the following ways: (i) the holding of AGM and Extraordinary General Meeting ("EGM") which may be convened for specific purpose and can provide opportunities for the Shareholders to communicate directly to the Board; (ii) the publication of announcements, annual reports, interim reports and/or circulars as required under the Listing Rules and (iii) the upkeeping of the latest information of the Company's website at <http://www.renhebusiness.com>. Shareholders and investors are welcome to visit our website.

Shareholders' Rights

(i) Procedures by which Shareholders can Convene an EGM and Procedures for Putting Forward Proposals at the Meetings

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an EGM to be called by the Board for transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(ii) Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the Company's Registrar. Shareholders may also make enquiries in writing to the principal place of business of the Company in Hong Kong.

Information Disclosure

Currently, the Company discloses information in compliance with the securities regulations of the Stock Exchange, and publishes periodic reports and announcements to the public in accordance with relevant laws and regulations. Our primary focus is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling shareholders, investors as well as the public, to make rational decisions that should result in the Company's securities trading at fair value over the long term.

Important Events

The Company's shares listed on the Hong Kong Stock Exchange were admitted to the following index and list:

- (1) Hang Seng Composite Index Series
 - Hang Seng Composite Size Index – MidCap Index

- (2) List of SEHK Securities which are eligible for the Shanghai-Hong Kong Stock Connect (Southbound Trading)

Independent Auditor's Report

Independent auditor's report to the shareholders of Renhe Commercial Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Renhe Commercial Holdings Company Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 46 to 131, which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
26 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Revenue	4	555,357	547,410
Cost of sales	5	(11,825)	(26,144)
Gross profit		543,532	521,266
Net valuation loss on investment properties	16	(1,364,462)	(832,256)
Profit on disposal of investment properties	6	7,736	65,699
Other income	7	104,659	98,987
Administrative expenses		(409,490)	(1,003,951)
Other operating expenses		(339,600)	(345,285)
Loss from operations		(1,457,625)	(1,495,540)
Finance income		123,174	72,821
Finance expenses		(541,490)	(476,937)
Net finance expenses	8(b)	(418,316)	(404,116)
Loss before income tax	8	(1,875,941)	(1,899,656)
Income tax	9	161,398	151,286
Loss for the year		(1,714,543)	(1,748,370)
Attributable to:			
Equity shareholders of the Company		(1,666,513)	(1,699,604)
Non-controlling interests		(48,030)	(48,766)
Loss for the year		(1,714,543)	(1,748,370)
			(Restated)
Basic and diluted loss per share (RMB cents)	14	(7.53)	(7.67)

The notes on pages 55 to 131 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014
(Expressed in Renminbi)

	<i>Note</i>	2014 RMB'000	2013 RMB'000
Loss for the year		(1,714,543)	(1,748,370)
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations	13	(24,068)	132,766
Total comprehensive income for the year		(1,738,611)	(1,615,604)
Attributable to:			
Equity shareholders of the Company		(1,690,581)	(1,566,838)
Non-controlling interests		(48,030)	(48,766)
Total comprehensive income for the year		(1,738,611)	(1,615,604)

The notes on pages 55 to 131 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2014
(Expressed in Renminbi)

	<i>Note</i>	31 December 2014 RMB'000	31 December 2013 RMB'000
Non-current assets			
Property and equipment	15	474,215	512,654
Investment properties	16	26,198,046	25,748,633
Intangible asset		11,123	11,086
Goodwill	17	363,792	363,792
Other assets	21	1,249,634	1,590,822
Deferred tax assets	25(b)	135,262	202,815
Trade receivables and other assets	20	520,528	1,171,880
Total non-current assets		28,952,600	29,601,682
Current assets			
Inventories	19	4,579,443	4,183,535
Trade receivables and other assets	20	2,892,110	893,658
Cash at bank and on hand	22	884,493	1,284,100
Total current assets		8,356,046	6,361,293
Current liabilities			
Interest-bearing borrowings	24(ii)	3,185,101	521,800
Trade and other payables	23	5,534,252	3,071,872
Taxation	25(a)	18,538	21,442
Total current liabilities		8,737,891	3,615,114
Net current (liabilities)/assets		(381,845)	2,746,179
Total assets less current liabilities		28,570,755	32,347,861

The notes on pages 55 to 131 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2014
(Expressed in Renminbi)

	<i>Note</i>	31 December 2014 RMB'000	31 December 2013 RMB'000
Non-current liabilities			
Interest-bearing borrowings	24(i)	5,403,091	7,276,718
Deferred tax liabilities	25(b)	4,059,703	4,333,036
Receipt in advance	26	539,617	431,152
Total non-current liabilities		10,002,411	12,040,906
Net assets			
		18,568,344	20,306,955
Capital and reserves			
Share capital	27(c)	186,376	186,376
Reserves	27(d)	18,242,088	19,932,669
Total equity attributable to equity shareholders of the Company		18,428,464	20,119,045
Non-controlling interests		139,880	187,910
Total equity		18,568,344	20,306,955

Approved and authorised for issue by the board of directors on 26 March 2015.

Dai Yongge
Chairman

Wang Hongfang
Director

The notes on pages 55 to 131 form part of these financial statements.

Statement of Financial Position

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current asset			
Interests in subsidiaries	18	8,677,437	8,682,625
Total non-current asset		8,677,437	8,682,625
Current assets			
Trade receivables and other assets	20	2,452,139	718,182
Cash at bank and on hand	22	322	14,113
Total current assets		2,452,461	732,295
Current liabilities			
Interest-bearing borrowings	24(i)(a)	1,830,201	–
Trade and other payables	23	2,636,444	186,581
Total current liabilities		4,466,645	186,581
Net current (liabilities)/assets		(2,014,184)	545,714
Total assets less current liabilities		6,663,253	9,228,339
Non-current liability			
Interest-bearing borrowings	24(i)	3,642,591	5,421,318
Net assets		3,020,662	3,807,021
Capital and reserves			
Share capital	27(c)	186,376	186,376
Reserves	27(d)	2,834,286	3,620,645
Total equity		3,020,662	3,807,021

Approved and authorised for issue by the board of directors on 26 March 2015.

Dai Yongge
Chairman

Wang Hongfang
Director

The notes on pages 55 to 131 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014
(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company											
	Capital							Non-controlling interests				Total equity
	Share capital	Share premium	Capital redemption reserve	Capital surplus	Reserve fund	Exchange reserve	Merger reserves	Retained earnings	Total	controlling interests		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	27(c)	27(d)(i)	27(d)(ii)	27(d)(iii)	27(d)(iv)	27(d)(v)	27(d)(vi)					
Balance at 1 January 2013	186,376	6,179,085	7,508	129,488	625,847	(119,357)	128,704	14,548,232	21,685,883	236,676	21,922,559	
Changes in equity for 2013:												
Loss for the year	-	-	-	-	-	-	-	(1,699,604)	(1,699,604)	(48,766)	(1,748,370)	
Other comprehensive income	-	-	-	-	-	132,766	-	-	132,766	-	132,766	
Total comprehensive income	-	-	-	-	-	132,766	-	(1,699,604)	(1,566,838)	(48,766)	(1,615,604)	
Transfer to reserve fund	27(d)(iv)	-	-	-	3,989	-	-	(3,989)	-	-	-	
Balance at 31 December 2013	186,376	6,179,085	7,508	129,488	629,836	13,409	128,704	12,844,639	20,119,045	187,910	20,306,955	

The notes on pages 55 to 131 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company											
	Capital							Non-				Total equity
	Share capital	Share premium	Capital redemption reserve	Capital surplus	Reserve fund	Exchange reserve	Merger reserves	Retained earnings	Total	controlling interests		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
27(c)	27(d)(i)	27(d)(ii)	27(d)(iii)	27(d)(iv)	27(d)(v)	27(d)(vi)						
Balance at 1 January 2014	186,376	6,179,085	7,508	129,488	629,836	13,409	128,704	12,844,639	20,119,045	187,910	20,306,955	
Changes in equity for 2014:												
Loss for the year	-	-	-	-	-	-	-	(1,666,513)	(1,666,513)	(48,030)	(1,714,543)	
Other comprehensive income	-	-	-	-	-	(24,068)	-	-	(24,068)	-	(24,068)	
Total comprehensive income	-	-	-	-	-	(24,068)	-	(1,666,513)	(1,690,581)	(48,030)	(1,738,611)	
Transfer to reserve fund	27(d)(iv)	-	-	-	5,607	-	-	(5,607)	-	-	-	
Balance at 31 December 2014	186,376	6,179,085	7,508	129,488	635,443	(10,659)	128,704	11,172,519	18,428,464	139,880	18,568,344	

The notes on pages 55 to 131 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Loss for the year		(1,714,543)	(1,748,370)
Adjustments for:			
Depreciation	8(c)	41,930	45,653
Net finance expenses		407,284	403,560
(Gain)/loss on disposal of property and equipment	7	(2,648)	211
Profit on disposal of investment properties	6	(7,736)	(65,699)
Net gain on liquidation of a subsidiary		(1,374)	–
Change in fair value of investment properties	16	1,364,462	832,256
Impairment loss on receivables	8(c)	15,747	540,186
Income tax	9	(161,398)	(151,286)
Operating loss before changes in working capital		(58,276)	(143,489)
Decrease in bank deposits		56,309	4,517
Decrease in trade receivables and other assets		156,184	398,753
Increase in trade and other payables		18,053	36,670
Increase in inventories		(254,517)	(659,567)
Cash used in operating activities		(82,247)	(363,116)
Income tax paid	25(a)	(47,286)	(64,135)
Net cash used in operating activities		(129,533)	(427,251)
Investing activities			
Proceeds from disposal of subsidiaries, net of cash disposed of		260,190	778,525
Net proceeds from disposal of investment properties		124,240	289,436
Net proceeds from disposal of fixed assets		4,063	615
Interest received		13,949	13,701
Purchase of property and equipment		(3,895)	(5,599)
Additions to investment properties		(509,744)	(389,455)
Repayment of deposits for acquisition of projects		–	310,000
Decrease/(increase) in time deposits		228,448	(37,145)
Net cash generated from investing activities		117,251	960,078

