Sun Art Retail Group Limited

(Incorporated in Hong Kong with limited liability)
Stock Code: 6808

2014 Annual Report

49 New Stores

No.1 hypermarket in the nation in terms of market share [(1)]

372 Stores Nationwide

Auchan 欧尚

飞牛网 feiniu.com

大润发 RT-Mart

Source: (1) Data from Euromonitor

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Bruno, Robert MERCIER *(Chief Executive Officer)*
HUANG Ming-Tuan

Non-Executive Directors

CHENG Chuan-Tai *(Chairman)*
Benoit, Claude, Francois, Marie, Joseph LECLERCQ
Philippe, David BAROUKH
Xavier, Marie, Alain DELOM de MEZERAC

Independent Non-Executive Directors

Karen Yifen CHANG
Desmond MURRAY
HE Yi

AUDIT COMMITTEE

Desmond MURRAY *(Chairman)*
CHENG Chuan-Tai
Xavier, Marie, Alain DELOM de MEZERAC
Karen Yifen CHANG
HE Yi

REMUNERATION COMMITTEE

Karen Yifen CHANG *(Chairman)*
CHENG Chuan-Tai
Philippe, David BAROUKH
Desmond MURRAY
HE Yi

NOMINATION COMMITTEE

HE Yi *(Chairman)*
CHENG Chuan-Tai
Philippe, David BAROUKH
Karen Yifen CHANG
Desmond MURRAY

COMPANY SECRETARY

HO Siu Pik, FCIS, FCS (PE)

AUTHORISED REPRESENTATIVES

Bruno, Robert MERCIER
HO Siu Pik

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PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC" OR "CHINA")

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HONG KONG SHARE REGISTRAR

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AUDITORS

KPMG
Certified Public Accountants
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10 Chater Road, Central, Hong Kong

COMPANY'S WEBSITE

www.sunartretail.com

STOCK CODE

6808

	For the year ended 31 December		
	2014	2013	Change
	RMB million	*RMB million*	
Turnover	**91,855**	86,195	6.6%
Gross Profit	**20,998**	18,613	12.8%
Profit from Operations	**4,233**	4,147	2.1%
Profit for the Year	**3,042**	2,942	3.4%
Profit Attributable to Equity Shareholders of the Company	**2,908**	2,775	4.8%
Earnings Per Share ("EPS")			
– Basic and diluted (1)	**RMB0.30**	RMB0.29	

	As at 31 December		
	2014	2013	Change
	RMB million	*RMB million*	
Total Assets	**52,443**	49,910	5.1%
Total Liabilities	**31,909**	30,529	4.5%
Net Assets	**20,534**	19,381	5.9%
Gearing Ratio (2)	**0.61**	0.61	
Current Ratio (3)	**0.67**	0.73	

Notes:

(1) The calculation of basic and diluted EPS for the years ended 31 December 2014 and 2013 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the year.

(2) Gearing Ratio = Total Liabilities/Total Assets

(3) Current Ratio = Current Assets/Current Liabilities

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am very pleased to report to you the solid results posted by Sun Art Retail Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") in 2014, which was a challenging year.

We have been able to continue to improve our bottom line while opening 49 new stores, and gaining market share again in a purely organic way, which we believe is the most profitable way of developing our business.

In 2014, www.feiniu.com started operations and has been able to attract 1,395,010 customers by the end of 2014. This is a significant achievement in this more and more competitive online retail market.

Our Board has also reviewed a new strategic initiative where in 2015, the two banners of the Company will open a number of smaller stores with 3,000-5,000 sq.m., which we expect will help us address customer needs in core downtown areas of the major cities.

The board has recommended the payment of final dividend of HKD1,526 million, translating into HKD0.16 per share. This is in line with our long standing dividend policy.

We expect that our continuous emphasis on understanding changing customer behaviors and needs, together with the sustained investment in new systems and employee development, will maintain our competitive position and deliver value to our shareholders.

CHENG Chuan-Tai
Chairman of the Board

27 February 2015

Dear Shareholders,

2014 has been a very challenging year for retail in China. Nonetheless, I am glad to report solid results for the Group for the year.

Our sales revenue grew by 6.2% to RMB89,136 million in 2014. The key driver of our growth was the successful opening of 49 stores (following 50 openings in 2013). We should also mention that another 13 stores were opened just before Chinese New Year 2015. According to Euromonitor "Grocery Retailers in China" report, our leading position on the market continued to improve with our market share increasing 0.2 percentage point to 14% in 2014.

Our rental income also increased by 21.5%, although more than 300 shopping malls were opened in China during the year. This reflects the enduring traffic generated by our hypermarkets.

In order to open those 49 new stores, we invested a total of RMB3,666 million, as well as RMB1,799 million to renovate older stores in order to keep an attractive shopping experience for our customers. Our total investment as at 31 December 2014 therefore increased by 14.5% over the balance as at 31 December 2013.

Our profitability continued to improve, with a profit after tax in 2014 reaching RMB3,042 million, an increase of 3.4% over that in 2013. 2014 profit after tax would have been higher by around 5.9% if not for the losses incurred by our new venture www.feiniu.com. This shows both the underlying strength of our brick and mortar business and the commitment we have decided to make to www.feiniu.com, whose capital we decided to increase by RMB500 million at year end.

This profitability was driven by a strong increase in gross profit margins, growing 1.3 percentage points from 21.6% to 22.9%, driven by improvements in our product mix and further common negotiations (the banners negotiated together 43.8% of our buying turnover in 2014). These improvements covered more than the increase in operating costs, which were well controlled with an increase limited to 15.4%.

This good cost control resulted from improvements in our operational effectiveness: our total head count increased only by 11% including Feiniu, and our average number of employees per store went from 437 to 413 during the year as we continued to deploy a number of initiatives at the store level to improve our productivity. Besides, the RT-Mart banner Central China Logistics Center started operating in October 2014.

Sales of "Big Thumb", "RT-Mart" and "Auchan" brands in 2014 increased by 21% over that in 2013 and we were very happy to see good customers' response to a number of new product ranges such as the Disney co-branded food items, and the Ekolia appliances brand.

We hope that these various initiatives will help us to continue to gain market share in 2015. We will also continue to open stores at a sustained rate, since we have on hand a portfolio of 162 firm commitments (lease contracts or land/building purchase contracts) for future store openings in the next three years. We will likely be opening a number of stores in a new, smaller format, geared to core city centers where it has become impossible to open large hypermarkets.

In January 2014, our website www.feiniu.com was open to the public. We now have more than 1.6 million registered members, and average daily orders have increased 10 fold by end of February 2015 compared to the same period of 2014. We made fresh products available on the website in Shanghai at the end of the year, which we expect will help both recruit new customers and increase their frequency of visits.

We continued to work on corporate responsibility and sustainable development initiatives: we are partnering with the Shanghai government on programs to improve the traceability of meat and to improve the energy efficiency of our operations, and with large suppliers in tree planting efforts in Inner Mongolia and Gansu.

Finally, the award of the "100 Best HRM companies", "Best E-Learning Company" and "Best Performance Management" prizes by zhaopin.com to Auchan and "Shanghai Model Employee's Home" to RT-Mart shows that we strive to remain a valued employer for our current and prospective staff.

Although 2015 GDP and retail sales growth anticipations are no greater than that for 2014, and that significant challenges such as soft prepaid card sales will abound, we still believe, that through our continuous focus on customer satisfaction both online and offline, we should be able to improve again our competitive position in China's growing retailing market.

Bruno, Robert MERCIER
Chief Executive Officer
Executive Director

27 February 2015

FINANCIAL REVIEW

Turnover

Our turnover is derived from the sales of goods and rental income. Turnover from the sales of goods is primarily derived from our hypermarkets and our E-business website where merchandise, mainly food, groceries, home appliances, textile and general goods are for sale. Turnover from the sales of goods is net of value added tax and other applicable sales taxes after deducting any trade discounts. Turnover from rental income is derived from renting gallery space in hypermarket complexes to operators of businesses that we believe are complementary to our stores.

The following table sets forth a breakdown of our turnover from the sales of goods and rental income for the years indicated:

	Year ended 31 December		
	2014	2013	**Change**
	(RMB million)	*(RMB million)*	
Sales of goods	**89,136**	83,958	6.2%
Rental income	**2,719**	2,237	21.5%
Total turnover	**91,855**	86,195	6.6%

For the year ended 31 December 2014, our turnover from the sales of goods was RMB89,136 million, an increase of RMB5,178 million, or 6.2%, from RMB83,958 million for the year ended 31 December 2013. The increase was primarily attributable to the continuous business expansion of the Group with the opening of new stores(1).

For the year ended 31 December 2014, the Group continued to expand in various areas of the PRC and opened 49 stores, which contributed to the increase in the sales of goods.

For the year ended 31 December 2014, the same store sales growth (the "**SSSG**")(2) was -1.6%, versus 2.0% for the year ended 31 December 2013. The decrease in the SSSG was mainly due to the slower growth of the overall consumer market, the more diversified consuming channels available to customers, and the lack of a new stimulus for spending, particularly after the expiration of the government subsidies granted to energy-saving home appliances in June 2013.

For the year ended 31 December 2014, our turnover from rental income was RMB2,719 million, an increase of RMB482 million, or 21.5%, from RMB2,237 million for the year ended 31 December 2013. This increase was primarily attributable to an increase in rentable area from new stores and an increase in rental income from existing stores as a result of better management of tenant mix.

Notes:

(1) New stores: Stores opened during the year ended 31 December 2014.

(2) Same store sales growth: It is calculated by comparing the sales derived in the stores, which were opened over 12 full months as of 31 December 2014, from their opening month to the end of year 2013 with the same period in year 2014.

Gross Profit

For the year ended 31 December 2014, our gross profit was RMB20,998 million, an increase of RMB2,385 million, or 12.8%, from RMB18,613 million for the year ended 31 December 2013. Our gross profit margin for the year ended 31 December 2014 was 22.9%, an increase of 1.3 percentage points from 21.6% for the year ended 31 December 2013. The increase in our gross profit margin was as a result of a greater increase in turnover of 6.6% as compared to the increase in cost of sales of 4.8%, reflecting: (i) better management on product category mix to bring a higher profit margin and (ii) economies of scale due to our continuously expanding business operations.

Other Revenue

Other revenue consists of income from the disposal of packaging materials, interest income, service income, government grants and other miscellaneous revenue.

For the year ended 31 December 2014, other revenue was RMB669 million, an increase of RMB21 million, or 3.2%, from RMB648 million for year ended 31 December 2013. This increase was primarily attributable to an increase in service income of RMB23 million. Service income was mainly generated from car-parking service, the temporary leasing of space for various promotional activities etc. The increase in service income was in accordance with the expanding business scale of the Group.

Store Operating Costs

Store operating costs represent the costs related to the operations of our stores and primarily consist of personnel expenses, rental expenses, expenses for utilities, maintenance, advertising, shuttle bus services and cleaning, together with amortization and depreciation of land use rights, properties, plant and equipment for our stores.

For the year ended 31 December 2014, the store operating costs were RMB15,097 million, an increase of RMB1,949 million, or 14.8%, from RMB13,148 million for the year ended 31 December 2013.

This increase was primarily attributable to the increase in the number of stores in accordance with the ongoing expansion of our hypermarket network. The expansion of the hypermarket network required the recruitment of new staff which led to an increase in personnel expenses. Also, new stores, operated on leased or self-owned sites, resulted in an increase in rental expenses and amortisation and depreciation of land use rights, property, plant and equipment at our stores.

The amount of store operating costs for the year ended 31 December 2014 represented 16.4% of turnover, an increase of 1.1 percentage points, from 15.3% for the year ended 31 December 2013. The increase was as a result of a greater increase in store operating costs of 14.8% as compared to the increase in turnover of 6.6%.

Administrative Expenses

Administrative expenses primarily consist of personnel expenses, travelling expenses, amortization and depreciation of land use rights, property, plant and equipment and other expenses for our administrative departments. For the year ended 31 December 2014, our administrative expenses were RMB2,337 million, an increase of RMB371 million, or 18.9%, from RMB1,966 million for the year ended 31 December 2013. The increase was primarily attributable to an increase in the number of administrative staff to provide support services for our expanded network of hypermarket complexes. The ratio of administrative expenses for the year ended 31 December 2014 represented 2.5% of turnover, an increase of 0.2 percentage point, from 2.3% for the year ended 31 December 2013. The increase was as a result of a greater increase in administrative expenses of 18.9% as compared to the increase in turnover of 6.6%.

Profit from Operations

For the year ended 31 December 2014, our profit from operations was RMB4,233 million, an increase of RMB86 million, or 2.1%, from RMB4,147 million for the year ended 31 December 2013. Our operating margin was 4.6%, a decrease of 0.2 percentage point from 4.8% for the year ended 31 December 2013. Despite the slow-down in the overall consumer market growth, the Group continued the expansion of hypermarket complexes into new areas, together with the development of E-business. These activities resulted in a greater increase in expenses of 15.4% than the increase in gross profit of 12.8%, which led to a decrease in the operating margin.

Finance Costs

Finance costs primarily consist of interest expenses on borrowings. For the year ended 31 December 2014, our finance costs were RMB15 million, which remained stable from RMB13 million for the year ended 31 December 2013.

Income Tax

For the year ended 31 December 2014, our income tax expenses were RMB1,176 million, a decrease of RMB16 million, or 1.3%, from RMB1,192 million for the year ended 31 December 2013. Our effective income tax rate was 27.9% for the year ended 31 December 2014 compared to 28.8% for the year ended 31 December 2013. The decrease in effective tax rate was attributable to the utilisation of previously unrecognised tax losses generated by certain legal entities, which were established in prior years, since those legal entities started to generate profits to cover these accumulated losses.

Profit for the Year

For the year ended 31 December 2014, our profit for the year was RMB3,042 million, with an increase of RMB100 million, or 3.4%, from RMB2,942 million for the year ended 31 December 2013. Our net profit margin was 3.3% for the year ended 31 December 2014, decreasing by 0.1 percentage point from 3.4% for the year ended 31 December 2013. The decrease was primarily attributable to the decrease in operating margin by 0.2 percentage point, partially offset by the lower effective income tax rate for the year ended 31 December 2014. The increase of profit for the year 2014 compared to the year 2013 would be around 8.9%, if we excluded the losses incurred by www.feiniu.com.

Profit Attributable to Equity Shareholders of the Company

For the year ended 31 December 2014, our profit attributable to equity shareholders of the Company was RMB2,908 million, an increase of RMB133 million, or 4.8%, from RMB2,775 million for the year ended 31 December 2013.

Profit Attributable to Non-Controlling Interests

For the year ended 31 December 2014, our profit attributable to non-controlling interest was RMB134 million, a decrease of RMB33 million, or 19.8%, from RMB167 million for the year ended 31 December 2013. The profit attributable to non-controlling interests was attributable to: (i) interests in Auchan (China) Investment Co., Ltd. ("**ACI**") and Concord Investment (China) Co, Ltd. ("**CIC**") from the Auchan Scheme and RT-Mart Scheme* and (ii) the interest held by an independent third party in four of the subsidiaries, People's RT-Mart Limited Jinan, Feiniu E-commerce (Shanghai) Co., Ltd ("**FESH**"), Feiniu E-commerce Hong Kong Limited ("**FEHK**") and Ruenguo Information Technology (Shanghai) Co., Ltd.

Liquidity and Financial Resources

For the year ended 31 December 2014, cash flow generated from operating activities was RMB5,622 million, a decrease of RMB1,372 million, or 19.6%, from RMB6,994 million for the year ended 31 December 2013. This decrease was mainly attributable to: (i) a decrease in cash generated from the prepaid card business which became less dynamic; and (ii) the impact of the calendar difference of Chinese New Year.

As at 31 December 2014, our net current liabilities increased to RMB10,391 million from RMB8,243 million as at 31 December 2013. This increase, which reflected the impact from the expansion in business operation, was primarily attributed to: (i) an increase in trade and other payables of RMB813 million; (ii) an increase in bank loans and overdrafts of RMB507 million; and (iii) a decrease in current assets of RMB680 million, mainly from the decrease in investments and time deposits of RMB1,042 million, and partially offset by an increase in trade and other receivables of RMB491 million.

For the year ended 31 December 2014, the inventory turnover days and trade payable turnover days were 58 days and 83 days, respectively, and were 58 days and 82 days for the year ended 31 December 2013, respectively.

Investments and time deposits represented the investments made by the Group in financial products issued by the banks and time deposits with the banks. These investments are principal guaranteed with maturity periods over three months from the date of issue.

* The Group has established an Employee Trust Benefit Scheme of CIC and its subsidiaries (the "**RT-Mart Scheme**") and an Employee Trust Benefit Scheme of ACI and its subsidiaries (the "**Auchan Scheme**"). For further details, please refer to Note 4(b)(ii) of "Notes to the consolidated financial statements" on page 82 of the annual report.

Investing Activities

For the year ended 31 December 2014, cash flow used in investing activities was RMB4,156 million, a decrease of RMB1,452 million, or 25.9%, from RMB5,608 million for the year ended 31 December 2013.

The cash flow used in investing activities mainly reflected: (i) net proceeds from investments and time deposits of RMB1,042 million; and (ii) the capital expenditure related to: (a) new stores and projects of RMB3,666 million; (b) the upgrading and remodeling of our existing hypermarkets of RMB1,799 million; and (c) the upgrading of the distribution centers of RMB285 million.

Financing Activities

For the year ended 31 December 2014, cash flow used in financing activities was RMB1,982 million, an increase of RMB1,119 million, or 129.7%, from RMB863 million for the year ended 31 December 2013. The increase was mainly attributable to: (i) an increase in dividend distribution of RMB1,363 million; and (ii) partially offset by an increase in the capital injection from non-controlling shareholders of RMB194 million.

Dividends

The Board approved a final dividend of HK$0.16 (equivalent to RMB0.13) per ordinary share (the "**Final Dividend**") for the year ended 31 December 2014, amounting to approximately HK$1,526 million (equivalent to RMB1,234 million). The payment of the Final Dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting ("**AGM**") to be held on 14 May 2015. For the details of the Final Dividends, please refer to the section headed "Final dividends" in the Report of Directors on page 23.

BUSINESS REVIEW

Operating Environment

During 2014, China's gross domestic product ("**GDP**") grew by 7.4% to approximately RMB63,646 billion. Inflation was subdued, with the consumer price index ("**CPI**") increasing by 2%. The urbanization rate increased 1.04 percentage points reaching 54.77%. The national per capita disposable income was RMB20,167, a nominal growth of 10.1% and a growth of 8% in real terms after inflation.

During 2014, total retail sales of consumer goods in China reached RMB26,239 billion, a nominal growth of 12.0% and a growth of 10.9% in real terms year-on-year. National online retail sales for the whole year was amounted to RMB2,789.8 billion, a growth of 49.7% over last year, as e-commerce became a new drive of consumption growth.

2014 was the beginning of China's big economic reform and adjustment, the policy of control on "public spending" has affected sales of high-end alcohol, restaurants and prepaid card sales of many enterprises. Besides, the cancellation of preferential tax policies might have affected some enterprises' related income, even though, overall these policies should have helped improve consumption and adjust economy structure. From a macro environment development standpoint, economic growth, urbanization trends together with household's income growth should continue to trigger consumption demand.

Expansion of Retail Network

In 2014, the Group continued to open new stores at a steady pace. During the year, we opened 49 hypermarket complexes, of which 9 were under the Auchan banner and 40 were under the RT-Mart banner. Of the new stores, 12 were located in Eastern China, 2 in Northern China, 11 in Central China, 7 in North-Eastern China, 16 in Southern China and 1 in Western China. Please refer to note 1 for the definitions of regional zones.

As of 31 December 2014, of the Group's stores, approximately 9% were located in first-tier cities, 17% in second-tier cities, 46% in third-tier cities, 21% in fourth-tier cities and 7% in fifth-tier cities. Please refer to note 2 for the definitions of tiers.

During the year, the Group continued to proactively and prudently seek potential opportunities to open new stores. As of 31 December 2014, through execution of lease contracts or acquisition of land parcels, the Group had identified and secured 162 sites to open hypermarket complexes, of which 116 were under construction, ensuring sufficient land reserves for the Group's expansion in the next three years and laying a solid ground for the Group's development in the medium term. Of the contracted sites, 3% were located in first-tier cities, 18% in second-tier cities, 48% in third-tier cities, 24% in fourth-tier cities and 7% in fifth-tier cities.