The notes on pages 55 to 131 form part of these financial statements

Consolidated Cash Flow Statement

For the year ended 31 December 2014
(Expressed in Renminbi)

	<i>Note</i>	2014 RMB'000	2013 RMB'000
Financing activities			
Payment for acquisition of non-controlling interests		–	(15,858)
Proceeds from new borrowings		1,200,000	1,135,200
Repayment of borrowings		(461,800)	(779,800)
Advances from a related party	<i>34(b)</i>	48,521	1,070
Repayment to a related party	<i>34(b)</i>	(29,973)	–
Interest paid		(916,106)	(853,272)
Net cash used in financing activities		(159,358)	(512,660)
Net (decrease)/increase in cash and cash equivalents		(171,640)	20,167
Cash and cash equivalents at 1 January		1,004,100	990,534
Effect of foreign exchange rate changes		481	(6,601)
Cash and cash equivalents at 31 December	<i>22</i>	832,941	1,004,100

The notes on pages 55 to 131 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi)

1 General information

Renhe Commercial Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 20 November 2007 and registered as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in development, lease and management of shopping malls in the People’s Republic of China (the “PRC”).

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations promulgated by the International Accounting Standards Board (IASB). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries. The measurement basis used in the preparation of the financial statements is the historical cost basis except for the investment properties which are stated at their fair value (Note 2(g)).

Notes to the Financial Statements

(Expressed in Renminbi)

2 Significant accounting policies *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

The consolidated financial statement have been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 31 December 2014 amounting to RMB381,845,000. The directors are of the opinion that, based on a review of the forecasted cash flows (including unused bank facilities amounting to RMB3,443,309,000), the Group will have sufficient liquid funds to finance its operation and capital expenditure (see Note 33(b)). In January 2015, the Group has obtained additional funds by the rights issue, as disclosed in Note 24 and Note 27.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 37.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the subsidiaries carrying on the principal activities of the Group. The Company and its overseas subsidiaries' functional currency is Hong Kong dollar ("HKD"). Since the Group's operations are conducted in the PRC, the Group has adopted RMB as its presentation currency.



2 Significant accounting policies *(Continued)*

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (Note 2(k)).

Notes to the Financial Statements

(Expressed in Renminbi)

2 Significant accounting policies (Continued)

(e) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(k)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(g) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 2(t)(i).



2 Significant accounting policies *(Continued)*

(g) Investment property *(Continued)*

Transfers to, or from, investment properties are made when, and only when, there is a change in use. For a transfer from investment property carried at fair value to inventories, the property's deemed cost shall be its fair value at the date of change in use. For a transfer from inventories to investment property that will be at fair value, any difference between the fair value of the property at that date and its previous carrying amount should be recognised in profit or loss.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see Note 2(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in Note 2(j).

(h) Property and equipment

(i) **Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (Note 2(k)(ii)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other income" in profit or loss.

Notes to the Financial Statements

(Expressed in Renminbi)

2 Significant accounting policies (Continued)

(h) Property and equipment (Continued)

(ii) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

The estimated useful lives for current and comparative years are as follows:

- Office equipment 5 years
- Vehicles 5-20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(k)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.



2 Significant accounting policies *(Continued)*

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see Note 2(g)); and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(k). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Notes to the Financial Statements

(Expressed in Renminbi)

2 Significant accounting policies (Continued)

(j) Leased assets (Continued)

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see Note 2(g)) or is held for development for sale (see Note 2(l)(i)).

(k) Impairment

(i) Impairment of other receivables

Other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.



2 Significant accounting policies *(Continued)*

(k) Impairment *(Continued)*

(i) **Impairment of other receivables** *(Continued)*

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Notes to the Financial Statements

(Expressed in Renminbi)

2 Significant accounting policies *(Continued)*

(k) Impairment *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property and equipment;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).



2 Significant accounting policies *(Continued)*

(k) Impairment *(Continued)*

(ii) Impairment of other assets *(Continued)*

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

Notes to the Financial Statements

(Expressed in Renminbi)

2 Significant accounting policies *(Continued)*

(l) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

(i) *Property development*

Inventories in respect of property development activities represent units of shopping mall under development and completed units of which operation rights will be transferred subsequently. The cost of inventories comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (Note 2(v)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in transferring the operation right of units.

(ii) *Trading goods*

Cost is calculated using the specific identification of their individual costs and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any written-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment for doubtful debts (Note 2(k)(i)).



2 Significant accounting policies *(Continued)*

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 2(s)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(q) Employee benefits

(i) **Short term employee benefits and contributions to defined contribution retirement plans**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Notes to the Financial Statements

(Expressed in Renminbi)

2 Significant accounting policies *(Continued)*

(q) Employee benefits *(Continued)*

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.



2 Significant accounting policies *(Continued)*

(r) Income tax *(Continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Notes to the Financial Statements

(Expressed in Renminbi)

2 Significant accounting policies (Continued)

(r) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.



2 Significant accounting policies *(Continued)*

(s) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(i) **Financial guarantees issued** *(Continued)*

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset, where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 2(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) **Contingent liabilities assumed in business combinations**

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with Note 2(s)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 2(s)(iii).

Notes to the Financial Statements

(Expressed in Renminbi)

2 Significant accounting policies *(Continued)*

(s) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Lease income from operating lease

Lease income from operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised in profit or loss as an integral part of the total lease income, over the term of the lease. Contingent rentals are recognised as income in the accounting period in which they are earned.



2 Significant accounting policies *(Continued)*

(t) Revenue recognition *(Continued)*

(ii) Revenue from transfer of operation rights

Revenue from transfer of operation rights in the ordinary course of business is recognised when all of the following criteria are satisfied:

- the significant risks and rewards of the operation rights have been transferred to the customers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from transfer of operation rights excludes sales tax and is after deduction of any trade discounts.

(iii) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or sales taxes and is after deduction of any trade discounts.

(iv) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Notes to the Financial Statements

(Expressed in Renminbi)

2 Significant accounting policies *(Continued)*

(t) Revenue recognition *(Continued)*

(v) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vii) Government grants

Government grants are recognised in the statement of financial position when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of each reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.



2 Significant accounting policies *(Continued)*

(u) Translation of foreign currencies *(Continued)*

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

Notes to the Financial Statements

(Expressed in Renminbi)

2 Significant accounting policies *(Continued)*

(w) Related parties *(Continued)*

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Dividends

Dividends are recognised as a liability in the period in which they are declared.



2 Significant accounting policies *(Continued)*

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group manages its business in a single segment, namely the shopping mall operating business. The Group's most senior executive management assesses performance and allocates resources on a group basis. Accordingly, no operating segment information is presented.

As the Group's operations are all located in the PRC, no geographic segment reporting is presented.

3 Changes in accounting policies

The IASB has issued a number of amendments to IFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*

Notes to the Financial Statements

(Expressed in Renminbi)

3 Changes in accounting policies *(Continued)*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are disclosed below:

Amendments to IAS 32, Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The adoption of the amendments does not have an impact on the Group's financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IAS 32 during the periods presented.

Amendments to IAS 36, Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The Group early adopted the amendments in the annual financial statements for the year ended 31 December 2013.

4 Revenue

	2014	2013
	RMB'000	RMB'000
Operating lease	533,708	454,692
Transfer of operation rights	21,649	92,718
	555,357	547,410

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue during the year (2013: Nil).

5 Cost of sales

Cost of sales is composed of costs of properties relating to the operation rights transferred out during the year and costs of trading goods sold.

6 Profit on disposal of investment properties

The Group disposed certain shopping mall units which were previously held as investment properties during the year. The disposals were achieved by transferring the operation rights or ownership of these shopping mall units to buyers.

7 Other income

	2014 RMB'000	2013 RMB'000
Revenue from property management and relevant service	100,637	99,198
Gain/(loss) on disposal of property and equipment	2,648	(211)
Others	1,374	–
	104,659	98,987

8 Loss before income tax

(a) Personnel expenses

	2014 RMB'000	2013 RMB'000
Wages, salaries and other benefits	187,935	217,743
Contributions to defined contribution retirement plans (Note 28)	15,176	17,002
	203,111	234,745

Notes to the Financial Statements

(Expressed in Renminbi)

8 Loss before income tax (Continued)

(b) Net finance expenses

	2014 RMB'000	2013 RMB'000
Finance income		
– Interest income on bank deposits	13,949	13,701
– Net foreign exchange gain	3,659	–
– Interest income on trade receivables	105,566	59,120
	123,174	72,821
Finance expenses		
– Interest on interest-bearing borrowings	(949,634)	(879,959)
Less: interest expenses capitalised into investment properties and inventories*	477,674	459,240
	(471,960)	(420,719)
– Discount effect of trade receivables (i)	(58,498)	(34,855)
– Net foreign exchange loss	–	(20,807)
– Bank charges and others	(11,032)	(556)
	(541,490)	(476,937)
	(418,316)	(404,116)

* The borrowing costs have been capitalised at rates ranging from 7.38% to 13.72% per annum (2013: 7.68% to 13.72% per annum).

(i) Based on the cash payment schedule and the expected date to receive the buyers' bank loans, the impact of discount on the trade receivables during the year amounted to RMB58,498,000 (2013: RMB34,855,000).