As of 31 December 2014, the Group had a total of 372 hypermarket complexes across the country, with a total gross floor area ("**GFA**") of approximately 10,277,525 square meters, of which approximately 67% were operated in leased spaces and 33% were in self-owned properties. Details of the number of such stores and their GFA in each major region of China are set forth below:

Region	Number of hypermarket complexes (As of 31 December 2014)			Total GFA of hypermarket complexes (sq.m.) (As of 31 December 2014)		
	Auchan	RT-Mart	Total	Auchan	RT-Mart	Total
Eastern China	43	110	153	1,834,683	2,724,740	4,559,423
Northern China	7	35	42	216,811	843,714	1,060,525
Northeastern China	1	37	38	23,906	1,014,622	1,038,528
Southern China	5	63	68	124,523	1,550,931	1,675,454
Central China	8	47	55	262,506	1,217,962	1,480,468
Western China	4	12	16	178,609	284,518	463,127
Total	**68**	**304**	**372**	**2,641,038**	**7,636,487**	**10,277,525**

(1) The Group adopts the following regional zoning according to the national regional economic planning guidelines:

Eastern China:	Shanghai City, Zhejiang Province, Jiangsu Province
Northern China:	Beijing City, Tianjin City, Shandong Province, Hebei Province, Shanxi Province, Inner Mongolia Autonomous Region (West)
Northeastern China:	Jilin Province, Liaoning Province, Heilongjiang Province, Inner Mongolia Autonomous Region (North)
Southern China:	Guangdong Province, Guangxi Zhuang Autonomous Region, Fujian Province, Hainan Province, Yunnan Province, Guizhou Province
Central China:	Anhui Province, Hunan Province, Hubei Province, Henan Province, Jiangxi Province
Western China:	Sichuan Province, Gansu Province, Shaanxi Province, Chongqing City, Qinghai Province

(2) City tiers were classified according to the following standards:

First-tier cities:	Municipalities under the direct jurisdiction of the central government and Guangzhou City
Second-tier cities:	Provincial capitals and sub-provincial cities
Third-tier cities:	Prefecture-level cities
Fourth-tier cities:	County-level cities
Fifth-tier cities:	Townships and towns

Store Improvement

The Group continued to either improve or enlarge the shopping centres, thus providing better shopping experience, or increasing the number of gallery tenants. For instance, “Egg House” and “Children’s Amusement Park” have added more elements to attract customers and stimulate consumption.

The Ningbo “Sun Art Plaza” shopping center owned and operated by the Group was completed and opened during the year. Similar to the Auchan Suzhou shopping center, the total GFA of Sun Art Plaza, being 170,000 sq.m., is higher than the average store of the Group. Currently, more tenants have joined the gallery. Our galleries compliment our well-run hypermarkets by offering food, fashion and family area. This attracts increased customer footfall, leading to higher rents for gallery space.

In our shopping centers, the basic traffic flow of the hypermarket has increased the attraction of the Group’s stores to branded tenants. Sound combination of the hypermarket and gallery tenants builds differentiation for the stores of the Group and enhances growth.

During the year under review, the Group continued to push energy saving renovation of its stores, for example, installing LED light sources and renovating the automatic control of old air-conditioning and lighting. 11 stores of the Group were awarded as “Model stores for energy conservation” by China Chain Store & Franchise Association.

Optimization of Procurement and Merchandise Mix

During the year under review, the Group continued to improve its merchandise mix to increase its competitiveness. The Group kept an eye on top e-commerce selling items and duly introduced them in stores and tracked their sales. In respect of direct procurement of fresh products, apart from increasing the direct sourcing from production area of items such as fruits, the Group also further boosted the direct procurement of green vegetables from local markets. The Group launched more self-produced products catering to the new needs of customers, such as Sushi Bar, to meet the current customers' new expectations of "light diet", thereby bringing a new source of sales growth.

The Group consolidated supplier resources and tried the model of store-in-stores, for example, the Daphne shoe store, displaying merchandise in brand cells to enhance the overall store image and increase the merchandise mix. The Group also increased the frequency of market surveys on product prices, improved the mechanism of market survey for e-commerce and provided lowest price guarantees for some items. The Group continued to enrich merchandise promotions activities, such as holding "wine festivals", in which we invited customers to participate in wine-tasting activities to share wine knowledge and we introduced the directly procured red wines to customers in a better way. Those activities brought good sales growth.

In 2014, the Group continued to achieve progress in common negotiation by our two banners, Auchan and RT-Mart. 43.8% of our buying turnover was negotiated through common negotiation. At the same time, the Group boosted one-off spot common procurement in large volumes to reduce purchase prices, and these commonly procured merchandise had good results when on promotion.

In addition, during the year, 33 items exclusive to the two banners were developed by suppliers. Exclusive merchandise is the merchandises with new specifications or merchandise mix developed based on customer demand, and is only sold within the Group's stores and it provides better choices and lower prices to the customers.

During the year under review, the Group strengthened development of own brands. The food series developed jointly with the Disney brand were favored by customers once launched due to the new layout, with better than expected sales results. Meanwhile, our own brand team developed entire ranges of Store Keep Units ("**SKUs**") under different brand names: mainly Auchan and RT-Mart in food but also EKOLIA in appliances and Cosmia in skincare. These brands have clear positions as well as price advantage and superior quality.

Development of E-commerce Business

www.feiniu.com was officially launched in 2014. It endeavored to improve customer shopping experience through continuously developing and improving webpage functions and optimizing the shopping process, enhancing professionalism of customer services, and integrating its own logistics with third party logistics providers to improve distribution efficiency and quality. Mobile Apps were launched to offer a variety of shopping channels. Leveraging on the Group's strong procurement scale, www.feiniu.com continued to increase its products range. As at the end of the year, there were 145,658 items on www.feiniu.com. In order to increase recognition and the number of members, www.feiniu.com launched various promotional activities, such as subway advertising. As at the end of the year, www.feiniu.com had 1,395,010 registered members, of which 407,607 were active members.

In light of the Group's extensive network of physical stores, www.feiniu.com explored online to offline ("**O2O**") opportunities. www.feiniu.com started the delivery of fresh products in Shanghai from the Zhabei store. It took advantage of the Group's well-established procurement channels to buy vegetables from direct procurement bases and to import fruits directly from overseas in large quantities. The fresh warehouse is located in one store, so that we can ensure the freshness of the products being delivered because of the high inventory turnover of the fresh products in store.

Optimization of Supply Chain Management

In June 2014, Auchan launched a Customer Relation Management ("**CRM**") mobile application and established a membership system. Through such membership system, the Group can carry out analysis of the consumption patterns of members and promote tailored customer services, electronic stamps and coupons so as to achieve precise marketing. RT-Mart also further pushed the membership system development. In respect of new stores, the Group continued to conduct customer visits prior to the openings of the stores. In respect of the old stores, the Group commenced recruiting new members through the expansion of targeted trading catchment areas, the optimization of shuttle bus routes and the enhancement of Direct Mail ("**DM**") efficiency. As of 31 December 2014, RT-Mart had 21,392,639 customer members in total.

During the year, the Group further strengthened control on merchandise quality through automatic inspection of shelf life of merchandise through the cashier system for its Auchan banner. At the same time, the Group boosted its merchandise traceability system. Currently, traceability of pork, beef and mutton has been achieved in stores nationwide and traceability of more merchandise varieties has been achieved in certain areas.

Auchan continued to integrate more suppliers into its distribution center for the Eastern China region, including those of Fast Moving Customer Goods ("**FMCG**") and Dried Vegetables and Fruits ("**DVF**"). During the year, the Auchan Shenyang store initiated procurement and deliveries of FMCG through the Northeastern China distribution center of RT-Mart, which started to lower the out-of-stock rate and enriched the merchandise mix.

The Central China distribution center of the RT-Mart banner, which is located in Chibi, Hubei commenced operations in October 2014. Currently, the distribution center is mainly responsible for serving over 30 stores in provinces such as Shaanxi, Gansu and Ningxia etc. The RT-Mart banner also started preparing regional distribution centers: the Eastern China regional distribution center in Nanjing to serve Anhui, Nanjing and north of Jiangsu provinces, the Southern China regional distribution center in Xiamen to serve Fujian and east of Guangdong provinces. Both regional distribution centers will commence operations in 2015.

Optimization of Human Resources Management

As at 31 December 2014, the Group had 144,530 employees, including the employees of www.feiniu.com. The average number of staff per store decreased 5% by proactively promoting efficiency enhancement, process optimization and flexible scheduling.

During the year under review, the Group boosted staff trainings and continued to adopt innovative training approaches, such as developing the management skills of staff through "seminars" and designing training courses by the integration of new concepts in e-commerce and O2O. This enables middle level management to be better in dealing with competition. Meanwhile, the Group attached importance to improving the professionalism of its staff at each level. The Auchan banner established new training for the entry level staff, laying an upward channel for their career development within the Group.

The two banners of the Group are dedicated to creating a harmonious corporate environment and pay attention to the feedback from staff. During the year, Auchan conducted a staff engagement survey and formulated action plans based on the survey results to improve the incentives systems. The RT-Mart banner was awarded the "Shanghai Model Employee's Home" by Shanghai Labor and Social Security Bureau. The Auchan banner has been awarded the 100 Best HRM Companies by zhaopin.com for four consecutive years.

Corporate Social Responsibility

Being a retailer close to consumers, the Group's stores actively participated in social and charity activities in their communities, striving to become good neighbors. The Group has been a member of the "Earth Hour" activity for five consecutive years. The Auchan banner has participated in the "Million Tree Project" charity activity organized by the "Roots & Shoots Shanghai" for four consecutive years, with 9,000 trees in total planted and four Auchan charity forests established. The RT-Mart banner has participated in the "Shanxing 100" activity hosted by China Foundation for Poverty Alleviation for three consecutive years.

Outlook

Media reports issued following the China Central Economic Works Conference suggested that the Chinese government favored individual consumption choices. This increases the emphasis on product quality and innovation in supply channels. We expect the Chinese government to adopt policies which will boost consumer spending.

The Group will continue to maintain a stable pace in new store expansion by leveraging on the opportunities arising from urbanization and selecting the location of new stores in a more prudent manner to ensure their quality and profitability. At the same time, we will continue to optimize our processes, step-up our training efforts and improve our logistics and distribution and information technology systems to enhance the productivity of our staff and the effectiveness of our entire supply chain. We will continue to capture new consumption trends, improve our product mix, foster the development of our own brand merchandise, increase direct procurement and reduce procurement steps, and impose strict merchandise quality and safety control on all food products. We will put great efforts on developing our e-commerce business, enhancing consumers' shopping experience and becoming an omni channel retailer.

The Group's aim in the future is to continue to improve management capability, to provide a better working environment for its staff and to improve the quality of our merchandise and services for customers. This should bring higher returns to our shareholders in the long term.

Executive Directors

Mr. Bruno, Robert MERCIER, aged 55, is the Chief Executive Officer, an executive director of the Company and chairman of the subsidiaries of the Group operating under the "Auchan" banner. Mr. Mercier received an Engineering Degree from The Higher National Agronomic School awarded by the Ministry of National Education and the French Polytechnic Institute of Toulouse in France in 1983, and a Master of Business Administration from INSEAD in 1988. He is responsible for the strategic direction and overall performance of the Group. Mr. Mercier has been a director of the Company since 8 February 2001. He joined the Group in 1999 as a development director of our "Auchan" principal executive office in Shanghai, where he was responsible for the development and implementation of the business operations under our "Auchan" banner in the PRC. In 2002, Mr. Mercier underwent training as a store manager in our "Auchan" hypermarket in Changyang, the PRC. Upon completion of his training, he was appointed as the managing director of our subsidiary, ACI in the same year, where he was responsible for the development and implementation of its business plans and budget. Since 2007, Mr. Mercier has been the chairman of ACI and RT-Mart International Ltd. ("**RT-Mart Int'l**"), a company incorporated in Taiwan, and has been actively participating in the implementation of Groupe Auchan's vision in both companies. Mr. Mercier is also a director of certain of the subsidiaries of the Group, including Auchan (China) Hong Kong Ltd. ("**ACHK**"), ACI, Concord Champion International Ltd. ("**CCIL**"), RT-Mart Holdings Limited ("**RT-MART Holdings**"), FEHK and FESH as well as various other operating subsidiaries in the PRC under the "Auchan" banner.

Prior to joining the Group in 1999, Mr. Mercier was with Groupe Auchan, one of the two ultimate controlling shareholders of the Group, where he worked in an "Auchan" hypermarket store in France in 1998, being trained in all functions and roles of store operations including store manager. Mr. Mercier also has many years of experience gained from working in the retail and consulting industries from 1983 to 1998, notably with Groupe Pernod Ricard, a global wines and spirits producer, in its China and Thailand operations as well as with McKinsey & Company.

Mr. HUANG Ming-Tuan (黃明端), aged 59, is an executive director of the Company and chairman of the subsidiaries of the Group operating under the "RT-Mart" banner. Mr. Huang received a Master of Business Administration from the College of Management, National Taiwan University in 1984. He is responsible for the overall strategic planning and management of our business. Mr. Huang has been a director of the Company since 28 April 2011. He joined the Group in 2001 and has since been the chief executive officer of RT-Mart Limited Shanghai ("**Shanghai RT-Mart**") where he is responsible for devising and implementing its overall strategies and the supervision of its business operations. Mr. Huang has been involved in the business and operational strategies of the Company since 2001 as the legal representative of the directors of our Board, Ruentex Industries Limited ("**Ruentex Industries**") and Sinopac Global Investment Ltd. ("**Sinopac**"). Mr. Huang is also a director of certain of the subsidiaries of the Group, including CIC, Shanghai RT-Mart and FEHK.

Prior to joining the Group in 2001, Mr. Huang was the general manager of Ruentex Industries from 1991 to 1997, where he was responsible for devising and implementing its overall strategies and the supervision of its business operations. From 1997 to 2001, Mr. Huang was the vice chairman of RT-Mart Int'l.

Non-Executive Directors

Mr. CHENG Chuan-Tai (鄭銓泰), aged 60, is the Chairman and a non-executive director of the Company. Mr. Cheng received a Master degree of Business Administration from National Taiwan University in 1981. Mr. Cheng has been a director of the Company since 28 April 2011. From 1992 to 1997, Mr. Cheng has been a general manager of Ruentex Construction & Development Co., Ltd. where he was in charge of overseeing its business operations. Mr. Cheng has been involved in the business and operational strategies of the Company since 2001 as the legal representative and a director of the Company, Ruentex Development Co., Ltd. ("**Ruentex Development**") and Kofu International Limited ("**Kofu**"). Mr. Cheng has also been the chairman of Trend Laser Technology Co., Ltd., a company which is in the business of micro-machining services since 2001. He has also been a member of the coaching committee of RT-Mart Int'l since 2001, where he was responsible for supervising and supporting its management team in the operations of hypermarkets in Taiwan.

Mr. Benoit, Claude, Francois, Marie, Joseph LECLERCQ, aged 43, is a non-executive director of the Company. Mr. Leclercq has been a managing director of Crehol China Consultancy Co., Ltd. ("**Crehol China**") since 2011. Crehol China is an investment company of Mulliez Family in the PRC. The Mulliez Family comprises Mr. Gerard Mulliez, who is the founder of Groupe Auchan and other members of the family in France, who hold interests in various companies under Groupe Auchan, one of the two ultimate controlling shareholders of the Company. Through various companies under Groupe Auchan, the Mulliez Family conducts or pursues various business interests in hypermarket operations, supermarket operations, real estate development, banking and e-commerce.

Mr. Leclercq is the president of Jungle & MTL Holdings, a company incorporated in the U.S.A. since 1993. Mr. Leclercq is also a co-owner of (i) MTL, a weaving decoration production factory in the U.S.A., (ii) Breteuil, a company which is a fabric furnishing agent in the U.S.A., (iii) IPM US, a design company and converter in decoration in the U.S.A., and (iv) Bayart Tissage, a design company and converter in decoration in France. Moreover, Mr. Leclercq is a chief executive officer in charge of coaching at Donghia, a company engaged in high end upholstery in the U.S.A. since 2005. He is also a director of FEHK, one of the subsidiaries of the Group.

Mr. Leclercq received a Bachelor of Arts major in international marketing and finance from Middlesex University in London in 1992 and a CESEM degree from Reims Management School in 1992.

Mr. Leclercq does not have any relationship with any directors or senior management or substantial shareholders or controlling shareholders of the Company except that he is one of the family members of the Mulliez Family.

Mr. Philippe, David BAROUKH, aged 57, is the Vice-Chairman and a non-executive director of the Company. Mr. Baroukh received a degree from the Political Education Institute in Aix en Provence (Institut d'Etudes Politiques d'Aix-en-Provence) in 1982. Mr. Baroukh has been a director of the Company since 10 December 2010. Mr. Baroukh has been with Groupe Auchan, one of the two ultimate controlling shareholders of the Group, since 1986, where he worked in various operational and management positions including as head of product procurement centre (chef de produit centrale d'achat), head of fresh produce sector (chef de secteur produits), manager (directeur), regional manager (directeur régional) and sales manager (directeur des ventes). From 2002 to 2010, he was the chief executive officer (directeur général) of Auchan France S.A. Since 2010, Mr. Baroukh has been the chief executive officer of Hypermarchés Auchan (directeur général Hypermarchés Auchan) and a member of the executive committee (member du comité exécutif) of Groupe Auchan S.A. Mr. Baroukh is also a director of A-RT Retail Holdings Limited ("**A-RT**") and ACHK, and the chief executive officer of Auchanhyper S.A. Both Auchanhyper S.A. and A-RT are the controlling shareholders of the Company.

Mr. Xavier, Marie, Alain DELOM de MEZERAC, aged 59, is a non-executive director of the Company. Mr. Delom de Mezerac received a degree from ESSEC Business School (Diplôme de L'ESSEC, Ecole Supérieure des Sciences économiques et Commerciales) in 1978. Mr. Delom de Mezerac has been a director of the Company since 8 February 2001. From 1985 to 1993, Mr. Delom de Mezerac was with the Corning group (Corning), a global speciality glass and ceramics producer, in its United States, Mexico and France operations, where he worked in various financial and management positions including as financial manager for Corning's Europe operations. From 1994 to 1997, Mr. Delom de Mezerac was with Euro Disney S.A.S. as its chief financial officer. From 1997 to 1999, Mr. Delom de Mezerac was with Alcatel Alsthom S.A. as its deputy chief financial officer. Since 1999, Mr. Delom de Mezerac has been with Groupe Auchan where he is the chief financial officer and a member of the executive committee. Since May 2014, he has been the chairman of Banque Accord S.A., which is the consumer finance subsidiary of Groupe Auchan. He is also a director of AuchanHyper S.A. and A-RT, both of which are the controlling shareholders of the Company, and a director of certain of the subsidiaries of the Group, including ACHK, RT-Mart Holdings and CCIL.

Independent Non-Executive Directors

Ms. Karen Yifen CHANG (張挹芬), aged 51, is an independent non-executive director of the Company and has been a director of the Company since 27 June 2011. Ms. Chang is the chief executive officer of Natural Beauty Bio-Technology Limited ("**Natural Beauty**"), a leading skincare and spa chain in Greater China listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), since January 2013. Ms. Chang is primarily responsible for overseeing the overall strategies, planning and day-to-day operations and management of Natural Beauty. She is also a director of various subsidiaries under the Natural Beauty group. Prior to joining Natural Beauty in 2013, Ms. Chang was the chief executive officer and executive director of Pou Sheng International (Holdings) Limited, a sportswear retailer in the PRC listed on the Main Board, from 2007 to April 2012. In addition, she has many years of financial management and investment banking experience gained from working with KPMG in Washington DC and Los Angeles in the United States as well as Jardine Fleming, Merrill Lynch and Credit Suisse in Shanghai and Hong Kong from 1992 to 2006. She has also worked for Semiconductor Manufacturer International Corporation from 2003 to 2004 as Assistant Vice President of Finance.

Ms. Chang received a Bachelor degree in Arts in English Literature from Fu-Jen Catholic University in Taiwan in 1986 and a Master of Business Administration degree from the George Washington University in Washington D.C. in the United States in 1988.

Mr. Desmond MURRAY, aged 60, is an independent non-executive director of the Company and has been a director of the Company since 27 July 2011. Mr Murray graduated with a Bachelor of Commerce from the University College Dublin in 1976 and is a qualified accountant and a member of the Hong Kong Institute of Certified Public Accountants. He was an audit partner in PricewaterhouseCoopers Hong Kong from 1987 to 2000. Since withdrawing from practice with PricewaterhouseCoopers, Mr. Murray has taken on a number of non-executive directorships. These include a major retailer in Ireland and Clear Media Limited, a company listed on the Main Board of the Hong Kong Stock Exchange, for which he is also chairman of its audit committee. Mr. Murray was a non-executive director of iShares plc, iShares II plc, iShares III plc, iShares IV plc and iShares V plc, companies all listed on the Main Board of the London Stock Exchange until 31 March 2013. He was also a non-executive director of Black Rock Fixed Income Dublin Funds plc, Black Rock Institutional Pooled Funds plc and Institutional Cash Series plc, companies all listed on the Dublin Stock Exchange until 31 March 2013. Mr. Murray also acts as a business consultant to a number of smaller businesses. While working with PricewaterhouseCoopers, Mr. Murray advised boards and audit committees of companies listed in Hong Kong, both as an audit partner and as an adviser in relation to both internal audit and corporate governance. He was Honorary Consul for Ireland in Hong Kong from 1996 to 1999.

Mr. HE Yi (何毅), aged 61, is an independent non-executive director of the Company. Mr. He studied management and strategy from HEC International Business School (école des Hautes études Commerciales) from 1989 to 1991. Mr. He has been a director of the Company since 27 June 2011 and is also currently a director of Essilor International (Compagnie Générale d'Optique), listed on the NYSE-Euronext stock exchange. From 1978 to 1989, he was a representative of the People's Republic of China Embassy in France, Paris where he was successively in charge of consular affairs, cultural affairs, protocol, relations with media and cooperation in administrative matters between the PRC and France. From 1991 to 1996, he joined the Danone Group's Shanghai subsidiary as a general manager. Mr. He joined the Essilor Group as the chief executive officer of Shanghai Essilor Optical Co., Ltd. in 1996 and has been the chairman of Essilor (China) Holding Company and a director of Essilor International since 2010.

Senior Management

Mr. Jean-Patrick PAUFICHET, aged 62, is the Chief Financial Officer of the Company and the group of subsidiaries operating under the "Auchan" banner in China. He is responsible for the financial, controlling and legal matters of the operations under the "Auchan" banner of the Group. Prior to joining the Group in 2004, Mr. Paufichet has been with Groupe Auchan, one of the two ultimate controlling shareholders of the Group. From 1978 to 2004, Mr. Paufichet has held various positions in Groupe Auchan's operations worldwide, including the position of chief financial officer of Groupe Auchan's operations in the United States and Poland, store manager of certain "Auchan" hypermarkets in Italy and France and group controller for Groupe Auchan's operations in France and Italy. Mr. Paufichet is also a director of certain of the subsidiaries of the Group including ACHK and ACI as well as various other operating subsidiaries in the PRC under the "Auchan" banner. Mr. Paufichet received a degree from ESSEC Business School (Diplôme de L'ESSEC, Ecole Supérieure des Sciences économiques et Commerciales) in 1977.

Mr. HSU Sheng-Yu (徐盛育), aged 59, is the chief financial officer of the group of subsidiaries operating under the "RT-Mart" banner in China. He is responsible for the financial, controlling and legal matters of our operations under our "RT-Mart" banner. Prior to joining the Group in 1999, Mr. Hsu has been with Ruentex[(1)], one of the two ultimate controlling shareholders of the Group. From 1983 to 1999, Mr. Hsu held various positions in Ruentex's operations in Taiwan, including the position of finance manager, vice general manager, general manager and chairman in Ruentex Industries, Xinye Construction Co., Ltd. (興業建設股份有限公司), Ruentex Construction and Engineer Co., Ltd. (潤泰營造股份有限公司) and Runhong Engineering Co., Ltd. (潤弘工程股份有限公司) respectively. Mr. Hsu is also a director of certain of subsidiaries of the Group, including Shanghai RT-Mart and FEHK.

Mr. Olivier SOULE-DE-BAS, aged 50, is the chief executive officer of ACI. He is responsible for the strategic direction and overall performance of ACI. Prior to joining the Group in 2007, Mr. Soule-De-Bas has been with Groupe Auchan, one of the two ultimate controlling shareholders of the Group. From 1986 to 1997, Mr. Soule-De-Bas held various positions in Groupe Auchan's operations in France, including the position of section manager, financial controller and division manager. From 1997 to 2005, Mr. Soule-De-Bas was based in China and was involved in the initial stages of the establishment of our "Auchan" hypermarkets in China where he worked as a financial controller. He also worked as a store manager and a general manager respectively during this period. From 2005 to 2007, Mr. Soule-De-Bas was based in Taiwan where he was the chief financial officer of RT-Mart Int'l. Mr. Soule-De-Bas received a degree of Higher Accounting and Financial Education from the Education Ministry in Bordeaux in France in 1990 (DESCF).

Mr. CHIANG Yeong-Fang (蔣永芳), aged 58, is the chief executive officer of the group of subsidiaries operating under the "RT-Mart" banner in China, where his responsibilities include the management of hypermarkets complexes as well as the formulation of strategies for our business operations under the "RT-Mart" banner. Prior to joining the Group in 2001, Mr. Chiang has been with Ruentex, one of the two ultimate controlling shareholders of the Group. From 2000 to 2001, Mr. Chiang was the vice-general manager of Ruentex Industries, where he was responsible for general operational matters of the group of companies under Ruentex Industries, including procurement, operational efficiency management of the group's factories, human resource and administration. From 1979 to 2000, Mr. Chiang was a career army officer with the army of the Republic of China. Mr. Chiang is also a director of Shanghai RT-Mart, one of the subsidiaries of the Group.

Company Secretary

Ms. HO Siu Pik (何小碧), FCIS, FCS (PE), aged 51, is the company secretary of the Company. Ms. Ho is a director of Corporate Services Division of Tricor Services Limited and a fellow member of both the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Ho has over 20 years of experience in the company secretarial area. Ms. Ho is currently the joint company secretary of China Molybdenum Company Limited (stock code: 3993), China Polymetallic Mining Limited (stock code: 2133) and China Rundong Auto Group Limited (stock code: 1365), and the company secretary of Goodbaby International Holdings Limited (stock code: 1086), Natural Beauty Bio-Technology Limited (stock code: 0157) and Yashili International Holdings Limited (stock code: 1230). Ms. Ho was the joint company secretary of SITC International Holdings Company Limited (stock code: 1308) from 10 September 2010 to 8 March 2015.

Note:

(1) Ruentex Development, Ruentex Industries, Concord Greater China Limited and Kofu collectively, one of the two ultimate controlling shareholders of the Group.

The board (the "**Board**") of directors (the "**Directors**") of the Company are pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

Principal Activity

The principal activity of the Group is the operation of hypermarkets in the PRC, under two banners of 'Auchan' and 'RT-Mart'. An analysis of the Group's turnover by category of revenue is set out in note 2 to the consolidated financial statements on pages 79 to 80.

Financial Statements

The results of the Group for the year ended 31 December 2014 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 53.

The financial position of the Group and of the Company as at 31 December 2014 is set out in the Consolidated Statement of Financial Position of the Group and Statement of Financial Position of the Company on pages 54 to 56.

The cash flows of the Group for the year ended 31 December 2014 are set out in the Consolidated Cash Flow Statement on pages 58 to 59.

Final Dividend

At the Board meeting held on 27 February 2015, the Directors proposed that a Final Dividend representing a total distribution of HK$1,526 million to be paid on or about 15 July 2015 (Wednesday) to the shareholders of the Company whose names appear on the Company's register of members at the close of business at 4:30 p.m. on 21 May 2015 (Thursday). The proposed final dividend is subject to approval by the shareholders of the Company at the AGM.

There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividends.

Reserves

Details of the movements in the reserves of the Group and the Company during the year ended 31 December 2014 are set out in the Consolidated Statement of Changes in Equity on page 57 and note 21(a) to the consolidated financial statements.

As at 31 December 2014, the Company's reserves available for distribution to shareholders in accordance with the Company's existing articles of association ("**Articles of Association**") amounted to RMB1,330 million.

Fixed Assets

Details of the movements in the fixed assets of the Group during the year ended 31 December 2014 are set out in note 10 to the consolidated financial statements.

The Group also manages retail galleries in our hypermarket buildings, in which we lease spaces to third parties. The portion of the buildings containing the retail galleries which are owned by the Group are classified as investment properties. The Group has applied the cost model for investment properties.

As at 31 December 2014, there were 91 retail galleries classified as investment properties. All of the galleries were of similar nature and all located in the PRC. There were a large number of individual properties and none of the properties was material on an individual basis.

An independent professional valuer has been engaged to value the retail galleries owned by the Group. As at 31 December 2014, the total fair value of such retail galleries was RMB11,712 million, including the fair value of the portion of the buildings classified as investment properties amounting to a value of RMB4,180 million and the fair value of the associated land use rights amounting to RMB7,532 million.

Details of the fair value of the investment properties as at 31 December 2014 and 2013 and the valuation technique are set out in notes 10(iv) and 10(v) to the consolidated financial statements respectively.

Bank Loans and Overdrafts

Details of the Group's bank loans and overdrafts as at 31 December 2014 are set out in note 18 to the consolidated financial statements.

Donations

Donations made by the Group during the year ended 31 December 2014 amounted to RMB16 million.

Share Capital

Details of the movements in share capital of the Company during the year ended 31 December 2014 are set out in note 21(c) to the consolidated financial statements.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the printing of this annual report, the Company has maintained the amount of public float as approved by the Stock Exchange and as permitted under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Closure of Register of Members

(a) For determining the entitlement to attend and vote at the 2015 AGM

The Company's register of members will be closed from 12 May 2015 (Tuesday) to 14 May 2015 (Thursday), both dates inclusive, during which period no transfer of shares will be registered. To ensure that shareholders are entitled to attend and vote at the AGM, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's share registrar, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 11 May 2015 (Monday).

(b) For determining the entitlement to the proposed Final Dividend

The proposed Final Dividend is subject to the approval of the shareholders at the 2015 AGM. For determining the entitlement to the proposed Final Dividend, the record date is fixed on 21 May 2015 (Thursday). Shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's share registrar, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 21 May 2015 (Thursday).

Purchase, Sale or Redemption of Shares of the Company's listed securities

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

Directors

The Directors during the year ended 31 December 2014 and as of the date of this annual report were as follows:

Directors as at the date of this annual report

Executive directors:

Bruno, Robert MERCIER *(Chief Executive Officer)* (Appointed on 8 February 2001)
(Philippe, David BAROUKH, Xavier, Marie, Alain DELOM de MEZERAC and Benoit, Claude, Francois, Marie, Joseph LECLERCQ as his alternates, save for Benoit, Claude, Francois, Marie, Joseph LECLERCQ who was appointed on 12 September 2012, all were appointed on 13 May 2011)
HUANG Ming-Tuan (Appointed on 28 April 2011)
(CHENG Chuan-Tai as his alternate, appointed on 13 May 2011)

Non-executive directors:

CHENG Chuan-Tai *(Chairman)* (Appointed on 28 April 2011)
(HUANG Ming-Tuan as his alternate, appointed on 13 May 2011)
Benoit, Claude, Francois, Marie, Joseph LECLERCQ (Appointed on 12 September 2012)
(Bruno, Robert MERCIER, Philippe, David BAROUKH and Xavier, Marie, Alain DELOM de MEZERAC as his alternates, all were appointed on 12 September 2012)
Philippe, David BAROUKH (Appointed on 10 December 2010)
(Bruno, Robert MERCIER, Xavier, Marie, Alain DELOM de MEZERAC and Benoit, Claude, Francois, Marie, Joseph LECLERCQ as his alternates, save for Benoit, Claude, Francois, Marie, Joseph LECLERCQ who was appointed on 12 September 2012, all were appointed on 13 May 2011)
Xavier, Marie, Alain DELOM de MEZERAC (Appointed on 8 February 2001)
(Bruno, Robert MERCIER, Philippe, David BAROUKH and Benoit, Claude, Francois, Marie, Joseph LECLERCQ as his alternates, save for Benoit, Claude, Francois, Marie, Joseph LECLERCQ who was appointed on 12 September 2012, all were appointed on 13 May 2011)

Independent non-executive directors:

Karen Yifen CHANG (Appointed on 27 June 2011)
Desmond MURRAY (Appointed on 27 June 2011)
HE Yi (Appointed on 27 June 2011)

Biographies of the Directors as at the date of this annual report are set forth in the section headed "Profiles of Directors and Senior Management" of this report.

In accordance with the existing Articles of Association, Mr. HUANG Ming Tuan, Mr. CHENG Chuan-Tai and Mr. Bruno, Robert MERCIER will retire as executive and non-executive Directors and, being eligible, have offered themselves to be re-elected and re-appointed at the forthcoming AGM.

The Company has received annual confirmation of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with the Listing Rules.

Directors Service Contracts

Each of the independent non-executive Directors of the Company is appointed for a specific term of three years and shall be subject to retirement by rotation at least once every three years.

The Company will enter into a service agreement with each of the executive and non-executive Directors with a term within three years from the relevant effective date.

There was no service contract entered by the Company and any Directors which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Disclosure of Directors' confirmation pursuant to Rule 13.51B(1) of the Listing Rules.

The annual Directors' fees of the independent non-executive Directors of the Company effective from 27 June 2014 are set out as below:–

Ms. Karen Yifen CHANG	:	HKD300,000
Mr. Desmond MURRAY	:	HKD360,000
Mr. HE Yi	:	HKD300,000

Director's Interests in Contracts

Other than those transactions disclosed in note 25(c) to the consolidated financial statements and in the section headed "Connected Transactions" below, there was no other significant contract to which the Company or any member of the Group was a party and in which the Directors possessed direct or indirect substantial interests, subsisted during or at the end of the year.

Directors' Interest and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2014, the interest or short position of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**") required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies as set out in the Appendix 10 to the Listing Rules (the "**Model Code**"), to be notified to the Company and the Stock Exchange, are as follows:–

Name of director/ chief executive	Name of Corporation	Nature of Interest	Total number of shares[(1)]	Approximate percentage shareholding of the relevant entity
Bruno, Robert MERCIER	Company	Beneficial owner	110,000(L)	0.0012%
	Groupe Auchan S.A.[(2)]	Beneficial owner	501(L)[(4)]	0.0016%
HUANG Ming-Tuan	Company	Beneficial owner, interest of spouse and interest in a controlled corporation[(3)]	117,234,074 (L)	1.2289%
CHENG Chuan-Tai	Company	Beneficial owner	6,000,000 (L)	0.0629%
Philippe, David BAROUKH	Groupe Auchan S.A.[(2)]	Beneficial owner	1,358(L)[(5)] 1,543(L)[(6)] 1,498(L)[(7)] 688(L)[(8)]	0.0043% 0.0049% 0.0047% 0.0022%
Xavier, Marie, Alain DELOM de MEZERAC	Groupe Auchan S.A.[(2)]	Beneficial owner	2,287(L)[(9)] 772(L)[(10)] 712(L)[(11)] 459(L)[(12)]	0.0072% 0.0024% 0.0022% 0.0015%
Desmond MURRAY	Company	Beneficial owner	55,000(L)	0.0006%

Notes:

(1) The letter "L" denotes the person's long position in the shares.

(2) Groupe Auchan S.A. is a company incorporated in France and comprises various companies controlled by the Mulliez Family through which they conduct or pursue their various business interests in hypermarkets operations, supermarkets operations, real estate development, banking and e-commerce. Groupe Auchan S.A. is the holding company of Groupe Auchan, one of our two ultimate controlling shareholders. Groupe Auchan S.A. has adopted various share incentive plans pursuant to which share-based awards are granted to eligible directors and employees of Groupe Auchan S.A. and its subsidiaries. These share incentive plans include the following:

(i) Stock Option Plan (2015) relating to the grant of options to subscribe for shares in Groupe Auchan S.A. with a vesting period from 23 June 2015 to 23 July 2015.

(ii) Stock Option Plan (2016) relating to the grant of options to subscribe for shares in Groupe Auchan S.A. with a vesting period from 30 August 2016 to 30 September 2016.

(iii) Stock Option Plan (2017) relating to the grant of options to subscribe for shares in Groupe Auchan S.A. with a vesting period from 30 August 2017 to 30 September 2017.

(iv) Stock Option Plan (2018) relating to the grant of options to subscribe for shares in Groupe Auchan S.A. with a vesting period from 29 August 2018 to 30 September 2018.

Note: With effect from 9 May 2012, the only class of shares issued by Groupe Auchan S.A. is ordinary shares, the restricted shares and Class S shares were converted to ordinary shares on 9 May 2012. The issued share capital of Groupe Auchan S.A. is 31,654,416 shares as at 31 December 2014.

(3) (i) Mr. Huang Ming-Tuan holds 15,559,258 shares.

(ii) Ms. Lee Chih-Lan is the spouse of Mr. Huang Ming-Tuan and holds 1,551,238 shares. Accordingly, Mr. Huang Ming-Tuan is deemed to be interested in all of the shares held by Ms. Lee Chih-Lan.

(iii) Mr. Huang Ming-Tuan is the legal and beneficial owner of the entire issued share capital of Victor Spring Ltd., a limited liability company incorporated in the British Virgin Islands. Accordingly, he is deemed to be interested in all of the 17,969,614 shares held by Victor Spring Ltd.

(iv) Mr. Huang Ming-Tuan is the legal and beneficial owner of 50% of the share capital of Unique Grand Trading Ltd., a limited liability company incorporated in the British Virgin Islands, and Ms. Lee Chih-Lan, the spouse of Mr. Huang Ming-Tuan holds the remaining 50%. Accordingly, he is deemed to be interested in all of the 82,153,964 shares held by Unique Grand Trading Ltd.

(4) This represents 501 shares in Groupe Auchan S.A..

(5) This represents 1,358 shares in Groupe Auchan S.A..

(6) This represents stock options in respect of 1,543 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2015).

(7) This represents stock options in respect of 1,498 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2016).

(8) This represents stock options in respect of 688 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2018).

(9) This represents 2,287 shares in Groupe Auchan S.A..

(10) This represents stock options in respect of 772 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2015).

(11) This represents stock options in respect of 712 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2017).

(12) This represents stock options in respect of 459 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2018).

Save as disclosed above, so far as known to any Directors, as at 31 December 2014, none of the directors or chief executives of the Company or any of their associates had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations as defined in Part XV of the SFO, which were required to be recorded in the register required to be kept under section 352 of the SFO, or otherwise required to be notified by the Directors or chief executives to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debt Securities

At no time during the year was the Company or any of its holding companies or its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interest in Competing Business

During the year, none of the Directors of the Group had any interests in a business which competes, either directly, or indirectly, with the business of the Company or the Group.

Share Option Scheme

There is no share option scheme operated by the Company.

Employee Trust Benefit Schemes

The Group has in place an ETBS for the employees of the Group, including the directors and senior management, under each of the "Auchan" and "RT-Mart" banners of the Group. The Auchan Scheme and the RT-Mart Scheme are each implemented by way of a trust arrangement. The Auchan Scheme allows the employees of the Auchan Banner to share the success of ACI, a key operating subsidiary under the Auchan Banner while the RT-Mart Scheme allows the employees of the RT-Mart Banner to share the success of CIC, a key operating subsidiary under the RT-Mart Banner.

Details of the ETBS are set out in the note 4(b)(ii) to the consolidated financial statements.

Calculated based on the actual paid-in capital, as at 31 December 2014, 5% of ACI and 6.81% of CIC were held by the respective trusts under the Auchan scheme and the RT-Mart Scheme.

Substantial Shareholders' Interests and Short Position in Shares and Underlying Shares of the Company

So far as is known to any Director or chief executive of the Company, as at 31 December 2014, the persons or corporations (other than Director or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company or its associated corporation(s) which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of substantial shareholder	Nature of Interest	Number and class of shares [1]	Approximate percentage of shareholding
A-RT[2]	Beneficial owner	4,865,338,686 (L)	51.0009%
Auchan Hyper SA ("**Auchan Hyper**")[3]	Interest in a controlled corporation and beneficial owner	5,791,757,452 (L)[12]	60.7121%
Groupe Auchan S.A.[4]	Interest in a controlled corporation	5,791,757,452 (L) [12]	60.7121%
Au Marche S.A.S[5]	Interest in a controlled corporation	5,791,757,452 (L) [12]	60.7121%
Mulliez Family[6]	Interest in controlled corporations	5,791,757,452 (L) [12]	60.7121%
Kofu[7]	Beneficial owner	748,376,538 (L)[13]	7.8449%
CGC[8]	Beneficial owner	807,024,010 (L)[14]	8.4596%
Ruentex Industries[9]	Interest in a controlled corporation	807,024,010 (L)[14]	8.4596%
Ruentex Development[10]	Interest in controlled corporations	807,024,010 (L)[14]	8.4596%
Mr. Yin Chung Yao[11]	Interest in controlled corporations	748,376,538 (L)[13]	7.8449%

Notes:

(1) The letter "L" denotes long position in the shares.