8 Loss before income tax (Continued)

(c) Other items

	Note	2014 RMB'000	2013 RMB'000
Depreciation		41,930	45,653
Advertisement expenses		18,432	38,324
Repairs and maintenance		95,039	101,054
Utility charges		53,261	53,695
Operating lease charges		24,042	26,246
Auditors' remuneration			
– audit services		11,774	11,126
– tax services		314	115
Rentals receivable from investment properties less direct outgoings of RMB33,074,000 (2013: RMB39,413,000)		(500,634)	(415,279)
Impairment loss on receivables	20(iii)/(v)	15,747	540,186

9 Income tax

(a) Income tax in the consolidated statement of profit or loss represents:

	2014 RMB'000	2013 RMB'000
Current tax – Provision for the year (Note 25(a))		
PRC Enterprise Income Tax	43,385	51,257
Land Appreciation Tax	997	3,800
	44,382	55,057
Deferred tax		
– Reversal and origination of temporary difference (Note 25(b))	(205,780)	(206,343)
	(161,398)	(151,286)

Notes to the Financial Statements

(Expressed in Renminbi)

9 Income tax (Continued)

(a) Income tax in the consolidated statement of profit or loss represents: (Continued)

- (i) According to the Corporate Income Tax Law of the PRC, from 1 January 2008, the statutory income tax rate applicable to the Group's subsidiaries in the PRC is 25%.
- (ii) According to the Implementation Rules of the Corporate Income Tax Law, the overseas investor to foreign investment enterprises ("FIEs") shall be liable for withholding tax at 10% on the dividend derived from the profits of the year 2008 and thereafter of the FIEs in the PRC. In addition, tax treaties between the PRC and other countries could override the withholding tax rate on dividend if a tax treaty provides a more favourable withholding tax rate. Under the Sino-Hong Kong Double Tax Arrangement, a Hong Kong company will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong Company holds 25% of equity interests or more of the Chinese company directly. As the holding companies of such FIEs in the Group are Hong Kong companies (the "Group's Hong Kong Holding Companies"), the Group calculated relevant withholding tax based on the withholding tax rate of 5%.

Along with the implementation of Circular of the State Administration of Taxation on How to Understand and Determine "Beneficial Owners" under Tax Conventions (Guo Shui Han [2009] No. 601), the Group's Hong Kong Holding Companies need to get approval from tax authorities for the determination of "beneficial owners" for the purpose of enjoying withholding tax rate of 5%. As at 31 December 2014, the Group obtained all the approvals for the PRC companies which declared dividends.

- (iii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (iv) No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the year.
- (v) In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is levied at the properties developed with legal title by the Group for sale in the PRC. Land Appreciation Tax is charged on the appreciated amount at progressive rates ranged from 30% to 60%.

9 Income tax (Continued)

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

	2014	2013
	RMB'000	RMB'000
Loss before income tax	(1,875,941)	(1,899,656)
Income tax calculated at the PRC statutory income tax rate	(468,985)	(474,914)
Tax effect of unused tax losses	163,247	–
Effect of non-taxable expenses	141,897	318,853
Provision for Land Appreciation Tax for the year	997	3,800
Others	1,446	975
	(161,398)	(151,286)

Notes to the Financial Statements

(Expressed in Renminbi)

10 Directors' remuneration

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2014					
<i>Chairperson</i>					
Dai Yongge	-	20,157	23,666	23	43,846
<i>Executive directors</i>					
Wang Hongfang	-	12,464	-	-	12,464
Wang Luding (resigned in June 2014)	-	820	-	12	832
Zhang Dabin (re-designated to non-executive director in June 2014)	-	890	-	13	903
Wang Chunrong (re-designated to non-executive director in June 2014)	-	1,331	-	16	1,347
Zhou Jun	-	4,064	-	-	4,064
Jin Tao (resigned in June 2014)	-	860	-	-	860
Dai Bin (appointed in June 2014)	-	476	-	-	476
<i>Non-executive directors</i>					
Hawken Xiu Li	-	568	-	-	568
Jiang Mei	-	947	-	-	947
Zhang Xingmei	-	947	-	-	947
Zhang Dabin (re-designated as a non-executive director in June 2014)	-	499	-	2	501
Wang Chunrong (re-designated as a non-executive director in June 2014)	-	524	-	6	530
<i>Independent non-executive directors</i>					
Fan Ren-Da, Anthony	-	331	-	-	331
Wang Yifu	-	284	-	-	284
Wang Shengli	-	284	-	-	284
Leung Chung Ki	-	284	-	-	284
Tang Hon Man	-	284	-	-	284
	-	46,014	23,666	72	69,752

10 Directors' remuneration (Continued)

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2013					
<i>Chairperson</i>					
Dai Yongge	–	26,381	5,504	22	31,907
<i>Executive directors</i>					
Wang Hongfang	–	5,032	–	–	5,032
Wang Luding	–	2,073	–	22	2,095
Wang Chunrong	–	3,566	–	22	3,588
Zhang Dabin	–	2,388	–	24	2,412
Zhou Jun	–	2,025	–	–	2,025
Jin Tao	–	685	–	–	685
<i>Non-executive directors</i>					
Hawken Xiu Li	–	189	–	–	189
Jiang Mei	–	943	–	–	943
Zhang Xingmei	–	943	–	–	943
<i>Independent non-executive directors</i>					
Fan Ren-Da, Anthony	–	283	–	–	283
Wang Yifu	–	283	–	–	283
Wang Shengli	–	283	–	–	283
Leung Chung Ki	–	283	–	–	283
Tang Hon Man	–	283	–	–	283
	–	45,640	5,504	90	51,234

Notes to the Financial Statements

(Expressed in Renminbi)

11 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2013: five) are directors whose emoluments are disclosed in Note 10. The aggregate of the emoluments in respect of the other two (2013: Nil) individual are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	4,565	–
Retirement scheme contributions	36	–
	4,601	–

The emoluments of the two (2013: Nil) individual with the highest emoluments are within the following bands:

	2014 Number of individuals	2013 Number of individuals
HKD2,500,001 – HKD3,000,000	2	–

12 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB779,878,000 (2013: RMB774,942,000) which has been dealt with in the financial statements of the Company. As no dividend is paid or payable to equity shareholders of the Company, all the Company's loss for the years ended 31 December 2014 and 2013 represents consolidated loss attributable to equity shareholders dealt with in the Company's financial statements.



Notes to the Financial Statements
(Expressed in Renminbi)

13 Other comprehensive income

	2014 RMB'000	2013 RMB'000
Exchange differences on translation of financial statements of foreign operations – before tax amount and net of tax amount	(24,068)	132,766

14 Loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB1,666,513,000 (2013: loss of RMB1,699,604,000) and the weighted average of 22,145,685,000 ordinary shares (2013 (Restated): 22,145,685,000) during the year ended 31 December 2014, as adjusted to reflect issuance of shares under the rights issue, which are expected to be fully underwritten under the underwriting agreement. As described in note 27(c)(ii), the Company completed the rights issue in January 2015. In calculating loss per share, the weighted average number of shares outstanding during the years ended 31 December 2014 and 2013 were calculated as if the bonus elements without consideration included in the rights issue had been existed from the beginning of the comparative year.

During the years ended 31 December 2014 and 2013, diluted loss per share is calculated on the same basis as basic loss per share.

Notes to the Financial Statements

(Expressed in Renminbi)

15 Property and equipment

The Group

	Office equipment RMB'000	Vehicles RMB'000	Total RMB'000
Cost			
At 1 January 2013	53,175	620,393	673,568
Exchange reserve	(313)	(14,453)	(14,766)
Additions	4,574	1,025	5,599
Disposals	(205)	(2,531)	(2,736)
At 31 December 2013	57,231	604,434	661,665
At 1 January 2014	57,231	604,434	661,665
Exchange reserve	103	1,819	1,922
Additions	2,812	1,083	3,895
Disposals	(12,426)	(5,103)	(17,529)
At 31 December 2014	47,720	602,233	649,953
Accumulated depreciation			
At 1 January 2013	25,176	81,349	106,525
Exchange reserve	(170)	(1,750)	(1,920)
Charge for the year	10,714	35,602	46,316
Written back on disposals	(19)	(1,891)	(1,910)
At 31 December 2013	35,701	113,310	149,011
At 1 January 2014	35,701	113,310	149,011
Exchange reserve	81	230	311
Charge for the year	8,142	34,388	42,530
Written back on disposals	(12,321)	(3,793)	(16,114)
At 31 December 2014	31,603	144,135	175,738
Net book value			
At 31 December 2013	21,530	491,124	512,654
At 31 December 2014	16,117	458,098	474,215

16 Investment properties

The Group

	<i>Note</i>	Completed properties RMB'000	Properties under construction RMB'000	Total RMB'000
At fair value:				
At 1 January 2013		15,095,800	11,073,676	26,169,476
Transfer from properties under construction to completed properties		526,102	(526,102)	–
Additions		37,325	437,642	474,967
Disposals		(63,554)	–	(63,554)
Fair value adjustment		(159,673)	(672,583)	(832,256)
At 31 December 2013		15,436,000	10,312,633	25,748,633
At 1 January 2014		15,436,000	10,312,633	25,748,633
Additions	<i>(ii)</i>	1,238,957	607,175	1,846,132
Disposals		(32,257)	–	(32,257)
Fair value adjustment		(559,000)	(805,462)	(1,364,462)
At 31 December 2014		16,083,700	10,114,346	26,198,046

- (i) All of the investment properties owned by the Group are located in the PRC.
- (ii) To facilitate the Group's plan of repositioning certain shopping malls, the Group has acquired certain shop units from buyers. The additions of completed properties mainly represent these shop units acquired.
- (iii) As at 31 December 2014, investment properties with original cost of RMB2,198,275,000 (31 December 2013: RMB2,083,847,000) were pledged as security for the Group's interest-bearing borrowings (Note 24).

Notes to the Financial Statements

(Expressed in Renminbi)

16 Investment properties *(Continued)*

(iv) Fair value measurement of investment properties

(a) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1	valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
Level 2	valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
Level 3	valuations: Fair value measured using significant unobservable inputs

The Group's investment properties were measured using Level 3 valuations during the year 2014 and 2013. During the year ended 31 December 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All completed and under development investment properties of the Group were revalued at 31 December 2014. The valuations were carried out by an independent firm of surveyors, BMI Appraisals Limited ("BMI"), who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's property manager and the chief financial officer have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.



16 Investment properties *(Continued)*

(iv) Fair value measurement of investment properties *(Continued)*

(b) Information about Level 3 fair value measurements

The fair value of investment properties are determined using market comparison approach by reference to recent sales price of comparable properties on a price per square metre basis, adjusted for a premium or a discount specific to the quality of the Group's properties compared to the recent sales. Higher premium for higher quality properties will result in a higher fair value measurement.

The fair value of investment properties under construction are determined using residual method by estimating the fair value of such properties adopting above approach as if they were completed in accordance with the relevant development plan and then deducting from the estimated costs to complete the construction, financing costs, marketing and legal costs and an allowance for developer's risk and profit.

The premium/discount on quality of investment properties range from RMB41 per square metre to RMB21,481 per square metre. The discount on progress of investment properties under construction range from 34% to 78%.

Fair value adjustment of investment properties is recognized in the line item "net valuation loss on investment properties" on the face of consolidated statement of profit or loss.

All the loss recognized in profit or loss for the year arise from the properties held at the end of the reporting period.

17 Goodwill

Goodwill relates to the acquisition of Wuxi Merchant City Co., Ltd. which is identified to be a cash-generating unit ("CGU"). The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projection based on financial budgets approved by management covering a 10-year period. Cash flows beyond the 10-year period are extrapolated using an estimated weighted average growth rate of 4%. The cash flows are discounted using a discount rate of 7.7%. The discount rate used is pre-tax and reflect specific risks relating to the business.

Notes to the Financial Statements

(Expressed in Renminbi)

18 Interests in subsidiaries – the Company

	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost (i)	–	–
Amounts due from subsidiaries (ii)	8,677,437	8,682,625
	8,677,437	8,682,625

(i) Unlisted shares, at cost

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. All of which are private companies, particulars of which are set out below:

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Fine Genius Enterprises Limited	British Virgin Islands 25 October 2007	USD1	100%	–	Investment holding
Renhe Commercial Management Limited	Hong Kong 18 December 2007	HKD1	–	100%	Investment holding
Harbin Renhe Public Facilities Co., Ltd.	Harbin, the PRC 11 January 1992	RMB20,000,000	–	100%	Development, lease and management of underground shopping mall
Harbin Baorong Public Facilities Co., Ltd. ("Harbin Baorong")	Harbin, the PRC 24 October 2000	RMB60,000,000	–	100%	Development, lease and management of underground shopping mall
Harbin Renhe Century Public Facilities Co., Ltd. ("Harbin Renhe Century")	Harbin, the PRC 7 March 2003	RMB417,718,000	–	100%	Development, lease and management of underground shopping mall
Guangzhou Renhe New World Public Facilities Co., Ltd.	Guangzhou, the PRC 3 August 2005	RMB335,000,000	–	100%	Development, lease and management of underground shopping mall
Shenyang New World Renhe Public Facilities Management Co., Ltd.	Shenyang, the PRC 30 April 2008	USD49,800,000	–	100%	Development, lease and management of underground shopping mall

18 Interests in subsidiaries – the Company (Continued)

(i) Unlisted shares, at cost (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Wuhan Renhe New World Public Facilities Management Co., Ltd.	Wuhan, the PRC 19 May 2008	RMB500,000,000	–	100%	Development, lease and management of underground shopping mall
Harbin New World Renhe Public Facilities Co., Ltd.	Harbin, the PRC 18 July 2008	HKD450,000,000	–	100%	Development, lease and management of underground shopping mall
Liaoning Renhe New World Public Facilities Co., Ltd.	Shenyang, the PRC 31 July 2008	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Putian Renhe New World Public Facilities Co., Ltd.	Putian, the PRC 26 October 2009	RMB204,840,000	–	100%	Development, lease and management of underground shopping mall
Heilongjiang Renhe Spring Public Facilities Co., Ltd.	Harbin, the PRC 10 April 2009	HKD341,000,000	–	100%	Development, lease and management of underground shopping mall
Handan Renhe New World Public Facilities Co., Ltd.	Handan, the PRC 23 July 2009	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Shenyang Renhe First Tunnel Public Facilities Management Co., Ltd.	Shenyang, the PRC 26 September 2009	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Fushun Renhe First Tunnel Public Facilities Management Co., Ltd.	Fushun, the PRC 12 November 2009	USD30,000,000	–	100%	Development, lease and management of underground shopping mall
Chongqing Banan Renhe New World Public Facilities Co., Ltd.	Chongqing, the PRC 1 December 2009	USD30,000,000	–	100%	Development, lease and management of underground shopping mall
Chongqing Dadukou Renhe New World Public Facilities Co., Ltd.	Chongqing, the PRC 1 December 2009	USD30,000,000	–	100%	Development, lease and management of underground shopping mall

Notes to the Financial Statements

(Expressed in Renminbi)

18 Interests in subsidiaries – the Company *(Continued)*

(i) Unlisted shares, at cost *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Anyang Renhe New World Public Facilities Co., Ltd.	Anyang, the PRC 1 April 2010	USD15,000,000	–	100%	Development, lease and management of underground shopping mall
Ganzhou Renhe New World Public Facilities Co., Ltd.	Ganzhou, the PRC 20 February 2010	USD30,000,000	–	100%	Development, lease and management of underground shopping mall
Jinzhou Renhe First Tunnel Public Facilities Management Co., Ltd.	Jinzhou, the PRC 28 April 2010	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Dongguan Renhe New World Public Facilities Co., Ltd. (“Dongguan New World”)	Dongguan, the PRC 1 July 2010	HKD383,000,000	–	90%	Development, lease and management of underground shopping mall
Sanya Renhe New World Public Facilities Co., Ltd.	Sanya, the PRC 13 May 2010	USD25,000,000	–	100%	Development, lease and management of underground shopping mall
Anshan Renhe Public Facilities Co., Ltd.	Anshan, the PRC 25 May 2010	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Shenyang Fangcheng First Tunnel Public Facilities Co., Ltd.	Shenyang, the PRC 27 December 2010	USD30,000,000	–	100%	Development, lease and management of underground shopping mall
Shenyang Huangcheng First Tunnel Public Facilities Co., Ltd.	Shenyang, the PRC 27 December 2010	USD30,000,000	–	100%	Development, lease and management of underground shopping mall
Anshan Renhe Spring Public Facilities Co., Ltd.	Anshan, the PRC 1 December 2010	USD20,000,000	–	100%	Development, lease and management of underground shopping mall
Yueyang Renhe New World Public Facilities Co., Ltd.	Yueyang, the PRC 8 September 2010	RMB200,000,000	–	100%	Development, lease and management of underground shopping mall

18 Interests in subsidiaries – the Company *(Continued)*

(i) Unlisted shares, at cost *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Yantai Renhe New World Public Facilities Co., Ltd.	Yantai, the PRC 3 August 2010	USD15,000,000	-	100%	Development, lease and management of underground shopping mall
Qinhuangdao Renhe New World Public Facilities Co., Ltd.	Qinhuangdao, the PRC 15 October 2010	USD14,940,000	-	100%	Development, lease and management of underground shopping mall
Wuxi Merchant City Co., Ltd.	Wuxi, the PRC 27 January 2011	USD53,480,000	-	100%	Development, lease and management of shopping mall
Shenyang Shenghe Public Facilities Co., Ltd.	Shenyang, the PRC 1 March 2011	USD12,000,000	-	100%	Development, lease and management of underground shopping mall
Yingtian Renhe New World Public Facilities Co., Ltd.	Yingtian, the PRC 26 April 2011	USD17,500,000	-	100%	Development, lease and management of underground shopping mall
Guiyang Renhe New World Public Facilities Co., Ltd.	Guiyang, the PRC 4 July 2011	USD4,500,000	-	100%	Development, lease and management of underground shopping mall

As at 31 December 2014, no subsidiary of the Group had material non-controlling interests.

- (ii) Amounts due from subsidiaries mainly represent advances to the Group's subsidiaries registered in Cayman Islands and Hong Kong for investments in the PRC subsidiaries, which are unsecured, interest free and have no fixed repayment term.

Notes to the Financial Statements

(Expressed in Renminbi)

19 Inventories

	2014	2013
	RMB'000	RMB'000
Properties under construction	2,590,223	2,186,746
Completed properties	1,943,722	1,949,389
Trading goods	45,498	47,400
	4,579,443	4,183,535

The Group constructs shopping malls and transfers the operating rights of certain units of the shopping malls to buyers. Inventories balance of properties under construction and completed properties represents the cost of the units of the shopping malls of which the operation rights will be transferred to buyers subsequently.