(2) A-RT is 36.70% owned by Auchan Hyper, therefore Auchan Hyper is deemed to be interested in all the shares in which A-RT is interest in by virtue of Part XV of the SFO.

The rest of shares of A-RT is 25.42% owned by CGC, 23.58% owned by Kofu and 14.30% owned by Monicole Exploitatie Maatschappij BV ("**Monicole BV**").

Monicole BV is a company incorporated in the Netherlands, which is indirectly wholly-owned by Auchan Hyper.

(3) Auchan Hyper is a company incorporated in France which is wholly-owned by Groupe Auchan S.A.. A-RT is 36.70% owned by Auchan Hyper, therefore Auchan Hyper is deemed to be interested in all the shares in which A-RT is interested in by virtue of Part XV of the SFO.

(4) Auchan Hyper is wholly-owned by Groupe Auchan S.A., therefore Groupe Auchan S.A. is deemed to be interested in all the shares in which Auchan Hyper is interested in by virtue of Part XV of the SFO.

(5) Groupe Auchan S.A. is 61.88% owned by Au Marche S.A.S, therefore Au Marche S.A.S is deemed to be interested in all the shares in which Groupe Auchan S.A. is interested in by virtue of Part XV of the SFO.

(6) Mulliez Family comprises the founder of Groupe Auchan (one of our two ultimate controlling shareholders, which is held by Groupe Auchan S.A.), Gerard Mulliez, and other members of the Mulliez family in France, who hold interests in various companies under Groupe Auchan S.A.. Au Marche S.A.S is wholly-owned by the Mulliez Family through certain intermediate holding companies. No one member of the Mulliez Family is able to exert a dominant influence over other members in their voting rights in Au Marche S.A.S.. The Mulliez Family is collectively represented by a member of the family, who plays an administrative role and is similarly unable to exert a dominant influence over other members of the Mulliez Family and does not control Au Marche S.A.S..

(7) Kofu is a company incorporated in the British Virgin Islands, which is indirectly wholly-owned by Mr. Yin Chung Yao, and has a direct beneficial interest of 7.84% in the Company.

(8) CGC is a company incorporated in the British Virgin Islands and a company under Ruentex (Ruentex Development, Ruentex Industries, CGC and Kofu collectively) and has a direct beneficial interest of 8.46% in the Company.

(9) CGC is 42.25% owned by Ruentex Industries, therefore Ruentex Industries is deemed to be interested in all the shares in which CGC is interested in by virtue of Part XV of the SFO.

(10) CGC is 15.51% owned by Sinopac Global Investment Ltd. ("**Sinopac**") (a company indirectly owned as to 49.06% by Ruentex Industries and 49.06% by Ruentex Development and directly owned as to 1.886% by Kofu), and Sinopac is 49.06% owned by Ruentex Development. Therefore Ruentex Development is deemed to be interested in all the shares in CGC in which Sinopac is interested in by virtue of Part XV of the SFO. CGC is 25.46% owned by Ruentex Development. Therefore Ruentex Development is deemed to be interested in all the shares in which CGC is interested in by virtue of Part XV of the SFO.

(11) Kofu is wholly owned by Mr. Yin Chung Yao, through certain controlled corporations.

(12) Such 5,791,757,452 shares belong to the same batch of shares.

(13) Such 748,376,538 shares belong to the same batch of shares.

(14) Such 807,024,010 shares belong to the same batch of shares.

Save as disclosed above, as at 31 December 2014, the Directors of the Company are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company or its associated corporation(s) which would require to be recorded in the register required to be kept by the Company pursuant to Section 336 of Part VX of the SFO.

As at 31 December 2014, the shareholding interests of ten of the operating subsidiaries in the PRC are partially held by independent third parties. Those operating subsidiaries are Feiniu E-commerce (Shanghai) Co., Ltd, FEHK, Ruenguo Information Technology (Shanghai) Co., Ltd., RT-Mart Limited Shanghai, Jinan RT-Mart, Changshu Bairuenfa Hypermarket Co., Ltd., Shanghai Auchan Hypermarket Co., Ltd., Hangzhou Auchan Hypermarket Co., Ltd., Changzhou Immochan Real Estate Co., Ltd., and Wuxi Immochan Real Estate Co, Ltd.

Highest Paid Individuals and the Remuneration of the Directors and Senior Management

Details of the Directors' remuneration and the five individuals with highest emoluments are set out in notes 6 and 7 respectively of the consolidated financial statements in this annual report.

For the year ended 31 December 2014, the remuneration of the senior management whose profiles are included in the Profile of Directors and Senior Management section of this annual report, except the Company Secretary who is an external service provider, fell within the following bands:

Remuneration band	Number of Individuals
HKD3,000,001 – HKD3,500,000	**1**
HKD4,500,001 – HKD5,000,000	**1**
HKD8,500,001 – HKD9,000,000	**1**
HKD14,000,001 – HKD14,500,000	**1**

Remuneration Policy

As at 31 December 2014, the Group employed a total of 144,530 employees. The Group recruits and promotes individuals based on merit and their development potentials. Remuneration package offered to all employees including Directors is determined with reference to their performance, time commitment, responsibilities and the prevailing salary levels in the market.

Retirement/Pension Schemes

Details of the retirement benefit schemes of the Group are set out in note 4(b) to the consolidated financial statements.

Connected Transactions

During the year ended 31 December 2014, the Group had the following non-exempt continuing connected transactions.

According to the master trademark license agreement dated 13 December 2001 (supplemented from time to time) (the "**Old Trademark Licence Agreement**") entered into between Groupe Auchan and ACHK, Groupe Auchan granted to ACHK a non-exclusive and non-transferable license of its Auchan trademarks for use in connection with the Group's "Auchan" banner businesses in the PRC.

To streamline internal administration and operation procedures, ACHK and Groupe Auchan agreed to terminate the Old Trademark Licence Agreement and Groupe Auchan entered into a new trademark licence agreement with ACI on 13 December 2013 (the "**New Trademark Licence Agreement**"). As Groupe Auchan is one of the controlling shareholders of the Company, Groupe Auchan is a connected person of the Company. Accordingly, the New Trademark Licence Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to the New Trademark Licence Agreement, Groupe Auchan granted to ACI a non-exclusive and non-transferable licence of its Auchan trademarks for use in connection with the Group's "Auchan" banner business in the PRC. The licence was granted for a term of 10 years from 1 January 2014 at a fee of 0.2% of the total income in the PRC (VAT excluded) of ACI on an annual basis. The annual caps for the maximum amount of fees payable to Groupe Auchan under the New Trademark Licence Agreement for the two years ending 31 December 2016 are RMB40 million and RMB45 million, respectively.

During the year 2014, the total fees paid by the Group to Group Auchan was RMB30 million.

The independent non-executive Directors have reviewed these transactions and confirmed that the continuing connected transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreement governing them, on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements HKSAE 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 32 to 33 of the annual report in accordance with the Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Deed of Non-competition

Pursuant to a deed of non-competition dated 29 June 2011 (the "**Deed of Non-competition**") entered into between A-RT, Auchan Hyper, Monicole BV, CGC, Kofu (collectively, the "**Controlling Shareholders**") and the Company, each of the Controlling Shareholders has undertaken to the Company that it will not and will use its best endeavour to procure that none of its affiliates will, among other things, carry on or engage in any business, which directly or indirectly, competes or is likely to compete with the operation of hypermarket complexes under the banners of "Auchan" and "RT-Mart" in the PRC, which comprise hypermarkets and retail galleries of individual retail stores.

To the best knowledge of the Directors, there is no breach of the Deed of Non-competition by the Controlling Shareholders during the financial year ended 31 December 2014.

Directors' Securities Transactions

The Company has devised its own code of conduct regarding Directors' dealing in the Company's securities (the "**Company Code**") on terms no less exacting than the Model Code. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Company Code and the Model Code throughout the year ended 31 December 2014.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance standards to safeguard the interests of the shareholders and to enhance corporate value and accountability.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report in this annual report.

Audit Committee

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and also discussed auditing, internal controls and financial reporting matters, including the review of the consolidated financial statements for the year ended 31 December 2014 with the external auditors, KPMG and with management.

Major Customers and Suppliers

The nature of the Group's activities are such that the percentage of sales or purchases attributable to the Group's five largest customers or suppliers is significantly less than 10% of the total and the Directors do not consider any one customer or supplier to be influential to the Group.

Auditors

The consolidated financial statements for the year ended 31 December 2014 have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

A resolution for the re-appointment of KPMG as auditors of the Company will be proposed at the forthcoming AGM of the Company.

Events after the Reporting Period

Details of significant events occurring after the balance sheet date are set out in note 30 to the consolidated financial statements.

By order of the Board

CHENG Chuan-Tai
Chairman
27 February 2015

The Group's businesses, financial condition, results of operations or growth prospects may be affected by risks and uncertainties pertaining to the Group's businesses. The factors set out below are those that the Group believes could result in the Group's businesses, financial condition, results of operations or growth prospects differing materially from expected or historical results. These factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

RISK ASSOCIATED WITH THE GROUP BUSINESS

Our growth prospects may be limited if we encounter difficulties executing our expansion strategy.

As part of our business strategy, we plan to expand the network of our hypermarkets through organic growth. Our ability to expand depends on, among other things:

- our ability to identify suitable sites for new hypermarkets and successfully negotiate purchase or lease agreements for these sites on terms acceptable to us;
- the availability of financing for our expansion, investments or other strategic transactions;
- our ability to attract, train and retain management talents in sufficient numbers for our expanded operations;
- our ability to obtain all the requisite governmental approvals, licences and permits in a timely manner;
- our ability to adapt and expand our operational and management systems, including our information technology systems, to support an expanded hypermarket network;
- our ability to effectively control and manage our costs in our expanded network, in particular, purchase costs, and expenses related to rent, logistics, human resources and marketing; and
- the timely completion of our new hypermarkets under development.

If we fail to achieve any of the above, we may not be able to achieve our planned expansion objectives. Our ability to manage our future growth will also depend on our ability to continue to successfully implement and improve our operational, financial and management systems in the evolving competitive markets. Our business growth could strain our managerial, operational and financial resources. Failure to effectively execute our expansion strategy may result in limited growth and reduced profitability.

We may not be able to find suitable locations for new hypermarkets on commercially acceptable terms, if at all.

Our performance depends, to a significant extent, on the location of our hypermarkets. When selecting a site for a hypermarket, we take into account various factors, including:

- population density, customer traffic and vehicle traffic;
- customer accessibility;
- potential growth of local population;
- development potential and future development trends;
- estimated spending power of the population and local economy;
- profitability and payback period, estimated on the basis of the expected sales potential;
- marketing or strategic benefits;
- proximity and performance of competitors in the surrounding area; and
- site characteristics and suitability with the specifications of our building plans.

We secure locations either through ownership or through long-term leases, as determined on a case-by-case basis. Going forward, we will need to secure more locations to open more hypermarkets. The supply of locations for new hypermarkets is scarce and, as a result, competition to secure these locations is intense. Our ability to purchase or lease suitable properties on terms acceptable to us is critical to the success of our expansion strategy. In the event that we encounter difficulties in securing suitable locations in regions that we plan to expand into, our growth prospects will be adversely affected.

Our new hypermarkets may not achieve our expected level of profitability within our desired time frame, or at all.

As part of our growth strategy, we plan to further enhance our leading position in China by increasing our market penetration and expanding our retail network. Opening new hypermarkets requires significant capital outlay up front, including the price of acquisition or rental of the premises, the cost of building, renovating and decorating the premises, and the cost of hiring and training employees. However, the new hypermarkets that we open may not achieve our expected level of profitability for a prolonged period of time, or at all. Whether or not the operation of our new hypermarkets will be successful depends on a number of factors, including:

- our ability to properly position our new hypermarkets to successfully establish a foothold in new markets and to execute our business strategy in the local market;
- our ability to successfully integrate the new hypermarkets with our existing operations and achieve related synergies;
- our ability to introduce an optimal mix of merchandise which successfully meets local consumer preferences at attractive prices;
- our ability to negotiate and obtain favourable terms from our suppliers;
- the effectiveness of our marketing campaigns;
- our ability to hire, train and retain skilled personnel;
- the competition that we face from incumbent and new players in the region; and
- any government development plans around our planned sites, such as construction, which could have an impact on the external traffic flow to our hypermarkets and the timely implementation of such changes.

Some of these factors are not entirely within our control. If our new hypermarkets do not break even or achieve our expected level of profitability within our expected timeframe, or at all, our expansion plans and our results of operations, financial condition and profitability may be materially and adversely affected.

Our new e-commerce business may not achieve our expected level of profitability within our desired time frame, or at all.

As part of our growth strategy, we have entered into a new type of business of e-commerce. Entering e-commerce business requires investments and a new business model. However, the new e-commerce business may not achieve our expected level of profitability within our desired time frame, or at all.

Whether or not the new e-commerce business will be successful depends on a number of factors, including:

- our ability to properly position this new business model in a very competitive environment;
- our ability to integrate the new e-commerce business with our existing hypermarket business model and achieve related synergies;
- our ability to introduce an optimal mix of merchandise which meets on-line customer performance and at attractive prices;
- our ability to negotiate and obtain favorable terms from our suppliers;
- the effectiveness of our marketing campaigns;
- our ability to hire, train and retain skilled personnel; and
- the competition that we face from existing and new players in the on-line business.

Some of the factors are not entirely within our control. If our new e-commerce business do not break even or achieve our expected level of profitability within our expected time frame, or at all, our results, financial condition and profitability may be materially and adversely affected and we may decide to shut down the e-commerce business.

We may fail to anticipate and provide the appropriate mix of merchandise to satisfy customer tastes and demands.

We maintain a comprehensive selection of merchandise targeting a broad range of customers. The success of our business depends on our ability to maintain a comprehensive product selection and, at the same time, anticipate and respond in a timely manner to changing customer demands and preferences. Some of the products we offer, such as home electronics and electrical appliances, may be characterised by frequent introductions of new models and technology. Consumer demands and fashion trends in the PRC are changing at a rapid pace and customer acceptance of new products is affected by a number of factors, including prevailing economic conditions, disposable income, global lifestyle trends, price, functionality, technology, appearance and many other factors. The success of our operations depends on our continued ability to select products from suppliers that satisfy customer demand. If we fail to accurately foresee or quickly adjust to general trends in consumer demands and preferences, our business, financial condition and results of operations may be materially and adversely affected.

Real or perceived quality or health issues with the products offered at our hypermarket complexes could have a material and adverse effect on our results of operations.

Concerns regarding the safety of products offered at our hypermarket complexes or the safety and quality of our supply chain could cause shoppers to avoid purchasing certain products from us, or to seek alternative sources, even if the basis for the concern is outside of our control. Adverse publicity about these concerns, whether or not ultimately based on fact, and whether or not involving products sold at our hypermarket complexes, could discourage consumers from buying our products and have a material and adverse effect on our turnover and results of operations.

RISKS RELATING TO THE INDUSTRY IN THE PRC

The outbreak of any severe infectious disease in the PRC may materially and adversely affect our results of operations.

The outbreak of any severe infectious disease in the PRC could have a material adverse effect on the overall business sentiment and environment in the PRC. This in turn may have a material and adverse impact on domestic consumption and, possibly, the overall GDP growth of the PRC. In April 2009, a H1N1 influenza broke out in Mexico and spread globally, resulting in the loss of lives and widespread fear. In addition, certain areas of China have been subject to epidemics, such as severe acute respiratory syndrome (SARS) or swine or avian influenza. As all of our turnover is derived from our PRC operations, any contraction or slowdown in the growth of domestic consumption or slowdown in the GDP growth of the PRC as a result of the outbreak of any severe communicable disease may materially and adversely affect our financial condition, results of operations and future growth. In addition, if the outbreak of any severe communicable disease occurs in the future and any of our employees or our customers in our hypermarkets are suspected of having contracted any severe communicable disease or any of our hypermarkets are identified as a possible source of spreading any severe communicable disease, we may be required to quarantine the employees that have been suspected of becoming infected, as well as others that had come into contact with those employees or customers. We may also be required to disinfect our affected hypermarkets and therefore suffer a temporary suspension of our retail operations. Any quarantine or suspension of our retail operations will affect our results of operations. Furthermore, the outbreak of any severe communicable disease may result in food safety concerns, which could have an adverse impact on our turnover. Such an outbreak would likely restrict the level of economic activity in affected areas, which would also materially and adversely affect our business operations.

Consumer spending patterns in China can be influenced by the state of China's economy.

Consumer spending patterns in China are influenced by the state of China's economy, which in turn affects our sales volume, turnover, profitability and our growth. We believe that Chinese consumers tend to increase their expenditures when the Chinese economy is experiencing strong growth and when they have more disposable income available for personal consumption. Conversely, a recession in the Chinese economy, or uncertainties regarding future economic prospects may result in a reduction in consumer spending at our hypermarkets. As a result, the state of the economy in China has had a significant impact on our historical, and will continue to have a significant impact on our future, performance, results of operations and profitability. Although in recent years, the PRC's economy has maintained rapid growth, and increases in GDP and per capita disposable income have strengthened consumers' purchasing power, we cannot assure you that such growth will not slow down or will continue in the future. In addition, the impact on the PRC's economy of inflation and the unequal impact of inflation on different categories of products, such as food products, may affect consumer spending patterns and materially and adversely affect our business, financial condition and results of operations. A slowdown or downturn in the economies of the United States, the countries comprising the European Union and certain Asian nations, with which China has important trade relationships, could materially and adversely affect the economic growth of China. Any economic downturn in the PRC and its effect on consumer spending patterns may materially and adversely affect our business, financial condition and results of operations and our future prospects.

Future fluctuations in foreign exchange rates and government control in currency conversion may materially and adversely affect the ability of the Company to remit dividends.

A substantial proportion of our turnover and expenditure are denominated in Renminbi, which is currently not a freely convertible currency. We will require foreign currencies for dividend payment (if any) to our Shareholders. In addition, the price at which we purchase merchandise and products from our suppliers may be affected to the extent our suppliers' merchandise and products are imported or otherwise subject to foreign currency fluctuations. We will therefore be exposed to foreign currency fluctuations. Should there be significant changes in the exchange rates of US dollars or Hong Kong dollars against Renminbi, our Company's ability to make dividend payments in foreign currencies may be materially and adversely affected. In addition, any significant change in the exchange rates of the Renminbi against the US dollar or the Hong Kong dollar could materially and adversely affect the value of our Company's dividends, which would be funded by Renminbi but paid in Hong Kong dollars.

The Board of the Company is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2014.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high corporate governance standards to safeguard the interests of the shareholders and to enhance corporate value and accountability.

The Company has devised its own Corporate Governance and Compliance Manual which incorporates all the principles and practices as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules.

The Company reviews regularly its organizational structure to ensure operations are in line with the good corporate governance practices as set out in the CG Code and aligned with the latest developments.

In the opinion of the Board, the Company has complied with all the code provisions as set out in the CG Code for the year ended 31 December 2014, save and except for code provisions C.3.7(a), details will be set out below in the section headed "Board Committees".

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding Directors' and relevant employees' dealings in the Company's securities (the "**Company Code**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules.

Specific enquiry has been made of all the Directors and relevant employees and they have confirmed that they have complied with the Model Code and the Company Code throughout the year ended 31 December 2014.

BOARD OF DIRECTORS

The Board currently comprises nine members, consisting of two executive Directors, four non-executive Directors and three independent non-executive Directors.

The composition of the Board is set out below:

Executive Directors
Bruno, Robert MERCIER, Chief Executive Officer
HUANG Ming-Tuan

Non-executive Directors
CHENG Chuan-Tai, Chairman
Benoit, Claude, Francois, Marie, Joseph LECLERCQ
Philippe, David BAROUKH
Xavier, Marie, Alain DELOM de MEZERAC

Independent non-executive Directors
Karen Yifen CHANG
Desmond MURRAY
HE Yi

The biographical information of the Directors are set out in the section headed "Profiles of Directors and Senior Management" on pages 18 to 22 of the annual report for the year ended 31 December 2014.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. CHENG Chuan-Tai and Mr. Bruno, Robert MERCIER respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

Independent Non-executive Directors

During the year ended 31 December 2014, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with two of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the non-executive Directors of the Company is appointed for a specific terms of three years and is subject to retirement by rotation once every three years.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Directors of the Board take decisions objectively in the interests of the Company.

All the Directors, including non-executive Directors and the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All the Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

The Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for directors will be arranged and reading material on relevant topics will be issued to the Directors where appropriate. All the Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2014, the Company organized two training sessions conducted by the Company's legal advisor, and attended by all the Directors, on the statutory disclosures obligations for listed companies in Hong Kong and the new Companies Ordinance respectively. The Board is also encouraged to participate in continuous professional development in form of seminars arranged by professional institutions/professional firms and reading materials on relevant topics.