Notes to the Financial Statements
(Expressed in Renminbi)

20 Trade receivables and other assets

	Note	The Group		The Company	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade receivables	(i)/(ii)	713,713	1,522,564	–	–
Amounts due from subsidiaries		–	–	–	717,222
Receivables from disposal of subsidiaries	(v)	–	260,190	–	–
Bank deposits	(vi)	2,483,177	4,944	2,451,202	–
Deposits for acquisition	(vii)	110,000	110,000	–	–
Others		127,865	174,210	937	960
		3,434,755	2,071,908	2,452,139	718,182
Less: allowance for doubtful debts	(iii)	(22,117)	(6,370)	–	–
		3,412,638	2,065,538	2,452,139	718,182
Representing:					
– Non-current		520,528	1,171,880	–	–
– Current		2,892,110	893,658	2,452,139	718,182
		3,412,638	2,065,538	2,452,139	718,182

Except as disclosed in Note 20(i) below, the balance of trade receivables and other assets are expected to be settled or recovered within one year.

Notes to the Financial Statements

(Expressed in Renminbi)

20 Trade receivables and other assets (Continued)

(i) Trade receivables arose from the transfer of operation rights

The Group normally requested a 30%-50% cash payment upon the purchase from buyers and the remaining balance would be mainly settled by loans obtained by buyers from commercial banks or by cash. As at 31 December 2014, the management estimated the receivables will be recovered:

	2014 RMB'000	2013 RMB'000
Within one year	176,142	350,684
Over one year	537,571	1,171,880
	713,713	1,522,564

(ii) Ageing analysis

Included in trade receivables and other assets are trade receivables with the following ageing analysis as of the end of the reporting period:

	2014 RMB'000	2013 RMB'000
Within 6 months	8,991	20,107
6 months to 1 year	8,195	4,209
More than 1 year	696,527	1,498,248
	713,713	1,522,564



Notes to the Financial Statements
(Expressed in Renminbi)

20 Trade receivables and other assets *(Continued)*

(iii) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (Note 2(k)(i)).

The movement in the allowance for doubtful debts is as follows:

	2014 RMB'000	2013 RMB'000
At 1 January	6,370	6,370
Impairment losses recognised	15,747	–
At 31 December	22,117	6,370

As at 31 December 2014, the Group's trade and other receivable of RMB22,117,000 (2013: RMB6,370,000) were individually determined to be impaired. The individually impaired receivables related to balances that management assessed not to be recovered based on available information. Consequently, specific allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

(iv) Trade receivables that are not impaired

All of the trade receivables are neither individually nor collectively considered to be impaired.

Receivables that were past due but not impaired relate to a number of independent buyers of operation rights who are in the process of getting bank loans to finance the payment or have agreed semi-annual instalment payment schedule with the Group. According to the terms in the operation rights transfer agreement, if the buyers fail to repay the receivables of the Group, the Group is entitled to lease the shop units to others to indemnify the loss of the Group. Based on the assessment of these buyers' credit quality and the indemnification the Group is entitled to, the directors of the Company are of the opinion that the trade receivables are collectible and no impairment is considered necessary.

For details of the Group's credit policy and analysis on credit risk, please refer to Note 33(a).

Notes to the Financial Statements

(Expressed in Renminbi)

20 Trade receivables and other assets (Continued)

(v) Receivables from disposal of subsidiaries

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Other receivables	-	260,190	-	-

In 2010, the Group disposed of 100% equity interest of five wholly-owned subsidiaries registered in the BVI at a total consideration of HKD4,666,838,000. Up to 31 December 2014, all the consideration has been settled. The receivables as at 31 December 2013 represent the receivables due from certain disposed subsidiaries, which have been received during this year. According to the amounts expected to be received from the buyers of the disposed subsidiaries, receivables of RMB540,186,000 were written off in 2013.

(vi) Bank deposits

Bank deposits represent deposits for guarantees for loans and proceeds from the rights issue:

	Note	The Group	
		2014 RMB'000	2013 RMB'000
Repayable within one year			
– guarantees for buyers' bank loans	(a)	24,975	4,944
– security for bank loan	(b)	7,000	-
– proceeds from the rights issue	(c)	2,451,202	-
		2,483,177	4,944
Repayable after more than one year (Note 21)			
– guarantees for buyers' bank loans	(a)	91,444	164,805
– security for bank loans	(b)	6,161	16,140
		97,605	180,945
		2,580,782	185,889



20 Trade receivables and other assets *(Continued)*

(vi) Bank deposits *(Continued)*

- (a) The Group's subsidiaries in PRC have entered into agreements with certain banks with respect to loans provided to buyers of the operation rights. The Group makes deposits as security for repayment of the loans under these agreements. The deposits will be released along with the repayment of loan principal by the buyers.
- (b) The amounts of the Group represent deposits made as security to obtain the bank loans from certain PRC banks (Note 24(i)(b)). The deposit will be released along with the Group's repayment of such related bank loans.
- (c) During the year, the Group proposed the right shares at a subscription price of HKD\$0.32 each on the basis of one right share for every two existing shares held on 9 December 2014 (the "Rights Issue"). As at 31 December 2014, subscription proceeds of RMB2,451,202,000 was received by the Group from shareholders for the Rights Issue. The proceeds were restricted to the use of subscription of the Rights Issue upon it became unconditional on 2 January 2015.

(vii) Deposits for acquisition

The balance represents deposit made as a security for acquisition of a new project in the PRC.

Notes to the Financial Statements

(Expressed in Renminbi)

21 Other assets

The Group

	2014 RMB'000	2013 RMB'000
Bank deposits (Note 20(vi))	97,605	180,945
Prepayments for construction (i)	917,864	1,175,712
Prepayment for acquisition of non-controlling interests (ii)	234,165	234,165
	1,249,634	1,590,822

- (i) Prepayments for construction mainly include prepayments for purchase of steel amounting to RMB5,027,000 (31 December 2013: RMB233,037,000) and prepayments for constructors amounting to RMB912,837,000 (31 December 2013: RMB942,675,000).
- (ii) Prepayment for acquisition of non-controlling interests represents prepayment for the acquisition of the entire issued share capital of Wise Track Group Limited which holds 10% equity interest in Dongguan New World, one of the Group's PRC subsidiaries. The Group has not completed the above acquisition as at 31 December 2014.

22 Cash at bank and on hand

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Cash on hand	9,043	16,020	19	19
Cash at bank	875,450	1,268,080	303	14,094
	884,493	1,284,100	322	14,113
Representing:				
– Cash and cash equivalents	832,941	1,004,100	322	14,113
– Time deposits with original maturity over three months	51,552	280,000	–	–
	884,493	1,284,100	322	14,113



Notes to the Financial Statements
(Expressed in Renminbi)

23 Trade and other payables

	Note	The Group		The Company	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Receipts in advance		374,002	512,203	–	–
Construction payables	(i)	1,707,394	1,602,729	–	–
Other taxes payable	(ii)	110,444	89,322	–	–
Deposits	(iii)	522,319	600,985	–	–
Amounts due to a related party	34(c)	20,554	2,006	–	–
Salary and welfare expenses payable		5,065	14,153	319	3,090
Professional service fee payables		16,106	14,151	8,961	7,868
Interest payable		175,962	175,623	175,962	175,623
Proceeds from the rights issue	20(vi)(c)	2,451,202	–	2,451,202	–
Others		151,204	60,700	–	–
		5,534,252	3,071,872	2,636,444	186,581

- (i) All the construction payables at the end of the reporting period are expected to be settled within one year or are payable on demand.
- (ii) Other taxes payable mainly represents the payables of business tax which is 5% of the gross revenue, and property tax which levied at original cost of investment properties or lease income.
- (iii) These mainly represent deposits paid by tenants for the privilege to renew the operating lease contracts upon expiry, to sign new operating lease contracts and to sign operation rights transfer contracts for the units of the Group's shopping malls to be opened in the future and deposits collected from customers to secure the execution of the lease agreements.

Notes to the Financial Statements

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24 Interest-bearing borrowings

(i) Non-current interest-bearing borrowings comprise:

	Note	The Group		The Company	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Senior notes	(a)				
– Senior Notes 2015		1,830,201	1,811,353	1,830,201	1,811,353
– Senior Notes 2016		3,642,591	3,609,965	3,642,591	3,609,965
Secured bank loans	(b)	1,680,200	1,242,000	–	–
Secured loans from other financial institutions	(c)	1,375,200	1,075,200	–	–
		8,528,192	7,738,518	5,472,792	5,421,318
Less: current portion of long-term bank loans	24(ii)	(419,700)	(261,800)	–	–
current portion of long term loans from other financial institutions	(c)/24(ii)	(875,200)	(200,000)	–	–
current portion of Senior Notes 2015	(a)/24(ii)	(1,830,201)	–	(1,830,201)	–
		5,403,091	7,276,718	3,642,591	5,421,318

- (a) The Company issued senior notes of aggregate amount of USD900,000,000 in 2010, which will be due in 2015 and 2016 respectively.

On 18 May 2010, the Company issued senior notes of USD300,000,000 (“Senior Notes 2015”). The Senior Notes 2015 bear interest at 11.75% per annum, payable semi-annually in arrears, and will be due in 2015.

On 10 September 2010 and 15 November 2010, the Company issued in aggregation of USD600,000,000 senior notes (“Senior Notes 2016”). The Senior Notes 2016 bear interest at 13% per annum, payable semi-annually in arrears, and will be due in 2016.

The Group’s certain subsidiaries registered in Hong Kong and the BVI have provided guarantee to the Senior Notes 2015 and Senior Notes 2016 issued in 2010. The guarantee will be released upon the full and final payments of Senior Notes.



24 Interest-bearing borrowings *(Continued)*

(i) Non-current interest-bearing borrowings comprise: *(Continued)*

On 24 November 2014, the Company commenced the Tender Offers to purchase for cash any and all of its outstanding Senior Notes 2015 and Senior Notes 2016 (the "Tender Offer"). The Company announced that the Tender Offers were completed on 7 January 2015. Pursuant to the announcement, the Company would purchase back an aggregate principal amount of the USD221,291,000 of the Senior Notes 2015 and an aggregate principal amount of the USD438,802,000 of the Senior Notes 2016.

- (b) Secured bank loans represent bank loans borrowed by the PRC subsidiaries bearing interest rates ranging from 5.895% to 8.61% per annum (31 December 2013: 5.895% to 7.68% per annum).

The bank loans are secured by the followings:

- As at 31 December 2014, RMB860,200,000 (31 December 2013: RMB1,042,000,000) bank loans are secured by restricted bank deposits (Note 20(vi)(b)) and investment properties (Note 16).
- As at 31 December 2014, RMB120,000,000 (31 December 2013: RMB200,000,000) bank loans are secured by restricted bank deposits (Note 20(vi)(b)) and investment properties (Note 16) and jointly guaranteed by certain PRC subsidiaries of the Group.
- As at 31 December 2014, RMB700,000,000 (31 December 2013: Nil) bank loans are jointly guaranteed by a director of the Company (Note 34(b)(ii)) and certain PRC subsidiaries of the Group.

Notes to the Financial Statements

(Expressed in Renminbi)

24 Interest-bearing borrowings *(Continued)*

(i) Non-current interest-bearing borrowings comprise: *(Continued)*

- (c) Secured loans from other financial institutions represent loans borrowed by PRC subsidiaries from financial institutions other than banks, bearing interest rates ranging from 7.68% to 16% per annum (31 December 2013: 7.68% to 16% per annum).

The loans from other financial institutions are secured by the followings:

- As at 31 December 2014, loans from other financial institutions of RMB975,000,000 (31 December 2013: RMB475,000,000) are jointly guaranteed by a director of the Company (Note 34(b)(ii)) and certain PRC subsidiaries of the Group.
- As at 31 December 2014, loans from other financial institutions of RMB400,200,000 (31 December 2013: RMB600,200,000) are secured by restricted bank deposits (Note 20(vi)(b)) and investment properties (Note 16) and jointly guaranteed by certain PRC subsidiaries of the Group.

(ii) The short-term loans and borrowings comprise of:

	The Group	
	2014 RMB'000	2013 RMB'000
Secured bank loan <i>(a)</i>	60,000	60,000
Current portion of Senior Notes <i>(Note 24(i)(a))</i>	1,830,201	–
Current portion of long-term bank loans <i>(Note 24(ii))</i>	419,700	261,800
Current portion of long-term loans from other financial institutions <i>(Note 24(i))</i>	875,200	200,000
	3,185,101	521,800

- (a) Secured bank loan represents bank loan borrowed by a PRC subsidiary with principal of RMB60,000,000 (31 December 2013: RMB60,000,000) bearing interest rate ranging from 5.60% to 6.72% (31 December 2013: 7.2%) per annum. The loan is secured by investment properties and guaranteed by certain PRC subsidiaries of the Group (31 December 2013: secured by investment properties) (Note 16).



24 Interest-bearing borrowings *(Continued)*

(iii) The bank loans and loans from other financial institutions are repayable as follows:

	The Group	
	2014 RMB'000	2013 RMB'000
Within one year	1,354,900	521,800
Between one and two years	870,000	1,186,900
Between two and five years	567,500	463,000
After five years	323,000	205,500
	3,115,400	2,377,200

25 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	2014 RMB'000	2013 RMB'000
PRC Enterprise Income Tax and Land Appreciation		
Tax payable		
At the beginning of the year	21,442	30,520
Provision for the year <i>(Note 9(a))</i>	44,382	55,057
Tax paid	(47,286)	(64,135)
	18,538	21,442

Notes to the Financial Statements

(Expressed in Renminbi)

25 Income tax in the consolidated statement of financial position *(Continued)*

(b) Deferred tax assets and liabilities recognised

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Tax losses	Revaluation of investment properties	Deferred tax liabilities arising from business combination	Discount effect of trade receivables	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	118,442	(3,758,584)	(746,431)	50,009	(4,336,564)
Credited/(charged) to profit or loss	40,430	149,747	22,232	(6,066)	206,343
At 31 December 2013	158,872	(3,608,837)	(724,199)	43,943	(4,130,221)
At 1 January 2014	158,872	(3,608,837)	(724,199)	43,943	(4,130,221)
Credited/(charged) to profit or loss	(55,786)	251,101	22,232	(11,767)	205,780
At 31 December 2014	103,086	(3,357,736)	(701,967)	32,176	(3,924,441)

(c) Deferred tax liabilities not recognised

As at 31 December 2014, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to RMB4,416,175,000 (2013: RMB4,812,144,000). Deferred tax liabilities of RMB373,739,000 (2013: RMB414,251,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

26 Non-current receipt in advance

The amounts represent the payments received by the Group from the buyers before the transfer of the operation rights of the shop units. The operation rights of the shop units are expected to be transferred to the buyers after three years from the date of commencement of operation of the relevant shopping malls according to the operation rights transfer agreement. The carrying value of the inventory to be transferred under these contracts amount to RMB314,509,000 at 31 December 2014 (31 December 2013: RMB251,326,000).

27 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual component of equity between the beginning and the end of the year are set out below:

	Share capital	Share premium	Capital redemption reserve	Capital surplus	Exchange reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013	186,376	6,179,085	7,508	92,168	(311,870)	(1,564,896)	4,588,371
Changes in equity for 2013:							
Total comprehensive income for the year	-	-	-	-	(6,408)	(774,942)	(781,350)
Balance at 31 December 2013 and 1 January 2014	186,376	6,179,085	7,508	92,168	(318,278)	(2,339,838)	3,807,021
Changes in equity for 2014:							
Total comprehensive income for the year	-	-	-	-	(6,481)	(779,878)	(786,359)
Balance at 31 December 2014	186,376	6,179,085	7,508	92,168	(324,759)	(3,119,716)	3,020,662

Notes to the Financial Statements

(Expressed in Renminbi)

27 Capital and reserves (Continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

The directors of the Company did not approve or pay any dividend in respect of the previous financial year during the year (2013: Nil).

(c) Share capital

	2014		2013	
	Number of shares '000	RMB'000	Number of shares '000	RMB'000
Authorised:				
Ordinary shares of HKD0.01 each	40,000,000		40,000,000	
Issued and fully paid:				
At 1 January/				
31 December	21,148,132	186,376	21,148,132	186,376



27 Capital and reserves (Continued)

(c) Share capital (Continued)

(i) Terms of unexercised share options at the end of the reporting period

Exercise period	Exercise price	2014 Number '000	2013 Number '000
23 April 2009 to 31 December 2014	HKD1.34	–	65,497
23 April 2010 to 31 December 2014	HKD1.34	–	174,678
23 April 2011 to 31 December 2014	HKD1.34	–	187,000
		–	427,175

Each option entitles the holder to acquire or subscribe for one ordinary share in the Company. Further details of these options are set out in Note 29 to the financial statements.

(ii) Rights issue

During the year ended 31 December 2014, the Group proposed the Rights Issue, which was not completed as at 31 December 2014. On 2 January 2015, all the conditions of underwriting agreement had been fulfilled and the Rights Issue became unconditional, a total number of 10,574,066,000 shares had been issued by the Rights Issue.

(d) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the par value and the proceeds from the issuance of the shares of the Company and the difference between the par value and the consideration paid on the repurchase of the shares of the Company. The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

Notes to the Financial Statements

(Expressed in Renminbi)

27 Capital and reserves (Continued)

(d) Nature and purpose of reserves (Continued)

(ii) Capital redemption reserve

Pursuant to section 37 Companies Law of the Cayman Islands, capital redemption reserve represents the par value of the shares of the Company cancelled and transferred from the retained earnings.

(iii) Capital surplus

Capital surplus mainly represents the book value of assets injected by the investors of Harbin Baorong and Harbin Renhe Century in excess of their share of the registered capital, and the fair value of the estimated number of unexercised share options granted to employees of the Company (Note 29) recognised in accordance with the accounting policy adopted for share-based payments in Note 2(q)(ii).

(iv) Reserve fund

Pursuant to the Articles of Association of the PRC subsidiaries comprising the Group, appropriations to the general reserve fund were made at a certain percentage of profit after tax determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the subsidiaries. From 1 January 2008, the Group's PRC subsidiaries are required to transfer 10% of their profit after tax to statutory reserve fund in accordance with the relevant PRC regulations since these subsidiaries became wholly foreign owned enterprises by then. The transfer could no longer be recognised when the accumulated statutory reserve fund reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(vi) Merger reserves

The merger reserves represent the aggregate amount of paid-in capital of the PRC subsidiaries now comprising the Group after elimination of investments in these subsidiaries.



27 Capital and reserves *(Continued)*

(e) Distributability of reserves

For dividend purposes, the amount which the PRC subsidiaries can legally distribute by way of a dividend is by reference to the profits as reflected in their PRC statutory financial statements prepared in accordance with the accounting rules and regulations of the PRC. These profits differ from those reflected in this report, which are determined in accordance with IFRSs.

As at 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB2,734,610,000 (2013: RMB3,520,969,000). After the end of the reporting period, no dividend was proposed by the directors (2013: Nil).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development, lease and management of shopping malls, and continue to provide returns for shareholders, by pricing rental and operation rights and property management services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a gearing ratio, being the interest-bearing borrowings divided by the total assets. As at 31 December 2014, the gearing ratio of the Group was 23.02% (31 December 2013: 21.68%).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the Financial Statements

(Expressed in Renminbi)

28 Employee benefit plan

(a) Defined contribution retirement benefit schemes

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the “Schemes”) organised by the relevant local government authorities in the cities the PRC subsidiaries operate. The Group is required to make contributions to the Schemes at the rate ranges from 12% to 22% of the eligible employee’s salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other obligation for the payment of pension benefits associated with the Schemes and other post-retirement benefits beyond the annual contributions described above.