BOARD COMMITTEES

The Board has established six committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee, Disclosure Committee, Investment Committee and Operations Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request, except those for the Disclosure Committee, Investment Committee and Operations Committee.

The majority of the members of the Audit Committee, Remuneration Committee and Nomination Committee are independent non-executive Directors and the list of the chairman and members of each of the Audit Committee, Remuneration Committee and Nomination Committee is set out under "Corporate Information" on page 2.

Audit Committee

The roles and functions of the Audit Committee are set out in its terms of reference. The primary duties of the Audit Committee are to assist the Board in overseeing and reviewing (i) the effectiveness of the Company's internal control, risk management system and regulatory compliance of the Group; (ii) the balance, transparency and integrity of the Company's financial statements and application of financial reporting principle; (iii) the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and (iv) agree with internal auditors for their annual plan of work and the results of this work.

Code provision C.3.7(a) provides that the terms of reference of the audit committee should require it to review arrangements that can be used by the employees in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

The Company had not established any formal arrangement for employees to raise concern about possible improprieties in financial reporting, internal control or other matters. In practice, employees have direct access to our internal audit department via either a telephone line or a mailbox. In addition, they have direct access by email to the executive Directors and the senior management. The Directors regularly receive and review monthly financial reports. The Directors, through the Audit Committee, meet quarterly with the Group's internal audit function, whose main responsibility is to review the internal control system of the Group. The Directors consider that the lack of such arrangements will not have a material effect on the functions of financial reporting, internal control or other related matters. The internal audit department, the Audit Committee and the Board will discuss the proper actions to deal with any issue reported by any employee(s) about improprieties in financial reporting, internal control and other matters.

The Audit Committee held six meetings to review the annual, quarterly and interim financial results and reports in respect of the six months ended 30 June 2014 and the year ended 31 December 2014 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors five times without the presence of the executive Directors.

Remuneration Committee

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all the Directors and senior management; and establishing transparent procedures for the developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration.

During the year ended 31 December 2014, the Remuneration Committee met twice to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and other related matters.

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of the independent non-executive Directors.

The Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the Company's Board Diversity Policy, such individuals' skills, experience, professional knowledge and time commitments, the Company's needs and other relevant statutory requirements and regulations. External recruitment professionals might be engaged to carry out selection process when necessary.

During the year ended 31 December 2014, the Nomination Committee met twice to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring directors standing for election at the AGM. The Nomination Committee also considered an appropriate balance of diversity perspectives of the Board is maintained.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance records of each Director at the meetings of the Board and Board Committees and the general meeting of the Company held during the year ended 31 December 2014 are set out below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting**
Bruno, Robert MERCIER	6/6	N/A	N/A	N/A	1/1
HUANG Ming-Tuan	6/6	N/A	N/A	N/A	1/1
CHENG Chuan-Tai	6/6	6/6	2/2	2/2	1/1
Philippe, David BAROUKH	5/6	N/A	2/2	2/2	1/1
Benoit, Claude, Francois, Marie, Joseph LECLERCQ	6/6	N/A	N/A	N/A	1/1
Xavier, Marie, Alain DELOM de MEZERAC	6/6	6/6	N/A	N/A	1/1
Karen Yifen CHANG	5/6	5/6	2/2	1/2	1/1
Desmond MURRAY	6/6	6/6	2/2	2/2	1/1
HE Yi	6/6	6/6	2/2	2/2	1/1

Apart from regular Board meetings, the Chairman also held a meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the year.

DIRECTORS' RESPONSIBILTY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 51 to 52.

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, KPMG, in respect of audit services and non-audit services for the year ended 31 December 2014 is shown on note 4(c) of the "Notes to the Consolidated Financial Statements" on page 85.

INTERNAL CONTROLS

The Board has processes in place to ensure the Company has an adequate system of internal control. This includes the Audit Committee receiving reports from Company's internal audit department on the results of their work.

The Board is responsible for maintaining an adequate internal control system to safeguard the shareholders' investments and the Company's assets and with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

COMPANY SECRETARY

Ms. HO Siu Pik of Tricor Services Limited, external service provider, has been engaged by the Company as its company secretary. Her primary contact persons at the Company are Mr. Jean-Patrick Paufichet, Chief Financial Controller, Ms. Edith Wang, Legal and Tax Director, and Ms. Ariel Lu, Legal Counsel, of the Company.

The biographical details of Ms. Ho is set out in the section of "Profiles of Directors and Senior Management" on page 22 of this annual report. During the year ended 31 December 2014, Ms. Ho undertook not less than 15 hours of relevant professional trainings.

SHAREHOLDERS' RIGHTS

To safeguard the shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening General Meeting by Shareholders

General meetings may be convened by the Directors on requisition of shareholder(s) holding not less than one-twentieth of the paid up capital of the Company or by such shareholder(s) who made the requisition (the "**Requisitionist(s)**") (as the case may be) pursuant to sections 566 to 568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "**Companies Ordinance**"). The objects of the meeting must be stated in the requisition which must be signed by the Requisitionist(s) and deposited at the registered office of the Company. Shareholders should follow the requirements and procedures as set out in sections 580 to 583 of the Companies Ordinance for convening a general meeting.

Putting Forward Proposals at General Meetings

Pursuant to section 566 of the Companies Ordinance, the members of a company may request the directors to call a general meeting of the company. The directors are required to call a general meeting if the Company has received requests to do so from members of the company representing at least 5% of the total voting rights of all the members having a right to vote at general meetings. A request must state the general nature of the business to be dealt with at the meeting; and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Requests may consist of several documents in like form. A request may be sent to the company in hard copy form or in electronic form; and must be authenticated by the person or persons making it. Shareholders should follow the requirements and procedures as set out in section 566 of the Companies Ordinance for putting forward a proposal at a general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	6th Floor, 165 Longkou Road, Yangpu District, Shanghai, China 200090 (For the attention of Ms. LI Ting, Investor Relations Manager)
Email:	ting.li@sunartretail.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, other than the registered office address in Hong Kong, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with the shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with the shareholders and in particular, through annual general meetings and other general meetings.

The Chairman of the Board, the chairmen of Audit Committee, Remuneration Committee and Nomination Committee, or, in their absence, other members of the respective committees, will make themselves available at the annual general meetings to meet the shareholders and answer their enquiries.

To promote effective communication, the Company maintains a website at http://www.sunartretail.com, which contains corporate information, updates on the Company's financial information, interim and annual reports, announcements and circulars issued by the Company, corporate governance practices as well as the recent developments of the Company.

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is available on the Company's website and the Stock Exchange's website. In view of the commencement of the Companies Ordinance on 3 March 2014, amendments to the Articles of Association of the Company will be proposed for Shareholders' approval at the 2015 annual general meeting.

Independent auditor's report to the shareholders of Sun Art Retail Group Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Sun Art Retail Group Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 53 to 135, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and 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, in accordance with section 80 of Schedule 11 to the New Hong Kong Companies Ordinance (Cap. 622), 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 profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

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

27 February 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	Year ended 31 December **2014** ***RMB million***	 2013 *RMB million*
Turnover	2	**91,855**	86,195
Cost of sales		**(70,857)**	(67,582)
Gross profit		**20,998**	18,613
Other revenue	3	**669**	648
Store operating costs		**(15,097)**	(13,148)
Administrative expenses		**(2,337)**	(1,966)
Profit from operations		**4,233**	4,147
Finance costs	4(a)	**(15)**	(13)
Profit before taxation	4	**4,218**	4,134
Income tax	5(a)	**(1,176)**	(1,192)
Profit for the year		**3,042**	2,942
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss			
Available-for-sale financial assets:			
Changes in fair value recognised during the year		**–**	34
Reclassification adjustments for amounts transferred to profit or loss:			
– gains on disposal		**–**	(34)
Total comprehensive income for the year		**3,042**	2,942
Profit attributable to:			
Equity shareholders of the Company		**2,908**	2,775
Non-controlling interests		**134**	167
Profit for the year		**3,042**	2,942
Total comprehensive income attributable to:			
Equity shareholders of the Company		**2,908**	2,775
Non-controlling interests		**134**	167
Total comprehensive income for the year		**3,042**	2,942
Earnings per share			
Basic and diluted	9	**RMB0.30**	RMB0.29

The accompanying notes set out on pages 60 to 135 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 21(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	At 31 December 2014 RMB million	2013 RMB million
Non-current assets			
Fixed assets:	*10*		
– Investment properties		**3,529**	2,642
– Other property, plant and equipment		**21,314**	19,318
– Land use rights		**5,219**	4,993
		30,062	26,953
Intangible assets	*11*	**34**	9
Goodwill	*12*	**99**	99
Interest in a joint venture		**2**	3
Unquoted available-for-sale equity security		**4**	–
Trade and other receivables	*14*	**494**	510
Deferred tax assets	*20*	**305**	213
		31,000	27,787
Current assets			
Inventories	*13*	**11,161**	11,268
Trade and other receivables	*14*	**3,902**	3,411
Investments and time deposits	*15*	**131**	1,173
Cash and cash equivalents	*16*	**6,249**	6,271
		21,443	22,123
Current liabilities			
Trade and other payables	*17*	**30,424**	29,611
Bank loans and overdrafts	*18*	**898**	391
Income tax payables	*5(c)*	**512**	364
		31,834	30,366
Net current liabilities		**(10,391)**	(8,243)
Total assets less current liabilities		**20,609**	19,544

The accompanying notes set out on pages 60 to 135 form part of these financial statements.

		At 31 December	
		2014	2013
	Note	***RMB million***	*RMB million*
Non-current liabilities			
Other financial liabilities	*19*	**50**	50
Deferred tax liabilities	*20*	**25**	113
		75	163
Net assets		**20,534**	19,381
Capital and reserves			
Share capital: nominal value	*21*	**–**	2,721
Other statutory capital reserves	*21*	**–**	7,299
Share capital and other statutory capital reserves		**10,020**	10,020
Other reserves		**9,653**	8,728
Total equity attributable to equity shareholders of the Company		**19,673**	18,748
Non-controlling interests		**861**	633
Total equity		**20,534**	19,381

Approved and authorised for issue by the board of directors on 27 February 2015.

Bruno, Robert MERCIER
Chief Executive Officer
& Executive Director

HUANG Ming-Tuan
Executive Director

The accompanying notes set out on pages 60 to 135 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

At 31 December 2014

		At 31 December	
		2014	2013
	Note	***RMB million***	*RMB million*
Non-current assets			
Investments in subsidiaries	*29*	**15,483**	15,321
Trade and other receivables	*14*	**7,487**	7,632
Unquoted available-for-sale equity security		**4**	–
		22,974	22,953
Current assets			
Trade and other receivables	*14*	**1,240**	2,127
Investments and time deposits	*15*	**40**	45
Cash and cash equivalents	*16*	**14**	3
		1,294	2,175
Current liabilities			
Trade and other payables	*17*	**21**	13
Net current assets		**1,273**	2,162
Net assets		**24,247**	25,115
Capital and reserves			
Share capital: nominal value	*21(a)*	**–**	2,721
Other statutory capital reserves	*21(a)*	**–**	7,299
Share capital and other statutory capital reserves		**10,020**	10,020
Other reserves		**14,227**	15,095
Total equity		**24,247**	25,115

Approved and authorised for issue by the board of directors on 27 February 2015.

Bruno, Robert MERCIER
Chief Executive Officer
& Executive Director

HUANG Ming-Tuan
Executive Director

The accompanying notes set out on pages 60 to 135 form part of these financial statements.

	Note	Share capital RMB million	Share premium RMB million	Capital reserve RMB million	Exchange reserve RMB million	Statutory reserve RMB million	Retained profits RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
		Attributable to equity shareholders of the Company								
Balance at 1 January 2013		2,721	7,299	2,108	44	595	4,063	16,830	528	17,358
Changes in equity for 2013:										
Profit for the year		–	–	–	–	–	2,775	2,775	167	2,942
Other comprehensive income		–	–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	–	2,775	2,775	167	2,942
Share-based payments		–	–	8	–	–	–	8	–	8
Dividend declared in respect of the previous year	*21(b)(ii)*	–	–	–	–	–	(915)	(915)	–	(915)
Cash injection from Employee Trust Benefit Schemes	*4(b)*	–	–	50	–	–	–	50	32	82
Cash injection from non-controlling shareholders		–	–	–	–	–	–	–	35	35
Profit appropriation		–	–	–	–	174	(174)	–	–	–
Dividends declared and payable to non-controlling shareholders		–	–	–	–	–	–	–	(129)	(129)
Balance at 31 December 2013 and 1 January 2014		2,721	7,299	2,166	44	769	5,749	18,748	633	19,381
Changes in equity for 2014:										
Profit for the year		**–**	**–**	**–**	**–**	**–**	**2,908**	**2,908**	**134**	**3,042**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**2,908**	**2,908**	**134**	**3,042**
Share-based payments		**–**	**–**	**4**	**–**	**–**	**–**	**4**	**–**	**4**
Transition to no-par value regime on 3 March 2014	*21(c)*	**7,299**	**(7,299)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dividend declared in respect of previous years	*21(b)(ii)*	**–**	**–**	**–**	**–**	**–**	**(2,124)**	**(2,124)**	**–**	**(2,124)**
Cash injection from Employee Trust Benefit Schemes	*4(b)*	**–**	**–**	**146**	**–**	**–**	**–**	**146**	**77**	**223**
Cash injection to a subsidiary		**–**	**–**	**(9)**	**–**	**–**	**–**	**(9)**	**97**	**88**
Profit appropriation	*21(d)(iv)*	**–**	**–**	**–**	**–**	**181**	**(181)**	**–**	**–**	**–**
Dividends declared and payable to non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(80)**	**(80)**
Balance at 31 December 2014		**10,020**	**–**	**2,307**	**44**	**950**	**6,352**	**19,673**	**861**	**20,534**

The accompanying notes set out on pages 60 to 135 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

		Year ended 31 December	
		2014	2013
	Note	***RMB million***	*RMB million*
Operating activities			
Profit before taxation		**4,218**	4,134
Adjustments for:			
Depreciation		**2,444**	2,086
Amortisation		**162**	135
Finance costs		**15**	13
Interest income		**(306)**	(334)
Loss on disposal of property, plant and equipment		**36**	12
Share-based payments		**4**	8
Net foreign exchange gain and loss		**25**	–
		6,598	6,054
Changes in working capital:			
Decrease/(increase) in inventories		**107**	(1,127)
(Increase)/decrease in trade and other receivables		**(343)**	502
Increase in trade and other payables		**468**	2,718
Cash generated from operations		**6,830**	8,147
Income tax paid		**(1,208)**	(1,153)
Net cash generated from operating activities		**5,622**	6,994

The accompanying notes set out on pages 60 to 135 form part of these financial statements.

	Note	2014 RMB million	2013 RMB million
		Year ended 31 December	
Investing activities			
Payment for purchase of fixed assets		**(5,468)**	(6,839)
Net changes in time deposits with maturity over three months		**43**	(39)
Proceeds from sale of property, plant and equipment		**5**	6
Payment for purchase of intangible assets		**(37)**	(3)
Interest received		**306**	334
Payment for purchase of other investments		**(4)**	(3)
Payment for purchase of investments		**(740)**	(18,625)
Proceeds from maturity of investments		**1,739**	19,561
Net cash used in investing activities		**(4,156)**	(5,608)
Financing activities			
Cash injection from non-controlling interests		**311**	117
Proceeds from bank loans and other borrowings		**546**	–
Repayment of bank loans and other borrowings		**(545)**	–
Interest paid		**(12)**	(13)
Repayment of other financial liabilities		**–**	(48)
Dividends paid to shareholders of the Company		**(2,124)**	(915)
Dividends paid to non-controlling shareholders		**(158)**	(4)
Net cash used in financing activities		**(1,982)**	(863)
Net (decrease)/increase in cash and cash equivalents		**(516)**	523
Cash and cash equivalents at 1 January		**6,271**	5,757
Effect of foreign exchange rate changes		**(5)**	(9)
Cash and cash equivalents at 31 December	16	**5,750**	6,271

The accompanying notes set out on pages 60 to 135 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable 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 section 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 "**Stock Exchange**"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "**Group**") is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) 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 Group and the Group's interest in a joint venture.

The financial statements are presented in Renminbi ("**RMB**"), rounded to the nearest million (unless otherwise stated). RMB is also the functional currency of the Company and the Company's operating subsidiaries, as the Group's hypermarkets are all located in the People's Republic of China ("**PRC**"). The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale financial assets that are measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting 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 sources. 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 27.

(c) Change in accounting policies

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company.

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

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 new or amended HKFRSs are discussed below:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's financial report as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's financial statements as they are consistent with the policies already adopted by the Group.

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

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the Group's financial statements as the Group has no impaired non-financial assets.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Change in accounting policies (continued)

Amendments to HKAS 39, Novation of derivatives and continuation of hedge Accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's financial report as the Group has no derivatives.

HK (IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's financial statements as the guidance is consistent with the Group's existing accounting policies.

(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 and 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 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (continued)

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. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in a joint venture (note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(m)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Investment in joint ventures

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(m)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year and the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income are recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investment in joint ventures (continued)

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(l)).

In the Company's statement of financial position, investments in joint venture are stated at cost less impairment losses (see note 1(m)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Hypermarkets operated under Contracted Store arrangements

The Group operates certain hypermarkets through Contracted Store arrangements ("**Contracted Stores**") under which the hypermarket owner ("**Contracted Store Owner**") provides the store, equipment and facilities for use by the Group to carry out the Group's hypermarket business and in return is entitled to an annual fee, calculated as either a fixed amount or a fixed percentage of the store's sales revenue, and any remaining profit or loss relating to the operation of the store is attributable to the Group. As the Group bears the risks and rewards of the store's operation, the revenue, operating expenses and results relating to the operation of the Contracted Stores are included in the Group's consolidated statement of profit or loss and other comprehensive income on a line-by-line basis and the net profit or loss relating to the operation of the stores attributable to the Group is recorded as an amount due from or to the Contracted Store Owner, as applicable. Sales of inventories by the Group to the Contracted Stores are eliminated and the Contracted Stores' inventories as of the reporting period end are incorporated in the Group's consolidated statement of financial position. Prepaid cards bought by customers which may be used to purchase goods in other stores of the Group are recorded as "advance receipts from customers" within "trade and other payables" in the Group's consolidated statement of financial position, and a corresponding receivable from the Contracted Store is recognised.

(g) Goodwill

Goodwill represents the excess of the fair value of the consideration transferred over the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date. When the excess is negative (negative goodwill), it 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 1(m)).

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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investment properties

Areas within hypermarket buildings owned by the Group which are held to earn rental income and/or for capital appreciation are classified as investment properties. Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 1(m)). Depreciation is calculated to write off the cost of investment properties, less their estimated realisable value, if any, using the straight line method over the estimated useful life of 10-30 years. Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

Areas within hypermarket buildings leased by the Group which are sublet to earn rental income are classified as other property, plant and equipment (see note 1(i)).

(i) Other property, plant and equipment

(i) Owned assets

Buildings held for own use which are situated on land held under land use rights and other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(m)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs (see note 1(x)). Construction in progress is transferred to investment properties or the relevant categories of other property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are complete, notwithstanding any delays in the issue of the relevant completion certificates by the relevant PRC authorities. Purchased software that is integral to the functionality of related equipment is capitalised as part of that equipment.

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part 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, plant and equipment are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the differences between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Other property, plant and equipment (continued)

(ii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

• Buildings	10-30 years
• Leasehold improvements	5-20 years
• Store equipment	4-10 years
• Office equipment	3-5 years
• Motor vehicles	5-8 years

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. No depreciation is provided on construction in progress.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

Depreciation methods, useful lives and residual values are reviewed annually.

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see note 1(m)).

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, as follows:

• Software	2-5 years

Both the period and method of amortisation are reviewed annually.

(k) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (continued)

(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.

(ii) 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 use rights is amortised on a straight-line basis over the period of the lease term.

(l) Investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 1(v)(iv) and 1(v)(vi).

Dated debt securities that the Group has the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 1(m)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Investments in debt and equity securities (continued)

Non-derivative financial assets with fixed or determinable payments are classified as loans and receivables. Loans and receivables are stated at amortised cost less impairment losses (see note 1(m)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period, the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(m)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 1(v). Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 1(m)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(m) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in joint ventures accounted for under the equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(m)(ii).

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

- For trade and other receivables carried at amortised cost, 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 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

- For available-for-sale financial assets, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on the assets previously recognised in profit or loss.