The Group also operates a Mandatory Provident Fund Scheme (the “MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HKD30,000. Contributions to the plan vest immediately.



29 Equity settled share-based transactions

(a) Share option scheme granted on 15 April 2008

Wealthy Aim Holdings Limited (“Wealthy Aim”) adopted a share option scheme on 15 April 2008 whereby Wealthy Aim invited employees of the Group to take up options at HKD1 consideration to acquire shares of the Company from Wealthy Aim. Each option gives the holder the right to acquire one ordinary share in the Company.

(i) The terms and conditions of the grants are as follows:

	Number of instruments ‘000	Vesting conditions	Contractual life of options
Options granted to directors on:			
– 15 April 2008	195,500	15 April 2008 to 22 April 2009	15 April 2008 to 31 December 2014
– 15 April 2008	117,300	15 April 2008 to 22 April 2010	15 April 2008 to 31 December 2014
– 15 April 2008	78,200	15 April 2008 to 22 April 2011	15 April 2008 to 31 December 2014
Options granted to employees on:			
– 15 April 2008	272,000	15 April 2008 to 22 April 2009	15 April 2008 to 31 December 2014
– 15 April 2008	163,200	15 April 2008 to 22 April 2010	15 April 2008 to 31 December 2014
– 15 April 2008	108,800	15 April 2008 to 22 April 2011	15 April 2008 to 31 December 2014
	935,000		

Notes to the Financial Statements

(Expressed in Renminbi)

29 Equity settled share-based transactions *(Continued)*

(a) Share option scheme granted on 15 April 2008 *(Continued)*

(ii) *The number and weighted average exercise prices of share options are as follows:*

	2014		2013	
	Weighted average exercise price HKD	Number of options '000	Weighted average exercise price HKD	Number of options '000
Outstanding at 1 January	1.34	427,175	1.34	427,175
Lapsed during the year	1.34	(427,175)	–	–
Outstanding at 31 December	–	–	1.34	427,175
Exercisable at 31 December	–	–	1.34	427,175

During the year 2013, Wealthy Aim extended the end of contractual life of options from 31 December 2013 to 31 December 2014. The option scheme has expired on 31 December 2014 and will not be renewed. As a result, all the option granted but not exercised on or before 31 December 2014 has lapsed.

(iii) *Fair value of share options and assumptions*

The fair value of services received in return for share options granted is measured by reference to the fair value of share option granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes Model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes Model.



29 Equity settled share-based transactions *(Continued)*

(a) Share option scheme granted on 15 April 2008 *(Continued)*

(iii) Fair value of share options and assumptions *(Continued)*

Fair value at measurement date	RMB0.095
Share price	RMB0.577
Exercise price	HKD1.340
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes Model)	43.40%
Option life (expressed as weighted average life used in the modelling under Black-Scholes Model)	3.68 years
Expected dividends	0.69%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	1.788%

The expected volatility is based on the historic volatility of the share price over the most recent period, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on the dividends policies of the Company.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement for the services received. There were no market conditions associated with the share option grants.

(b) Share option scheme granted on 8 February 2010

The Company has a share option scheme which was adopted on 25 August 2008 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of the Company and its subsidiaries, to take up options at HKD1 consideration to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company.

During the year ended 31 December 2013, all the 1,020,000,000 share options (representing 1,020,000,000 new shares of the Company upon full exercise) were lapsed as certain vesting conditions had not been fulfilled.

Notes to the Financial Statements

(Expressed in Renminbi)

30 Contingencies

(a) Guarantees

The Group has provided guarantees and made deposits to banks to assist the buyers of operation rights to obtain bank loans (Note 20(vi)(a)). The outstanding guarantees as at 31 December 2014 amounted to RMB300,527,000 (31 December 2013: RMB490,386,000). The guarantees and deposits will be released accordingly along with the repayment of loan principal by the buyers.

31 Operating lease

(a) Leases as lessor

The Group leases out its investment properties under operating leases. The future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2014	2013
	RMB'000	RMB'000
Less than one year	408,383	399,520
Between one and five years	39,143	43,010
More than five years	65,620	45,529
	513,146	488,059

(b) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2014	2013
	RMB'000	RMB'000
Less than one year	16,708	21,851
Between one and five years	35,422	5,348
More than 5 years	29,305	–
	81,435	27,199

32 Capital commitments

As at 31 December 2014, the Group has the following commitments in respect of the development of shopping malls not provided for in the financial statements:

	2014	2013
	RMB'000	RMB'000
Contracted for	2,590,450	2,684,750
Authorised but not contracted for	2,384,406	2,836,877
	4,974,856	5,521,627

33 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Cash is deposited with financial institutions with acceptable credit quality. Except for cash of the Group's PRC subsidiaries deposited in the PRC banks, cash in the Group's subsidiaries outside PRC was deposited in The Hong Kong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited, China Merchants Bank, China Minsheng Banking Corp., Ltd. (Hong Kong Branch), and Chong Hing Bank. Management does not expect any of these financial institutions will fail to meet their obligations.

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. Given the Group requests the tenants to pay rental and other service fees in advance, the credit risks of rental and service fee receivables are considered low. In respect of the balances of trade receivables due from the buyers of the operation rights, the Group normally provides credit period of 6 months and arranges bank financing for buyers up to 70% of the total purchase price and provides guarantee to secure repayment obligations of the buyers or agrees cash repayment schedule with buyers to settle the outstanding balance within one to three years. Since the beginning of the year 2012, the Group had requested at least 50% of purchase price as down payment to reduce the credit risk. The overdue receivables are reviewed and the credits of the customers are reassessed.

Notes to the Financial Statements

(Expressed in Renminbi)

33 Financial risk management and fair values *(Continued)*

(a) Credit risk *(Continued)*

In addition, if a buyer fails to repay the bank loans, the bank may demand the Group to repay the outstanding amount of the loans and any unpaid interests thereon. Under such circumstances, the Group is entitled to indemnification from buyers which includes to lease the shop units to other tenants to recover any amounts paid by the Group to the bank but there can be no assurance that the lease income which will be generated from the remaining leasing period can be equal to or greater than the amount of loan principals and interests requested by bank. If a buyer fails to pay the considerations of transfer of operation rights, the Group could also get the same indemnification from buyers as it fails to repay the loans.

As at 15 March 2015, RMB8,431,000 of trade receivables have been subsequently collected.

(b) Liquidity risk

The Group manages cash including the short term investment of cash surpluses and the raising of loans to cover expected cash demands on a group basis. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The unused bank facilities as at 31 December 2014 amounted to RMB3,443,309,000 (31 December 2013: RMB39,800,000).



Notes to the Financial Statements (Expressed in Renminbi)

33 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group and the Company can be required to pay:

	2014						2013						
	Carrying amount at 31 December RMB'000	Contractual undiscounted cash outflow					Carrying amount at 31 December RMB'000	Contractual undiscounted cash outflow					
		Within 1 year or on demand RMB'000	More than					Within 1 year or less than 2 years RMB'000	More than 1 year but less than 5 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
			More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	More than 5 years RMB'000							
The Group													
Trade and other payables	5,049,806	(5,049,806)	-	-	-	(5,049,806)	2,470,347	(2,470,347)	-	-	-	(2,470,347)	
Interest-bearing borrowings	8,588,192	(3,806,658)	(4,888,911)	(713,606)	(382,558)	(9,791,733)	7,798,518	(1,211,023)	(3,691,600)	(4,450,443)	(220,807)	(9,573,873)	
	13,637,998	(8,856,464)	(4,888,911)	(713,606)	(382,558)	(14,841,539)	10,268,865	(3,681,370)	(3,691,600)	(4,450,443)	(220,807)	(12,044,220)	
The Company													
Trade and other Payables	2,636,444	(2,636,444)	-	-	-	(2,636,444)	186,581	(186,581)	-	-	-	(186,581)	
Interest-bearing borrowings	5,472,792	(2,244,653)	(3,910,041)	-	-	(6,154,694)	5,421,318	(514,934)	(2,412,086)	(3,895,919)	-	(6,822,939)	
	8,109,236	(4,881,097)	(3,910,041)	-	-	(8,791,138)	5,607,899	(701,515)	(2,412,086)	(3,895,919)	-	(7,009,520)	

(c) Interest rate risk

The Group's interest rate risk arises primarily from long-term interest-bearing borrowings. The interest rates of the Group's interest-bearing borrowings are disclosed in Note 24.

As at 31 December 2014, it is estimated that a general increase/decrease of 100 basis point in borrowing interest rates for bank loans with floating interest rates, with all other variable held constant, would decrease/increase the Group's profit after tax and retained earnings by approximately RMB9,454,000 (31 December 2013: RMB7,815,000).

Notes to the Financial Statements

(Expressed in Renminbi)

33 Financial risk management and fair values *(Continued)*

(c) Interest rate risk *(Continued)*

Given the current turbulent market, the estimated increase/decrease in interest rates are based on the Group's best estimate considering the historical information and the forecast of the future economic situation. The actual interest rate fluctuation may be different from the Group's estimate.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonable possible change in respective interest rates over the period until the next year end date. The analysis is performed on the same basis for 2013.

(d) Foreign currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the Group's cash and bank balances in RMB were placed with banks in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than the functional currency of the PRC subsidiaries (RMB) and the overseas group entities (HKD). Depreciation or appreciation of the RMB and HKD against foreign currencies can affect the Group's results. The Group did not hedge its foreign currency exposure.