  Impairment losses in respect of available-for-sale financial assets are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables 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 receivables 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.

(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:

– investment properties;

– other property, plant and equipment;

– land use rights;

– investments in joint ventures;

– intangible assets;

– goodwill; and

– other financial assets.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, 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).

– 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 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 1(m)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available for sale equity securities and unquoted equity securities 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. Consequently, if the fair value of an available for sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(n) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises the purchase cost of goods after deducting discounts and payments from suppliers, except where such payments represent a reimbursement of identifiable expenditure incurred by the Group or relate to services provided by the Group which provide identifiable benefits to the suppliers separate from the Group's purchase of the supplier's goods. Supplier payments include cash or its equivalent in form (e.g. credits applied to future purchases). Net realisable value is the estimated selling price in the ordinary course of business.

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 write-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.

(o) 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 of doubtful debts (see note 1(m)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. 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.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(s) Employee benefits

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans, contributions to the Group's Employee Trust Benefit Schemes, 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.

(ii) Share-based payments

(a) Cash-settled share-based payments

The fair value of share appreciation rights granted to employees, which are to be settled in cash and based on the price of the equity instruments of entities within the Group, is recognised as an employee cost and liability. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the payments, the total estimated fair value of the rights is spread over the vesting period, taking into account the probability that the rights will vest. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as employee costs in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (continued)

(ii) Share-based payments (continued)

(b) Share-based payments among group entities

The fair value of stock options and shares granted by the Group's controlling shareholder to certain employees of the Group in respect of their services to the Group, which are to be settled in cash by the controlling shareholder, is recognised as an employee cost, with a corresponding increase in capital reserve within equity of the Group, over the period that the employees become unconditionally entitled to the stock options and shares. The amount recognised as an expense is adjusted to reflect the number of stock options and shares for which the related service and non-market performance conditions are expected to be met at the vesting date.

(c) Equity-settled share-based payments

The fair value of shares granted by the Group's certain subsidiary to its employees in respect of their services to the Group, is recognised as an employee cost, with a corresponding increase in capital reserve within equity of the Group, over the period that the employees become unconditionally entitled to the shares. The amount recognised as an expense is adjusted to reflect the number of shares for which the related service are expected to be met at the vesting date.

(t) 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 a business combination, or 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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 each 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.

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 Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

- 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.

(u) 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.

(v) 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) Sales of goods

Revenue is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. If it is probable that discounts will be granted, then the discount is recognised as a reduction of revenue as the sales are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue recognition (continued)

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Service income

Service income is recognised in profit or loss when the services are delivered.

(iv) Interest income

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

(v) Government grants

Government grants are recognised in the statement of financial position initially 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.

(vi) Dividend income

Dividend income is recognised when the shareholder’s right to receive payment is established.

(w) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Translation of foreign currencies (continued)

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 the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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.

(x) 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.

(y) 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 or ultimate controlling shareholders.

(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;

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies: (continued)

(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.

(z) 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.

2 TURNOVER AND SEGMENT REPORTING

The principal activity of the Group is the operation of hypermarkets in the PRC.

The Group is organised, for management purpose, into business units based on the banner under which the hypermarkets are operated. As all of the Group's hypermarkets are located in the PRC, have similar economic characteristics, and are similar in respect of products and services provided and customer type, the Group has one reportable operating segment which is the operation of hypermarkets in the PRC.

Turnover represents the sales value of goods supplied to customers and rental income from leasing areas in the hypermarket buildings. The amount of each significant category of revenue recognised in turnover is as follows:

2 TURNOVER AND SEGMENT REPORTING (CONTINUED)

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Sales of goods	**89,136**	83,958
Rental income	**2,719**	2,237
	91,855	86,195

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenues.

3 OTHER REVENUE

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Service income	**121**	98
Disposal of packaging materials	**93**	79
Interest income	**306**	334
Government grants	**149**	119
Compensation received in respect of lease contracts dispute	**–**	18
	669	648

Government grants represent subsidies received from local authorities.

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Interest expense on borrowings		
– wholly repayable within five years	**9**	7
– wholly repayable after five years	**6**	6
	15	13

(b) Staff costs

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Salaries, wages and other benefits	**6,183**	5,285
Contributions to defined contribution retirement plans (i)	**725**	605
Contributions to Employee Trust Benefit Schemes (ii)	**396**	350
Share-based payments (iii)	**8**	16
	7,312	6,256

(i) Contributions to defined contribution retirement plans

The Group participates in pension schemes organised by the PRC government whereby the Group is required to pay annual contributions based on the statutory percentage of the average salary level in the cities where the Group's employees are employed. The Group remits all the pension fund contributions to the respective social security offices, which are responsible for the payments and liabilities relating to the pension funds. The Group has no obligation for payment of retirement and other post-retirement benefits of employees other than the contributions described above.

4 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs (continued)

(ii) Contributions to Employee Trust Benefit Schemes

The Group has established an Employee Trust Benefit Scheme for employees of its subsidiary, Concord Investment (China) Co., Ltd. ("**CIC**") and its subsidiaries ("**the RT-Mart Scheme**") and an Employee Trust Benefit Scheme for employees of its subsidiary, Auchan (China) Hong Kong Limited ("**ACHK**") and its subsidiaries ("**the Auchan Scheme**"). Under each scheme, an annual profit sharing contribution, calculated based on the consolidated results of CIC for the RT-Mart Scheme, and on the consolidated results of ACHK for the Auchan Scheme, and the number of eligible employees, is payable to a trust, the beneficial interests in which are allocated to participating eligible employees in accordance with the relevant Employee Trust Benefit Scheme rules. The trusts are administered by independent trustees and invest the amounts received in either cash and cash equivalents ("**cash-like assets**") or equity of CIC in the case of the RT-Mart Scheme, or cash-like assets or equity of ACHK's subsidiary, Auchan (China) Investment Co., Ltd. ("**ACI**") in the case of the Auchan Scheme, respectively. The annual profit sharing contributions are accrued in the year in which the associated services are rendered by the eligible employees.

In addition to the annual profit sharing contributions made by the Group, subject to certain conditions, eligible employees are entitled to acquire additional beneficial interests in the relevant Employee Trust Benefit Scheme trust using their own funds.

Any excess of the capital injected by the trusts to CIC or ACI over the attributable share of their consolidated net assets acquired is credited to capital reserve within equity of the Group.

(iii) Share-based payments

On 7 December 2011, the Company granted a total of 296,790 share appreciation rights to a director and a member of key management whereby, provided they meet certain vesting criteria, the individuals will be entitled to a future cash payment, calculated based on the increase (capped at 3.5 times) in the Company's share price after a six year period from its opening share price on 6 December 2011 of HKD10.52. Based on the fair value of HKD0.4 per right as at 31 December 2014, determined using the Monte Carlo Method, the changes in fair value has been recognised as a staff cost expense in the Group's statement of profit or loss and other comprehensive income for the year ended 31 December 2014.

4 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs (continued)

(iii) Share-based payments (continued)

ACHK granted certain rights to a number of senior management of ACHK whereby, provided they meet certain vesting criteria, the individuals will be entitled to a future cash payment, calculated based on the increase in the fair value of ACHK. Based on the fair value of ACHK valued by an independent valuer and estimated by the directors, RMB4 million has been recognised as a staff cost expense in the Group's statement of profit or loss and other comprehensive income for the year ended 31 December 2014 (RMB8 million for the year ended 31 December 2013).

In addition to the above, share-based payments includes RMB4 million in respect of stock options and shares in the Group's controlling shareholder, Groupe Auchan S.A., granted by Groupe Auchan S.A. to certain employees of the Group in respect of their service to the Group. Details of share options and shares are set out in the Report of Directors.

(iv) Feiniu Employee Equity Participation Scheme

In 2014, the Group established an Employee Equity Participation Scheme ("**EEPS**") for the employees of Feiniu E-commerce (Shanghai) Co., Ltd. ("**Feiniu Shanghai**"). Under the EEPS, certain selected employees of Feiniu Shanghai were given the right to subscribe new shares issued by Feiniu E-commerce Hong Kong Limited ("**Feiniu Hong Kong**"), which is the immediate holding company of Feiniu Shanghai, through two limited companies registered in British Virgin Island, Grand Charm Venture Limited and Fame Up Development Limited (collectively "**BVI Companies**"). In accordance with the terms of the EEPS, if the employees leave Feiniu Shanghai before a pre-determined date, the shares they hold via BVI Companies will need to be sold to other employees who participated in EEPS, at a pre-determined price.

The Group has regarded the EEPS as an equity-settled share-based payment in light of the vesting condition above. However, as the share subscription prices for eligible employees under the EEPS were the same as those paid by other non-employee shareholders, there was no significant share-based payment cost to be recognised by the Group in respect of the EEPS.

In 2014, a total of RMB56 million of shares in Feiniu Hong Kong was issued under the EEPS, which is credited to non-controlling interests within equity in the consolidated financial statements of the Group.

4 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Cost of inventories	**70,677**	67,438
Depreciation		
– assets leased out under operating leases		
– investment properties	**168**	155
– other property, plant and equipment	**265**	225
– assets held for own use	**2,011**	1,706
	2,444	2,086
Amortisation		
– land use rights	**156**	132
– intangible assets	**6**	3
	162	135
Operating lease charges		
(i) contingent rents		
– assets leased for own use	**506**	471
– assets sublet to others	**161**	131
(ii) minimum lease payments		
– assets leased for own use	**1,443**	1,223
– assets sublet to others	**206**	194
(iii) fees to Contracted Store Owners	**24**	26
Total	**2,340**	2,045

4 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items (continued)

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Loss on disposal of property, plant and equipment	**36**	12
Net foreign exchange loss/(gain)	**25**	(4)
Auditors' remuneration		
– audit services	**30**	28
– non-audit services	**–**	1
Donations	**16**	40
Rental income from investment properties		
– gross (including property management fee)	**(1,037)**	(860)
– direct operating expenses	**68**	52
Net rental income from investment properties	**(969)**	(808)

5 INCOME TAX

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Current tax – Hong Kong Profits Tax		
Provision for the year	**3**	5
Current tax – PRC income tax		
Provision for the year	**1,342**	1,131
Under-provision in respect of prior years	**11**	12
	1,356	1,148
Deferred tax		
(Reversal)/provision of temporary differences *(note 20(a))*	**(180)**	44
	1,176	1,192

5 INCOME TAX (CONTINUED)

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents: (continued)

(i) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits of the Company and its subsidiaries incorporated in Hong Kong (2013: 16.5%). The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(ii) All PRC subsidiaries are subject to income tax at 25% for the year ended 31 December 2014 (2013: 25%) under the Enterprise Income Tax law ("**EIT law**") which was enacted on 16 March 2007.

(iii) The EIT law and its relevant regulations also impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, on dividend distributions made out of the PRC from earnings accumulated from 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax.

Under the Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest in a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5% on dividends received.

On 12 July 2012, Announcement [2012] No. 30 ("**Announcement 30**") dated 29 June 2012 was released by the State Administration of Taxation (SAT). Announcement 30 explicitly states that a company that is a tax resident of a Double Taxation Agreement (DTA) partner state and is listed in that jurisdiction (Listed Parent) will automatically satisfy the beneficial ownership criteria in respect of PRC dividends received. Furthermore, subsidiaries that are wholly owned by the Listed Parent, directly and/or indirectly, and are tax residents of the same DTA partner state, may also be automatically regarded as the beneficial owners of any PRC dividends they receive. Accordingly, dividends receivable by RT-Mart Holdings Limited and ACHK should be subject to 5% withholding tax rate.

Since the Group can control the quantum and timing of distribution of profits of the Group's PRC subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

As at 31 December 2014, deferred tax liabilities of RMB15 million (2013: RMB102 million) have been recognised in respect of the withholding tax payable on the retained profits of the Group's PRC subsidiaries generated subsequent to 1 January 2008 which the directors expect to distribute outside the PRC in the foreseeable future. The deferred tax liabilities as at 31 December 2014 were calculated at the withholding tax rate of 5% (2013: 5%).

5 INCOME TAX (CONTINUED)

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

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Profit before taxation	**4,218**	4,134
Notional tax on profit before taxation, calculated at PRC income tax rate of 25%	**1,055**	1,034
Non-deductible expenses, less non-assessable income	**(19)**	10
PRC dividend withholding tax	**59**	49
Current year losses for which no deferred tax asset was recognised	**115**	113
Temporary difference for which no deferred tax was recognised	**29**	11
Utilisation of previously unrecognised tax losses	**(74)**	(37)
Under-provision in respect of prior years	**11**	12
Actual tax expenses	**1,176**	1,192

(c) Income tax payables in the consolidated statement of financial position represent:

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Balance at beginning of the year	**364**	369
Under-provision in respect of prior years	**11**	12
Provision for current income tax for the year	**1,345**	1,136
Payment during the year	**(1,208)**	(1,153)
Income tax payables at the end of the year	**512**	364

6 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*	Contributions to retirement schemes *RMB'000*	Discretionary bonus *RMB'000*	Share-based payments *(note 7)* *RMB'000*	2014 Total *RMB'000*
Executive directors						
Bruno, Robert MERCIER	–	1,794	246	216	–	2,256
HUANG Ming-Tuan	–	11,709	–	–	–	11,709
Non-executive directors						
CHENG Chuan-Tai	–	–	–	–	–	–
Philippe, David BAROUKH	–	–	–	–	–	–
Benoit, Claude, Francois, Marie, Joseph LECLERCQ	–	–	–	–	–	–
Xavier, Marie, Alain DELOM de MEZERAC	–	–	–	–	–	–
Independent non-executive directors						
Karen Yifen CHANG	237	–	–	–	–	237
HE Yi	237	–	–	–	–	237
Desmond MURRAY	285	–	–	–	–	285
Total	759	13,503	246	216	–	14,724

6 DIRECTORS' REMUNERATION (CONTINUED)

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Contributions to retirement schemes *RMB'000*	Discretionary bonus *RMB'000*	Share-based payments *(note 7)* *RMB'000*	2013 Total *RMB'000*
Executive directors						
Bruno, Robert MERCIER	–	1,743	215	179	528	2,665
HUANG Ming-Tuan	–	11,581	–	–	–	11,581
Non-executive directors						
Cheng Chuan-Tai	–	–	–	–	–	–
Philippe, David, BAROUKH	–	–	–	–	–	–
Benoit, Claude, Francois, Marie, Joseph LECLERCQ	–	–	–	–	–	–
Xavier, Marie, Alain DELOM de MEZERAC	–	–	–	–	–	–
Independent non-executive directors						
Karen Yifen CHANG	237	–	–	–	–	237
HE Yi	237	–	–	–	–	237
Desmond MURRAY	285	–	–	–	–	285
Total	759	13,324	215	179	528	15,005

No director of the Company agreed to waive any remuneration during the year.

During the year, there were no amounts paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 7 below as an inducement to join or upon joining the Group or as compensation for loss of office.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The aggregate of the emoluments in respect of the five highest paid individuals of the Group during the year, one (2013: one) of whom are directors of the Company, are as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**41,035**	38,259
Contributions to retirement schemes	**–**	–
Discretionary bonus	**–**	–
Share-based payments	**–**	–
	41,035	38,259

Share-based payments represent the estimated value of share appreciation rights granted (note 4(b)(iii)) and the estimated value of stock options and shares in Groupe Auchan S.A. granted, details of which are disclosed under the section "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the Report of Directors.

The emoluments of the 5 individuals with the highest emoluments are within the following bands:

	2014 Number of Individuals	2013 Number of individuals
HKD5,500,001 – HKD6,000,000	**–**	1
HKD6,500,001 – HKD7,000,000	**–**	2
HKD7,000,001 – HKD7,500,000	**2**	–
HKD7,500,001 – HKD8,000,000	**1**	–
HKD14,000,001 – HKD14,500,000	**1**	2
HKD14,500,001 – HKD15,000,000	**1**	–
	5	5

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB1,252 million for the year ended 31 December 2014 (2013: a profit of RMB2,102 million), which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 21(b).

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB2,908 million (2013: RMB2,775 million) and the weighted average of 9,539,704,700 ordinary shares (2013: 9,539,704,700) in issue during the year:

Weighted average number of ordinary shares

	Year ended 31 December	
	2014	2013
Issued ordinary shares at 1 January and 31 December	**9,539,704,700**	9,539,704,700

There were no dilutive potential ordinary shares throughout the years and therefore diluted earnings per share is equivalent to basic earnings per share.

10 FIXED ASSETS

	Buildings RMB million	Leasehold improvements RMB million	Store equipment RMB million	Office equipment RMB million	Motor vehicles RMB million	Construction in progress RMB million	Sub-total RMB million	Investment properties RMB million	Land use rights RMB million	Total fixed Assets RMB million
Cost:										
At 1 January 2013	7,259	2,870	9,807	1,682	211	433	22,262	2,890	4,560	29,712
Additions	178	(27)	146	275	41	4,891	5,504	277	1,007	6,788
Transfer from construction in progress	1,226	603	2,282	–	–	(4,376)	(265)	185	80	–
Disposals	–	(44)	(179)	(118)	(9)	–	(350)	–	–	(350)
At 31 December 2013	8,663	3,402	12,056	1,839	243	948	27,151	3,352	5,647	36,150
At 1 January 2014	**8,663**	**3,402**	**12,056**	**1,839**	**243**	**948**	**27,151**	**3,352**	**5,647**	**36,150**
Reclassification	**78**	**–**	**–**	**–**	**–**	**–**	**78**	**(78)**	**–**	**–**
Additions	**517**	**51**	**162**	**297**	**54**	**3,862**	**4,943**	**425**	**382**	**5,750**
Transfer from construction in progress	**736**	**499**	**2,395**	**7**	**–**	**(4,321)**	**(684)**	**684**	**–**	**–**
Disposals	**(3)**	**(99)**	**(122)**	**(265)**	**(18)**	**–**	**(507)**	**(2)**	**–**	**(509)**
At 31 December 2014	**9,991**	**3,853**	**14,491**	**1,878**	**279**	**489**	**30,981**	**4,381**	**6,029**	**41,391**
Accumulated depreciation:										
At 1 January 2013	(1,389)	(1,012)	(2,844)	(900)	(89)	–	(6,234)	(555)	(522)	(7,311)
Charge for the year	(351)	(246)	(987)	(302)	(45)	–	(1,931)	(155)	(132)	(2,218)
Disposals	–	42	172	111	7	–	332	–	–	332
At 31 December 2013	(1,740)	(1,216)	(3,659)	(1,091)	(127)	–	(7,833)	(710)	(654)	(9,197)
At 1 January 2014	**(1,740)**	**(1,216)**	**(3,659)**	**(1,091)**	**(127)**	**–**	**(7,833)**	**(710)**	**(654)**	**(9,197)**
Reclassification	**(25)**	**–**	**–**	**–**	**–**	**–**	**(25)**	**25**	**–**	**–**
Charge for the year	**(435)**	**(307)**	**(1,186)**	**(300)**	**(48)**	**–**	**(2,276)**	**(168)**	**(156)**	**(2,600)**
Disposals	**2**	**92**	**111**	**247**	**15**	**–**	**467**	**1**	**–**	**468**
At 31 December 2014	**(2,198)**	**(1,431)**	**(4,734)**	**(1,144)**	**(160)**	**–**	**(9,667)**	**(852)**	**(810)**	**(11,329)**
Net book value:										
At 31 December 2014	**7,793**	**2,422**	**9,757**	**734**	**119**	**489**	**21,314**	**3,529**	**5,219**	**30,062**
At 31 December 2013	6,923	2,186	8,397	748	116	948	19,318	2,642	4,993	26,953

10 FIXED ASSETS (CONTINUED)

(i) All the Group's fixed assets are located in the PRC.

(ii) Land use rights represent the fees and related expenses in obtaining land use rights for periods ranging from 40 to 70 years. As at 31 December 2014, the Group had not obtained land use rights certificates for certain land use rights with an aggregate carrying amount of RMB794 million (2013: RMB912 million). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these land use rights as at 31 December 2014 and 2013.

(iii) As at 31 December 2014, the Group had not obtained property ownership certificates for certain buildings with an aggregate carrying amount of RMB3,450 million (2013: RMB2,426 million). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2014 and 2013.

(iv) As set out in note 1(h), the Group has applied the cost model for its investment properties.

An independent professional valuer has been engaged to measure the fair value of the retail galleries located in the hypermarket buildings owned by the Group. The valuation included the fair value of the buildings of the retail galleries which were classified as investment properties and the associated land use rights. As at 31 December 2014, the total fair value of the retail galleries were RMB11,712 million (2013: RMB10,154 million), including the fair value of investment properties of RMB4,180 million (2013: RMB3,089 million) and the fair value of the associated land use rights of RMB7,532 million (2013: RMB7,065 million).

The valuation technique and significant unobservable inputs used to estimate the fair value of the retail galleries including the investment properties and associated land use rights are set forth in the table of note 10(v). The fair value measurement for investment properties has been categorised as Level 3 fair value based on the inputs to the valuation technique used. There have been no changes in valuation technique used in prior year.

10 FIXED ASSETS (CONTINUED)

(v)

Valuation technique	Significant unobservable inputs
Income approach by capitalising the net rental incomes derived from the existing tenancies with due allowance for any reversionary income potential of the properties.	• Market rent: The market rent is estimated according to the comparable properties in close proximity. The higher the market rent, the higher the fair value of the properties. • Yield: The yield is estimated according to the market evidence, valuer's experience and knowledge of market conditions. The range of adopted yield is from 4.75% to 7.50% according to different cities. The higher the yield, the lower the fair value of the properties.

(vi) The Group leases out investment properties and certain other property, plant and equipment within the hypermarket buildings under operating leases which typically run for an initial period of 1 to 3 years. The Group's total future minimum lease receipts under non-cancellable operating leases are receivable as follows:

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Within 1 year	**2,065**	1,746
After 1 year but within 5 years	**1,138**	1,053
After 5 years	**447**	417
	3,650	3,216

In addition to the minimum amounts disclosed above, certain lessees have commitments to pay additional rent to the Group if their sales revenue exceeds predetermined levels. Contingent rental receivables are not included in the above.

11 INTANGIBLE ASSETS

	At 31 December	
	2014	2013
	RMB million	*RMB million*
Software cost:		
At 1 January	**24**	21
Additions	**31**	3
	55	24
Accumulated amortisation		
At 1 January	**(15)**	(12)
Amortisation for the year	**(6)**	(3)
	(21)	(15)
Net book value		
At 1 January	**9**	9
At 31 December	**34**	9

The amortisation charge is recognised in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

12 GOODWILL

Goodwill arose on the acquisition of subsidiaries and there is no individual cash-generating unit to which the goodwill allocated is significant to the financial statements. No impairment of goodwill was recognised for the years ended 31 December 2014 and 2013.

13 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	At 31 December	
	2014	2013
	RMB million	*RMB million*
Trading merchandise	**11,161**	11,268

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Carrying amount of inventories sold	**70,620**	67,428
Write down of inventories	**57**	10
	70,677	67,438

All inventories are expected to be sold within one year.

14 TRADE AND OTHER RECEIVABLES

	The Group At 31 December	
	2014	2013
	RMB million	*RMB million*
Non-current		
Rental prepayments	**494**	510
Current		
Trade receivables	**159**	174
Amounts due from Contracted Stores	**60**	67
Amounts due from Contracted Store Owners	**55**	55
Other debtors	**718**	621
Value-added tax receivables	**563**	547
Prepayments:		
– rentals	**1,311**	1,045
– fixed and intangible assets	**1,036**	902
Sub-total	**3,902**	3,411
Trade and other receivables	**4,396**	3,921

The Group's trade receivables relate to credit card sales, the aging of which is within one month, and credit sales to corporate customers, the aging of which is within three months. The aging of receivables is determined based on invoice date.

The amounts due from Contracted Stores as at 31 December 2014 include the balance of prepaid cards sold by the Contracted Stores which may be used by customers to purchase goods in certain of the Group's other stores, offset by advance payments made by Contracted Stores in respect of purchase of goods.

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

The amounts due from Contracted Store Owners comprise advances made by the Group to certain Contracted Store Owners and the Contracted Stores' profit attributable to the Group (see note 1(f)). These amounts are repayable on demand.

Rental prepayments may be offset against future rentals due to landlords of hypermarket premises leased by the Group in accordance with the relevant lease agreements.

Except for prepayments made for fixed assets which will be transferred to the relevant asset category upon receipt of the assets, all of the trade and other receivables classified as current assets are expected to be recovered within one year. Details of the Group's credit policy are set out in note 22(a).

	The Company At 31 December	
	2014	2013
	RMB million	*RMB million*
Non-current		
Loans to subsidiaries	**7,461**	7,586
Interest receivable from subsidiaries	**26**	46
Sub-total	**7,487**	7,632
Current		
Dividends receivable from subsidiaries	**1,236**	2,126
Others	**4**	1
Sub-total	**1,240**	2,127
Trade and other receivables	**8,727**	9,759

The loans to subsidiaries are unsecured, bear interest at a fixed rate of 0.25% per annum and are repayable in 2017.

15 INVESTMENTS AND TIME DEPOSITS

	The Group At 31 December	
	2014	2013
	RMB million	*RMB million*
Loans and receivables	**30**	1,029
Time deposits	**101**	144
	131	1,173

	The Company At 31 December	
	2014	2013
	RMB million	*RMB million*
Time deposits	**40**	45

Loans and receivables represent short-term financial products and time deposits originated by commercial banks, with guaranteed principals, fixed or determinable returns and with periods to maturity over 3 months from date of issue.

16 CASH AND CASH EQUIVALENTS

	The Group At 31 December	
	2014	2013
	RMB million	*RMB million*
Deposits with banks within 3 months of maturity	**323**	99
Cash at bank and on hand	**3,202**	4,349
Other financial assets	**2,724**	1,823
Cash and cash equivalents in the consolidated statement of financial position	**6,249**	6,271
Bank overdrafts *(note 18)*	**(499)**	–
Cash and cash equivalents in the consolidated statement of cash flows	**5,750**	6,271

16 CASH AND CASH EQUIVALENTS (CONTINUED)

Other financial assets represent investments in short-term financial products issued by PRC commercial banks, with principals guaranteed, fixed or determinable returns and with periods to maturity less than 3 months from date of issue. As at 31 December 2014, the Group had other financial assets amounting to RMB500 million (2013: nil) secured to a bank for the above bank overdrafts.

	The Company At 31 December	
	2014	2013
	RMB million	*RMB million*
Cash at bank and on hand	**14**	3

17 TRADE AND OTHER PAYABLES

	The Group At 31 December	
	2014	2013
	RMB million	*RMB million*
Current		
Trade payables	**16,192**	15,951
Advance receipts from customers	**7,774**	8,080
Amounts due to related parties *(note 25)*	**124**	82
Construction costs payable	**2,776**	2,363
Dividends payable to non-controlling interests	**75**	153
Accruals and other payables	**3,483**	2,982
Trade and other payables	**30,424**	29,611

	The Company At 31 December	
	2014	2013
	RMB million	*RMB million*
Amounts due to related parties	**20**	13
Others	**1**	–
Trade and other payables	**21**	13

All trade and other payables are expected to be settled within one year.

Advance receipts from customers represents the unutilised balance of prepaid cards sold by the Group.

17 TRADE AND OTHER PAYABLES (CONTINUED)

An ageing analysis of trade payables determined based on invoice date is as follows:

	The Group At 31 December	
	2014	2013
	RMB million	*RMB million*
Due within 6 months	**16,003**	15,816
Due after 6 months but within 12 months	**189**	135
	16,192	15,951

18 BANK LOANS AND OVERDARFTS

	At 31 December	
	2014	2013
	RMB million	*RMB million*
Secured bank overdrafts *(note 16)*	**499**	–
Unsecured bank loans repayable within 1 year	**399**	391
	898	391

As at 31 December 2014, the Group had bank overdrafts facilities with interest free amounted to RMB500 million (2013: nil), which were secured by investments in short-term financial products with the same amount (2013: nil).

Bank loans were unsecured and carried interest at annual rate of 1.55% as at 31 December 2014 (2013: 1.55% to 1.70%).

19 OTHER FINANCIAL LIABILITIES

Other financial liabilities represent capital contributed in cash by the third-party shareholders of certain subsidiaries of the Group which are cooperative joint ventures in the PRC. In accordance with the respective agreements, these shareholders do not have any entitlement to the profit or loss of the subsidiaries, other than a prescribed annual return. The total annual prescribed returns of RMB6 million for the year ended 31 December 2014 are included in finance costs in the consolidated statement of profit or loss and other comprehensive income (2013: RMB6 million).

20 DEFERRED TAX ASSETS AND LIABILITIES

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

	Tax losses	Fair value adjustment in relation to business combinations	Depreciation charges in excess of depreciation allowances	PRC dividend withholding tax	Accruals and other timing differences	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At 1 January 2013	6	(10)	99	(53)	102	144
(Charged)/credited to profit or loss	6	–	10	(49)*	(11)	(44)
At 31 December 2013	12	(10)	109	(102)	91	100
At 1 January 2014	**12**	**(10)**	**109**	**(102)**	**91**	**100**
(Charged)/credited to profit or loss	**28**	**–**	**46**	**87***	**19**	**180**
At 31 December 2014	**40**	**(10)**	**155**	**(15)**	**110**	**280**

* The amount includes the provision of withholding tax on profits of the PRC subsidiaries for the year amounting to RMB59 million (2013: RMB49 million) less the reversal of deferred tax liabilities on withholding tax in respect of dividends paid during the year amounting to RMB146 million.

(b) Reconciliation to the consolidated statement of financial position:

	At 31 December	
	2014	2013
	RMB million	*RMB million*
Net deferred tax assets	**305**	213
Net deferred tax liabilities	**(25)**	(113)
	280	100

20 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(t), the Group has not recognised deferred tax assets in respect of unused tax losses of RMB1,230 million as at 31 December 2014 (2013: RMB1,208 million), as it is not probable that future taxable profits against which these losses can be utilised will be available in the subsidiaries concerned.

The unused tax losses can be carried forward up to five years from the year in which the losses originated, and will expire in the following years:

	At 31 December	
	2014	2013
	RMB million	*RMB million*
2014	**–**	157
2015	**105**	171
2016	**108**	163
2017	**181**	218
2018	**378**	499
2019	**458**	–
	1,230	1,208

(d) Deferred tax liabilities not recognised

No deferred tax liabilities were provided on post-2007 undistributed profits of the Group's PRC subsidiaries for which the Group has no plan to distribute them outside the PRC in the foreseeable future. As at 31 December 2014, such undistributed profits amounted to RMB4,021 million (2013: RMB3,065 million).

21 CAPITAL, RESERVES AND DIVIDENDS

(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 components of equity between the beginning and the end of the years are set out as follows:

The Company:

	Share capital *RMB million*	Share premium *RMB million*	Capital reserve *RMB million*	Exchange reserve *RMB million*	Retained profits *RMB million*	Total *RMB million*
Balance at 1 January 2013	2,721	7,299	13,310	(425)	1,015	23,920
Changes in equity for 2013:						
Profit for the year	–	–	–	–	2,102	2,102
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	2,102	2,102
Share-based payments	–	–	8	–	–	8
Dividends declared	–	–	–	–	(915)	(915)
Balance at 31 December 2013	2,721	7,299	13,318	(425)	2,202	25,115
Changes in equity for 2014:						
Profit for the year	**–**	**–**	**–**	**–**	**1,252**	**1,252**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**–**	**–**	**1,252**	**1,252**
Share-based payments	**–**	**–**	**4**	**–**	**–**	**4**
Dividends declared	**–**	**–**	**–**	**–**	**(2,124)**	**(2,124)**
Transition to no-par value regime on 3 March 2014	**7,299**	**(7,299)**	**–**	**–**	**–**	**–**
Balance at 31 December 2014	**10,020**	**–**	**13,322**	**(425)**	**1,330**	**24,247**

21 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2014 **RMB million**	2013 *RMB million*
Final dividend proposed after the end of the reporting period of HKD0.16 (equivalent to RMB0.13) per ordinary share (2013: HKD0.28 (equivalent to RMB0.22) per ordinary share)	**1,234**	2,107
	1,234	2,107

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

A final dividend of HKD0.12 (equivalent to RMB0.10) per ordinary share in respect of the year ended 31 December 2012 was approved on 15 May 2013, and the payment was made on 11 June 2013 for an amount equivalent to RMB915 million.

A final dividend of HKD0.28 (equivalent to RMB0.22) per ordinary share in respect of the year ended 31 December 2013 was approved on 14 May 2014, and the payment was made on 9 June 2014 for an amount equivalent to RMB2,124 million.

(c) Share capital

	2014			2013		
	No. of shares	***HKD million***	***RMB million***	*No. of shares*	*HKD million*	*RMB million*
Authorised: ***(note 1)***						
Ordinary shares HKD0.3 each *(note 2)*	**–**	**–**	**–**	20,000,000,000	–	5,331
Ordinary shares, issued and fully paid:						
At 1 January	**9,539,704,700**	**2,862**	**2,721**	9,539,704,700	2,862	2,721
Transition to no-par value regime on 3 March 2014 *(note 3)*	**–**	**8,835**	**7,299**	–	–	–
At 31 December	**9,539,704,700**	**11,697**	**10,020**	9,539,704,700	2,862	2,721

21 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

Note 1: Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concepts of "authorised share capital" no longer exist.

Note 2: In accordance with section 135 of the new Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

Note 3: In accordance with the transition provisions set out section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622) on 3 March 2014 any amount standing to the credit of the share premium account has become part of the Company's share capital.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Share premium

Prior to 3 March 2014, the application of the share premium account was governed by section 48B of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new CO on 3 March 2014 any amount standing to the credit of the share premium account has become part of the Company's share capital (see note 21(a)). The use of share capital as from 3 March 2014 is governed by the new CO.

(ii) Capital reserve

The Group

The capital reserve mainly includes (1) RMB1,793 million arising from the issue of ordinary shares to acquire the non-controlling interests in ACHK and CCIL, (2) RMB505 million arising from the excess of the cash injected by the trusts to CIC or ACI over the attributable share of their consolidated net assets acquired (see note 4(b)(ii)), (3) accumulative share-based payments of RMB18 million in relation to stock options and shares granted by Groupe Auchan S.A. to certain employees of the Group (see note 4(b)(iii)).

The Company

The capital reserve mainly represents the excess of the fair value of the ordinary shares issued of RMB13,986 million over their RMB682 million nominal amount in respect of the issue of ordinary shares to acquire the non-controlling interests in ACHK and CCIL.

21 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(w).

(iv) Statutory reserve

The statutory reserve represents statutory reserves which are appropriated by the Group's PRC subsidiaries ("**PRC Companies**"). According to the relevant laws and regulations for foreign investment enterprises and the articles of association for the said PRC Companies, profits of the PRC Companies, as determined in accordance with the accounting rules and regulations in the PRC, are available for distribution in the form of cash dividends to investors after the PRC Companies have (1) satisfied all tax liabilities; (2) offset losses in previous years; and (3) made appropriation to the statutory reserve funds, including general reserve fund and enterprise expansion fund.

(e) Distributability of reserves

As at 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of section Part 6 of the new CO was RMB1,330 million (2013: RMB2,202 million). After the end of the reporting period the directors proposed a final dividend of HKD0.16 (equivalent to RMB0.13) per ordinary share, amounting to RMB1,234 million (note 21(b)). This dividend has not been recognised as a liability at the end of the reporting period.

(f) Capital risk management

The Group defines capital as its total equity. 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 continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurate 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 net debt-to-equity ratio. This ratio is calculated as net debt divided by total equity. The Group defines debt as loans, borrowings, less cash and cash equivalents, investments and time deposits.

21 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital risk management (continued)

There were no changes in the Group's approach to capital management during the year.

Net debt-to-equity ratios were as follows:

	At 31 December	
	2014	2013
	RMB million	*RMB million*
Bank loans and overdrafts *(note 18)*	**898**	391
Less: Investments and time deposits	**(131)**	(1,173)
Cash and cash equivalents	**(6,249)**	(6,271)
Net debt	**(5,482)**	(7,053)
Total equity	**20,534**	19,381
Net debt-to-equity ratio*	**(27%)**	(36%)

* Net debt-to-equity ratio of the Group for the years ended 31 December 2014 and 2013 is negative due to the aggregation of cash and cash equivalents, investments and time deposits exceed loans and borrowings of the Group.

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

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Financial assets of the Group include cash and cash equivalents, investments and time deposits, unquoted available for sale equity security and trade and other receivables. Financial liabilities of the Group include loans and borrowings and trade and other payables.

The Company's board of directors (the "**Board**") has overall responsibility for the establishment and oversight of the Group's risk management framework, and developing and monitoring the Group's risk management policies.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (CONTINUED)

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The risks are mitigated by various measures as disclosed below.

(a) Credit risk

The Group's cash and bank deposits are held with banks located in the PRC and Hong Kong which management believes are of high credit quality. Accordingly, the Group's credit risk is primarily attributable to trade and other receivables. Management monitors the exposures to credit risk on an ongoing basis.

Credit risk in respect of trade receivables is limited as the balances mainly arise from credit card sales. Credit terms are offered in rare cases to corporate customers with whom the Group has an established and ongoing relationship.

Investments and time deposits are arranged with financial institutions, which management believes are of high credit quality. Pursuant to the agreements with the financial institutions, there is limited credit risk on the principal amounts, as these are guaranteed by the financial institutions.

Rental prepayments are placed with various landlords in the PRC and may be offset against future rental charges during the lease periods.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. The Group or the Company does not provide any other guarantees which would expose the Group or the Company to credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor current and expected liquidity requirements, and 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.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (CONTINUED)

(b) Liquidity risk (continued)

The Group had net current liabilities of RMB10,391 million as at 31 December 2014 (2013: RMB8,243 million). The Group generated net cash from operating activities amounting to RMB5,622 million for the year ended 31 December 2014 (2013: RMB6,994 million), and had RMB4,030 million of unutilised loan facilities available as at 31 December 2014 (2013: RMB4,420 million). In view of the profitability, operating cash flows and availability of loan facilities of the Group, the directors consider the Group will have adequate liquid funds for its working capital and capital expenditure requirements for the foreseeable future.

The following are the contractual maturities of the Group's financial liabilities at each reporting date, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

	At 31 December 2014 Contractual undiscounted cash flow				
	Within 1 year or on demand *RMB million*	**More than 1 year but less than 5 years** *RMB million*	**More than 5 years** *RMB million*	**Total** *RMB million*	**Financial statement carrying amount** *RMB million*
Bank loans and overdrafts	**904**	**–**	**–**	**904**	**898**
Trade and other payables	**30,424**	**–**	**–**	**30,424**	**30,424**
Other financial liabilities	**–**	**–**	**50**	**50**	**50**
At 31 December 2014	**31,328**	**–**	**50**	**31,378**	**31,372**

	At 31 December 2013 Contractual undiscounted cash flow				
	Within 1 year or on demand *RMB million*	More than 1 year but less than 5 years *RMB million*	More than 5 years *RMB million*	Total *RMB million*	Financial statement carrying amount *RMB million*
Bank loans	397	–	–	397	391
Trade and other payables	29,611	–	–	29,611	29,611
Other financial liabilities	–	–	50	50	50
At 31 December 2013	30,008	–	50	30,058	30,052

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (CONTINUED)

(c) Interest rate risk

(i) Interest rate profile

Cash at bank, investments and time deposits, and interest-bearing borrowings are the major types of the Group's financial instruments subject to interest rate risk.

The Group's cash at bank, investments and time deposits, interest-bearing borrowings and interest rates as at 31 December 2014 and 2013 are set out as follows:

	2014		2013	
	Effective interest rate	**Carrying Amount *RMB million***	Effective interest rate	Carrying Amount *RMB million*
Variable rate instruments:				
Cash at bank	**0%~1.15%**	**2,707**	0%~1.15%	3,863
Other financial assets	**1.35%~5.20%**	**2,177**	3.00%~6.50%	1,823
Loans and receivables	**4.80%**	**30**	4.00%~6.00%	1,029
Bank loans	**1.55%**	**(399)**	1.55%~1.70%	(391)
		4,515		6,324
Fixed rate instruments:				
Time deposits within three months of maturity	**0.30%~2.82%**	**323**	0.30%~2.85%	99
Time deposits over three months of maturity	**0.50%~5.50%**	**101**	0.50%~5.50%	144
Other financial assets	**3.6~5.99%**	**547**		–
		971		243

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

A general increase/decrease of 100 basis points in interest rates prevailing at the reporting dates, with all other variables held constant, would increase/decrease the Group's profit after tax and retained earnings by approximately RMB34 million for the year ended 31 December 2014 (2013: RMB47 million).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at each reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the years ended 31 December 2014 and 2013.

(d) Foreign currency risk

The Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. Accordingly, the directors consider the Group's exposure to foreign currency risk is not significant. The Group does not employ any financial instruments for hedging purposes.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demand and the Group may not be able to pay dividends in foreign currencies to its shareholders.