Notes to the Financial Statements
(Expressed in Renminbi)

33 Financial risk management and fair values (Continued)

(d) Foreign currency risk (Continued)

The following table details the Group's and the Company's recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	Exposure foreign currencies (expressed in Renminbi)			
	2014		2013	
	United State Dollars RMB'000	Hong Kong Dollars RMB'000	United State Dollars RMB'000	Hong Kong Dollars RMB'000
Cash at bank and on hand	123,684	239	169,556	2,905
Interest-bearing borrowing	(5,472,792)	–	(5,421,318)	–
Net exposure arising from recognised assets and liabilities	(5,349,108)	239	(5,251,762)	2,905

The Company

	Exposure foreign currencies (expressed in Renminbi)	
	2014	2013
	United State Dollars RMB'000	United State Dollars RMB'000
Cash at bank and on hand	113	112
Interest-bearing borrowing	(5,472,792)	(5,421,318)
Net exposure arising from recognised assets and liabilities	(5,472,679)	(5,421,206)

Notes to the Financial Statements

(Expressed in Renminbi)

33 Financial risk management and fair values *(Continued)*

(d) Foreign currency risk *(Continued)*

The following table indicates the approximate change in the Group's profit after tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2014		2013	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax (RMB'000)	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax (RMB'000)
HKD	0.4% (0.4)%	21,890 (21,890)	0.4% (0.4)%	21,683 (21,683)
RMB	5% (5)%	(4,638) 4,638	5% (5)%	(6,445) 6,445

Given the current turbulent market, the reasonably possible changes estimated by the Group are based on the Group's best estimate considering the historical information and the forecast of the future economic situation. Actual changes in foreign exchange rates may be different from the Group's estimate.



33 Financial risk management and fair values *(Continued)*

(e) Fair value measurement

(i) **Financial assets and liabilities measured at fair value**

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

At 31 December 2014 and 2013, the Group has no financial instruments carried at fair value at the end of reporting period.

Notes to the Financial Statements

(Expressed in Renminbi)

33 Financial risk management and fair values (Continued)

(e) Fair value measurement (Continued)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014 and 2013 except as follows:

The Group

	Carrying amounts at 31 December 2014		Fair value measurements as at 31 December 2014 categorised into			Carrying amounts at 31 December 2013	
	at 31 December 2014	Fair value at 31 December 2014	Level 1	Level 2	Level 3	at 31 December 2013	Fair value at 31 December 2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Senior notes	5,472,792	4,715,913	4,715,913	-	-	5,421,318	3,914,210
Fixed rate long-term loans	1,495,200	1,536,256	-	1,536,256	-	995,200	981,296
	6,967,992	6,252,169	4,715,913	1,536,256	-	6,416,518	4,895,506

The Company

	Carrying amounts at 31 December 2014		Fair value measurements as at 31 December 2014 categorised into			Carrying amounts at 31 December 2013	
	at 31 December 2014	Fair value at 31 December 2014	Level 1	Level 2	Level 3	at 31 December 2013	Fair value at 31 December 2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Senior notes	5,472,792	4,715,913	4,715,913	-	-	5,421,318	3,914,210

33 Financial risk management and fair values (Continued)

(e) Fair value measurement (Continued)

(ii) Fair values of financial instruments carried at other than fair value (Continued)

Valuation techniques and inputs used in Level 2 fair value measurements:

The fair values of the fixed rate long-term loans are estimated as being the present values of future cash flows, discounted at interest rates based on the market interest rates of comparable bank loans as at 31 December 2014.

34 Material related party transactions and balances

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 10, is as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	59,455	64,019
Retirement plan contributions	284	326
	59,739	64,345

(b) Material related party transactions

	2014 RMB'000	2013 RMB'000
Operating lease to		
– Directors	23	23
– Other related parties	64	104
Operating lease from		
– Other related parties	800	800
Repayment to a director	29,973	–
Payment payable to a director (i)	48,521	1,070
Guarantee provided/(revoked) from a director (ii)	1,200,000	(25,000)

Notes to the Financial Statements

(Expressed in Renminbi)

34 Material related party transactions and balances *(Continued)*

(b) Material related party transactions *(Continued)*

- (i) During the year, Mr. Dai Yongge provided non-interest bearing working capital to the Group.
- (ii) Mr. Dai Yongge provided guarantee for the bank loans obtained by certain PRC subsidiaries of the Group with a total amount of RMB1,200,000,000 (31 December 2013: guarantee revoked RMB25,000,000). The period of these loans is from 27 June 2013 to 28 December 2026 (31 December 2013: 27 June 2013 to 26 June 2015).

(c) Related party balances

	2014 RMB'000	2013 RMB'000
Amounts due to a related party		
– Director <i>(Note 23)</i>	20,554	2,006

- (d) The related party transactions as disclosed above in Note 34(b) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.



35 Possible impact of amendments, new standards and interpretations issued but not yet adopted

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 19, <i>Defined benefit plans: Employee contributions</i>	1 July 2014
Annual improvements to IFRSs 2010-2012 cycle	1 July 2014
Annual improvements to IFRSs 2011-2013 cycle	1 July 2014
Amendments to IFRS 11, <i>Accounting for acquisitions of interests in joint operations</i>	1 January 2016
Amendments to IAS 16 and IAS 38, <i>Clarification of acceptable methods of depreciation and amortization</i>	1 January 2016
IFRS 15, <i>Revenue from contracts with customers</i>	1 January 2017
IFRS 9, <i>Financial instruments</i>	1 January 2018

The Group is in the process of making an assessment of what the impact of these is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the company's first financial year commencing after 3 March 2014 (i.e. the company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

Notes to the Financial Statements

(Expressed in Renminbi)

36 Ultimate holding company

The directors of the Company consider the ultimate holding company of the Company as at 31 December 2014 to be Shining Hill Investments Limited, which is incorporated in the BVI. This entity does not produce financial statements available for public use.

37 Accounting judgement and estimates

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The significant accounting policies are set forth in Note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Valuation of investment properties

As described in Note 2(g), completed investment properties and investment properties under construction are stated at fair value based on the valuation performed by an independent firm of professional valuers.

In determining the fair value of investment properties, the valuers have based on a method of valuation which involves the current market value of property by reference to recent comparable transactions. Valuers may make adjustments to recorded transactions by taking into account such factors as differences in the transaction timing, location, character and other matters affecting the value of property. Investment properties under development are valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction, financing costs and an allowance for developer's risk and profit. In relying on the valuation report, the management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market condition.



37 Accounting judgement and estimates *(Continued)*

(b) Impairment losses for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the aging of the receivable balance, debtors creditworthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(c) Impairment losses of non-current assets

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered “impaired”, and an impairment loss may be recognised in accordance with IAS 36 “Impairment of Assets”. The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group’s assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

(d) Taxes

The Company and its subsidiaries file taxes in numerous tax authorities. Judgment is required in determining the provisions for taxes. There are many transactions and calculating for which the ultimate tax determination is uncertain during the course of business. The ultimate tax determination therefore might be different from the tax provision made in the financial statements.

38 Subsequent events

In January 2015, the Company has completed the Rights Issue and the Tender Offer, as disclosed in Note 24 and Note 27.

Five Years Financial Summary

	Year ended 31 December				2014 RMB'000
	2010 RMB'000 (Restated)	2011 RMB'000	2012 RMB'000	2013 RMB'000	
RESULTS					
Revenue	1,142,084	2,244,712	688,110	547,410	555,357
Cost of sales	(1,205,247)	(647,993)	(144,606)	(26,144)	(11,825)
Gross profit/(loss)	(63,163)	1,596,719	543,504	521,266	543,532
Gross profit/(loss) %	(5.53)%	71.13%	78.99%	95.22%	97.87%
Net valuation gain/(loss) on investment properties	1,333,182	6,867,322	2,162,772	(832,256)	(1,364,462)
Profit on disposal of investment properties	–	6,512	10,234	65,699	7,736
Other income	3,501,054	123,691	121,334	98,987	104,659
Administrative expenses	(340,706)	(398,431)	(450,312)	(1,003,951)	(409,490)
Other operating expenses	(236,037)	(310,123)	(305,391)	(345,285)	(339,600)
Profit/(loss) from operations	4,194,330	7,885,690	2,082,141	(1,495,540)	(1,457,625)
Finance income	37,658	38,773	25,797	72,821	123,174
Finance expenses	(329,524)	(498,066)	(625,139)	(476,937)	(541,490)
Net finance expense	(291,866)	(459,293)	(599,342)	(404,116)	(418,316)
Profit/(loss) before income tax	3,902,464	7,426,397	1,482,799	(1,899,656)	(1,875,941)
Income tax	(248,052)	(1,987,110)	(538,243)	151,286	161,398
Profit/(loss) for the year	3,654,412	5,439,287	944,556	(1,748,370)	(1,714,543)

	As at 31 December				2014 RMB'000
	2010 RMB'000 (Restated)	2011 RMB'000	2012 RMB'000	2013 RMB'000	
ASSETS AND LIABILITIES					
Total assets	26,879,902	36,127,672	37,653,152	35,962,975	37,308,646
Total liabilities	(8,831,487)	(15,123,975)	(15,730,593)	(15,656,020)	(18,740,302)
Total equity	18,048,415	21,003,697	21,922,559	20,306,955	18,568,344
Total equity attributable to equity shareholders of the Company	18,048,415	20,816,319	21,685,883	20,119,045	18,428,464
Non-controlling interests	–	187,378	236,676	187,910	139,880
	18,048,415	21,003,697	21,922,559	20,306,955	18,568,344



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Renhe Commercial Holdings Company Limited