(e) Fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (CONTINUED)

(e) Fair value (continued)

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 10(v) – investment properties.

During the years ended 31 December 2013 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2014 and 2013, except for the amounts due from/to related parties which have no fixed repayment terms. Given these terms, it is not meaningful to disclose the fair value of such balances.

23 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding and not provided for in the financial statements were as follows:

	The Group At 31 December	
	2014	2013
	RMB million	*RMB million*
Contracted for	**2,797**	1,894
Authorised but not contracted for	**5,293**	6,491
	8,090	8,385

(b) Operating leases

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group At 31 December	
	2014	2013
	RMB million	*RMB million*
Within 1 year	**2,313**	2,178
After 1 year but within 5 years	**5,370**	5,763
After 5 years	**9,416**	10,922
	17,099	18,863

The Group leases certain land and buildings under operating leases. The leases typically run for an initial period of fifteen to twenty years, with an option to renew the lease after that date. The Group has the option to cancel the leases on payment of a penalty at various stages of the initial lease periods depending on the terms of the specific leases concerned.

In addition to the minimum rental payments disclosed above, for some of the hypermarkets leased, the Group has commitments to pay additional rent of a proportion of turnover if the turnover generated exceeds the predetermined levels. Contingent rental payables are not included in the above as it is not possible to estimate the amounts which may be payable.

24 CONTINGENCIES

Legal claims

As at 31 December 2014, legal actions have commenced against the Group by certain customers and certain suppliers in respect of disputes on purchase agreements. The total amount claimed is RMB200 million (2013: RMB72 million). As at 31 December 2014, the legal actions were ongoing, with most of the actions not yet set for trial dates. Provision of RMB13 million (2013: RMB19 million) has been made within trade and other payables as at 31 December 2014, which the directors believe is adequate to cover the amounts, if any, payable in respect of these claims.

25 MATERIAL RELATED PARTY TRANSACTIONS

(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 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	The Group	
	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Short-term employee benefits	**64**	68
Post-employment benefits	**–**	–
Share-based payments	**–**	1
	64	69

Total remuneration is included in "staff costs" (see note 4(b)).

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Identity of related parties

During the years ended 31 December 2014 and 2013, the directors are of the view that the following companies are related parties of the Group:

Name of party	Relationship
Ruentex Development Co., Ltd., Ruentex Industries Ltd., Concord Greater China Limited and Kofu International Limited (collectively "**Ruentex**")	Ultimate controlling shareholder[(1)]
Groupe Auchan S.A.	Ultimate controlling shareholder[(1)]
Auchanhyper S.A.	Subsidiary of Groupe Auchan S.A.
Auchan International S.A.	Subsidiary of Groupe Auchan S.A.
Auchan France Croix	Subsidiary of Groupe Auchan S.A.
Auchan Global Service	Subsidiary of Groupe Auchan S.A.
Auchan International Technology	Subsidiary of Groupe Auchan S.A.
RT-Mart International Limited	Subsidiary of Groupe Auchan S.A.
Auchan International (Shanghai) International Trading Company Limited	Subsidiary of Groupe Auchan S.A.
Oney Accord Business Consulting (Shanghai) Co. Ltd. ("**Oney SH**")	Subsidiary of Groupe Auchan S.A.
Hwabao Trust Co., Ltd.	Trustee of RT-Mart and Auchan Scheme trusts

Note: (1) Details of the ultimate controlling shareholders are set out in note 26.

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party transactions

In addition to the related party information disclosed elsewhere in the notes to the financial statements, the Group entered into the following material related party transactions during the year.

	The Group Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Agency fees receivable *(i)*	**31**	65
Trademark fee payable *(ii)*	**30**	26
IT services fee payable *(iii)*	**12**	10
Expenses payable *(iv)*	**76**	74
Contributions to Employee Trust Benefit Schemes trusts *(note 4(b))*	**396**	350
Purchase of goods *(v)*	**1**	10
Oney Card service fee *(vi)*	**8**	7

(i) Agency fees receivable relate to amounts collected from international suppliers by Auchan International S.A. on behalf of the Group, net of fees payable to Auchan International S.A..

(ii) Trademark fee payable represents the fee charged by Groupe Auchan S.A. for the grant of licenses to the Group to use the Auchan trademarks.

(iii) IT services fee payable represents the fee charged by Auchan International Technology for IT support and services provided.

(iv) Expenses payable primarily relate to personnel and administrative costs paid by subsidiaries of Auchanhyper S.A. on behalf of the Group, which are reimbursed and expensed by the Group.

(v) This represents purchase of merchandise from Auchan International (Shanghai) International Trading Company Limited.

(vi) This represents the service fee charged by Oney SH on provision of assistance on issuing and administration of prepaid cards and support for payment terminals.

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Related party balances

	The Group At 31 December	
	2014	2013
	RMB million	*RMB million*
Amounts due from subsidiaries of Groupe Auchan S.A.	**59**	70
Amounts due to Groupe Auchan S.A. and its subsidiaries	**124**	82

The above balances are all trade in nature.

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of trademark fee payable above constitute non-exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided under the section “Connected Transactions” in the Report of Directors.

26 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The directors consider the immediate parent of the Group to be A-RT Retail Holdings Limited, which is incorporated in Hong Kong. Pursuant to the shareholders’ agreement dated 12 December 2010 entered into by Groupe Auchan S.A. and Ruentex, the directors consider the Group is controlled by Groupe Auchan S.A. and Ruentex ultimately.

On 14 August 2013, Groupe Auchan S.A. and Ruentex entered into a shareholders’ agreement to amend the shareholders’ agreement dated 12 December 2010, such that, among other things, the right of Ruentex to appoint a majority of the directors of CCIL, RT-Mart Holdings and CIC was expired on 31 December 2013 and a majority of the directors of CCIL, RT-Mart Holdings and CIC will be recommended by Ruentex and appointed by Groupe Auchan S.A. thereafter.

27 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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 principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Depreciation

Investment properties and other property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any, in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technology changes.

(b) Provision for inventories

The Group reviews the carrying amounts of the inventories at each reporting period end date to determine whether the inventories are carried at the lower of cost and net realisable value. Management estimates the net realisable value based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-downs and affect the Group's net asset value.

(c) Impairment losses on trade and other receivables

Impairment losses on trade and other receivables are assessed and provided based on management's regular review of ageing analysis and evaluation of collectability. Any increase or decrease in the impairment losses for bad and doubtful debts would affect the consolidated statement of profit or loss and other comprehensive income in future years.

(d) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

27 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(e) Impairment of other assets (mainly fixed assets, intangible assets and goodwill)

As stated in note 1(m)(ii), an impairment loss is recognised in profit and loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. At the end of each reporting period, the Group reviews the recoverable amount of fixed assets, intangible assets and goodwill which involves judgement on the determination of their fair value less costs of disposal and value in use. The fair value less costs of disposal is determined based using market comparison approach by reference to recent sales price of comparable assets and the value in use is determined by discounting projected cash flow series associated with the assets using risk-adjusted discount rates. Any change in the assumptions would increase or decrease the recoverable amount of fixed assets, intangible assets and goodwill.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2014 and 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 HKAS 19, *Defined benefit plans: Employee contributions*	1 July 2014
• Annual improvements to HKFRS 2010-2012 cycle	1 July 2014
• Annual improvements to HKFRS 2011-2013 cycle	1 July 2014
• Annual improvements to HKFRS 2012-2014 cycle	1 January 2016
• Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint ventures*	1 January 2016
• Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
• Amendments to HKAS 27, *Equity method in separate financial statements*	1 January 2016
• Amendments to HKRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
• HKFRS 15, *Revenue from contracts with customers*	1 January 2017
• HKFRS 9, *Financial* Instruments	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments 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 financial position and results of operations.

29 INTEREST IN SUBSIDIARIES

	The Company At 31 December	
	2014	2013
	RMB million	*RMB million*
Unlisted shares	**15,483**	15,321

The principal activity of the Company is investment holding.

Particulars of the Group's principal subsidiaries are as follows:

Held directly by the Company:

Name of companies	*Note*	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		2014	2013			*(million)*
CCIL	*(i)*	**100%**	100%	Investment holding	USD	112
ACHK	*(i)*	**100%**	100%	Investment holding	USD	216
Shanghai Art Management and Service Co., Ltd.		**100%**	100%	Consulting Service	USD	0.1
Feiniu E-commerce Hong Kong Limited.	*(i)*	**65%**	–	E-commerce	RMB	250

Held directly or indirectly by Feiniu E-commerce Hong Kong Limited.:

Name of companies	*Note*	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		2014	2013			*(million)*
Feiniu E-commerce (Shanghai) Co., Ltd	*(ii)*	**63.73%**	60.98%	E-commerce	RMB	350
Ruenguo Information Technology (Shanghai) Co., Ltd	*(ii)*	**35.05%**	–	E-commerce	RMB	10/1

29 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL:

Name of companies	*Note*	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		2014	2013			*(million)*
RT-MART Holdings Limited	*(i)*	**100.00%**	100.00%	Investment holding	USD	112
Concord Investment (China) Co., Ltd.		**93.19%**	93.82%	Investment holding and retailing	USD	232
RT-MART Limited Shanghai	*(ii)*	**93.19%**	93.82%	Retailing	USD	30
Jiangsu Bairuen Logistics Co., Ltd.	*(iii)*	**93.19%**	93.82%	Retailing	RMB	1
Jiaxing Xiuzhou Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	RMB	15
People's RT-MART Limited Jinan	*(ii)*	**89.20%**	89.80%	Retailing	USD	21
Changshu Bairuenfa Hypermarket Co., Ltd.	*(iii)*	**93.19%**	93.82%	Property development, leasing and retailing	RMB	10
Shanghai Rose Consulting Co., Ltd.		**93.19%**	93.82%	Consulting	USD	0.4
Nantong Tongruenfa Hypermarket Co., Ltd.	*(iii)*	**93.19%**	93.82%	Retailing	RMB	5
Qingdao Ruentex Enterprises Co., Ltd.		**93.19%**	93.82%	Retailing	RMB	200
Wuhan RT-MART Jianghan Hypermarket Development Co., Ltd.		**93.19%**	93.82%	Retailing	USD	8
Shenyang Ruentex Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	9
Haerbin RT-Mart Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	8
Kunshan Ruenhua Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	RMB	165
Shenyang RT-Mart Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	7
Nanjing Zhongshang Jinruenfa Longjiang Hypermarket Co., Ltd.	*(iii)*	**93.19%**	93.82%	Retailing	RMB	5
Shanghai Jiji Commercial and Trading Co., Ltd.	*(iii)*	**93.19%**	93.82%	Property development, leasing and retailing	RMB	10
Suzhou Ruenrui Commercial Co., Ltd.	*(iii)*	**93.19%**	93.82%	Retailing	RMB	9
Foshan Shunde RT-Mart Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	7
Nanjing Zhongshang Jinruenfa Gulou Shopping Mall Co., Ltd.	*(iii)*	**93.19%**	93.82%	Retailing	RMB	5
Suzhou Concord Warehousing Co., Ltd.		**93.19%**	93.82%	Warehousing	USD	31
Changshu RT-MART Hypermarket Co., Ltd.		**93.19%**	93.82%	Retailing	USD	7
Shanghai Minhang RT-MART Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3
Huainan RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3
Beihai RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3

29 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL: (continued)

Name of companies	*Note*	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		2014	2013			*(million)*
Taixing Ruentex Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Qingdao Chunyang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Jilin Ruentex Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Shanghai Fengxian RT-MART Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3
Suzhou Ruenhua Property Co., Ltd.	*(iii)*	**93.19%**	93.82%	Property development, leasing and retailing	RMB	49
Guangzhou Tianmei Ruenfu Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3
Hainan RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Changde RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	1
Zhuji RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Tangshan Ruenliang Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Taian Shenguotou Property Co., Ltd.		**93.19%**	93.82%	Property development, Retailing	RMB	40
Rugao RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Shaoguan RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Jingzhou RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Shenzhen RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Hangzhou Yongfeng RT-MART Hypermarket Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3
Shanghai Jiading RT-MART Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Laiwu RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	5
Changzhou Changhong RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Hefei Qingxi RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Wujiang Ruentex Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Nanchang Xihu RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Foshan Nanhai Ruenliang Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Nantong Tongzhou Ruentex Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	7
Haerbin Ruenfu Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Qiqiha'er Ruentex Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2

29 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL: (continued)

Name of companies	*Note*	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		2014	2013			*(million)*
Shanghai Zhabei Nanqu RT-MART Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Pinghu RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	12
Lianyungang Ruenliang Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Fenghua RT-MART Commercial Co.,.Ltd.		**93.19%**	93.82%	Retailing	USD	2
Shanghai Minhang Huacao RT-MART Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	12
Cixi RT-MART Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	7
Qingdao Jimo Zhenhua RT-Mart Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Lanzhou RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Tianjin Changhu RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Xi'an RT-MART Hypermarket Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Anqing RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Anshan RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Tonglu RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	6
Suqian Ruenliang Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Shenzhen Ruentex Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	0
Jiangmen RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Zhaoqing RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Xiamen Ruenrui Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Changsha Ruenliang Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Fuyang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Haiyan RT-mart Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3
Guangzhou Ruenping Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Changxing Ruenrui Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3
Jiande RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3
Zhangjiagang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3
Yunnan Ruentex Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Changzhou Huaide RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Hefei Luyang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2

29 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL: (continued)

Name of companies	*Note*	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		2014	2013			*(million)*
Shanghai Sijing RT-MART Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Guangzhou Concord Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Jining RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Wuhu RT-MART Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Huaibei RT-MART Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Suzhou RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	26
Xinghua Ruentex Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Rongcheng RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Deyang RT-mart Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Weihai Ruenhua Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Chaoyang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Jilin RT-MART Hypermarket Co., Ltd.		**93.19%**	93.82%	Retailing	USD	1
Putian Ruende Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Yancheng Jiaruenfa Investment Management Co., Ltd.	*(iii)*	**93.19%**	93.82%	Property Development and leasing	RMB	10
Jurong RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Dafeng Ruentex Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	16
Baoji RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Taizhou Huangyan RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3
Suzhou Ruende Commercial Co., Ltd.	*(iii)*	**93.19%**	93.82%	Retailing	RMB	3
Zibo RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Beijing Ruenfu Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Dongguan Ruende Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Hefei Yaohai RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Zibo Concord RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Foshan Nanhai Ruenrui Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Shuyang Ruentex Commercial Co., Ltd.	*(iii)*	**93.19%**	93.82%	Retailing	RMB	15
Yantai RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Dongying Concord RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Daqing RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Jianhu RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	10

29 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL: (continued)

Name of companies	*Note*	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		2014	2013			*(million)*
Wuhan Ruende Hypermarket Development Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Tongliao Ruentex Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Nanchang Chenghu RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Suzhou Xuguan Ruenhua Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Rizhao RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Meishan RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	17
Laiyang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	12
Shanghai Sanlin RT-MART Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Qingdao Concord RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Weifang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Binhai RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Suzhou Baodai Ruentex Commercial Co., Ltd.	*(iii)*	**93.19%**	93.82%	Retailing	RMB	15
Xiangshan RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3
Cixi Guanhaiwei RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3
Jinan Concord Warehousing Co., Ltd.	*(iii)*	**93.19%**	93.82%	Warehousing	RMB	15
Shenyang Sujiatun RT-MART Commercial Co., Ltd.	*(iii)*	**93.19%**	93.82%	Retailing	RMB	128
Yangjiang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Songyuan RT-Mart Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Kaifeng Ruentex Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Shenyang RT-MART Warehousing Co., Ltd.		**93.19%**	93.82%	Warehousing	USD	11
Guangzhou Ruendefa Warehousing Co., Ltd.		**93.19%**	93.82%	Warehousing	USD	16
Chengdu Xingfu RT-MART Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Yueyang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	10
Zhangzhou RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	16
Kunshan Qiandeng Ruenping Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	17
Huaihua RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Zhengzhou RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Hefei Feicui RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Yancheng RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3
Nantong Ruenhua Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2

29 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL: (continued)

Name of companies	*Note*	Effective interest of ownership attributable to the Group 2014	2013	Principal activities	Registered capital/issued and fully paid up capital *(million)*	
Changsha Ningxiang Ruenfu Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Binzhou RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	12
Weifang Concord RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Nanchong Ruentex Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Liuzhou Ruenping Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Lianshui Ruenhua Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Huludao RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Cangnan Longgang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3
Qingzhou RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	7
Huangshan RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Qingdao Jiaozhou RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Nanchong Ruenhua Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Jiashan RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3
Jinjiang Ruende Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	6
Changzhou Zhujiang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Yichang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Xuzhou Ruenhua Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Dongtai RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Lianyungang Ruenyun Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Zhangjiagang Jingang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3
Zhengzhou Ruenrui Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	12
Taizhou Gaogang Ruenliang Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Yongkang Ruentex Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	7
Dongguan Zhangmutou RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Yancheng Xianfengdao RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Zaozhuang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Shanghai Baoshan Luodian RT-MART Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Yangzhou Ruenliang Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Xiaogan RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Changchun Ruentex Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2

29 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL: (continued)

Name of companies	*Note*	Effective interest of ownership attributable to the Group 2014	2013	Principal activities	Registered capital/issued and fully paid up capital	*(million)*
Ganzhou RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Zhenjiang Jingkou Ruenjing Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Yangzhou Ruenhan Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3
Hefei Baohe RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Fuzhou Jinrong RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Mianyang RT-MART Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Suzhou Ruenping Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Haerbin Daowai RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Sichuan RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	7
Dongguan Humen RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Kunshan Ruenliang Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	12
Changzhou Guanhe RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Shanghai Jiading Anting RT-MART Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Guangde RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Dingyuan RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Wendeng RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Nanling RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Jinghong RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Chizhou RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Wuxi Ruentex Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Peixian RT-MART Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Haicheng RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Huai'an Ruenliang Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Longyan RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Foshan Gaoming Ruenping Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Jinhua RT-MART Commercial Co. Ltd.		**93.19%**	93.82%	Retailing	USD	3
Jinan Shizhong RT-MART Commercial Co. Ltd.	*(iii)*	**93.19%**	93.82%	Retailing	RMB	5
Bengbu Ruenhua Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Qingdao Laoshan RT-MART Commercial Co. Ltd.		**93.19%**	93.82%	Retailing	USD	2
Liuzhou Ruenhan Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Jinan Tianqiao RT-MART Commercial Co. Ltd.	*(iii)*	**93.19%**	93.82%	Retailing	RMB	5

29 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL: (continued)

Name of companies	*Note*	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		2014	2013			*(million)*
Dongyang RT-MART Commercial Co. Ltd.		**93.19%**	93.82%	Retailing	USD	2
Donghai Ruenyun RT-MART Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Zhenjiang Ruencheng RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3
Yixing RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Guangzhou Ruenzeng Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Shanghai Nicheng RT-MART Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Weihai Ruentex Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Jiangmen Ruenliang Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Jiujiang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Shenzhen Kangruenhua Commercial and Trading Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Foshan Ruenguo Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
An'xi RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Liyang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Anshun RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Yibin RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Chuzhou RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Wujiang Ruenliang Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Qingyuan RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Lishui RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
E'erduosi RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Huai'an Ruenhuai Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	10
Qinzhou RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Fanchang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Xuyi Ruenyun Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Foshan Nanzhuang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Xuancheng RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Yangjiang Ruenliang Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Hangzhou Ruenfu RT-MART Hypermarket Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3

29 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL: (continued)

Name of companies	*Note*	Effective interest of ownership attributable to the Group 2014	2013	Principal activities	Registered capital/issued and fully paid up capital	*(million)*
Xuzhou Ruenping Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	4
Wujiang Ruenjiang Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Tongling RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Quanzhou Luojiang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Beihai Ruenfu Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Jiangmen Ruenjin Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Yanzhou RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Lechang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Fuxin RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	6
Shenyang Ruenfu Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	6
Hongze RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Foshan Nanhai Ruenhan Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Huai'an Economic and Technological Development Zone Ruenbao Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3
Sheyang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3
Yulin Ruenping Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Nantong Ruenliang Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Wuzhou Ruenliang Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Lishui RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3/0.5
Xining RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Chibi RT-MART Warehousing Co.,Ltd.		**93.19%**	93.82%	Warehousing	USD	10
Yangzhou Century Runhua Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Nanjing Xuanrun Hypermarket Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3/0.5
Zhongshan Dongfeng Ruentex Commercial Co., Ltd		**93.19%**	93.82%	Retailing	USD	2/0.4
Huian Ruentex Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Jingjiang Ruenjing Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Taihe RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Siyang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Bengbu Ruenrui Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Zhuzhou Runhua Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Shaoxing RT-MART Hypermarket Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3/0.5
Xuzhou Ruenrui Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4

29 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL: (continued)

Name of companies	*Note*	Effective interest of ownership attributable to the Group 2014	2013	Principal activities	Registered capital/issued and fully paid up capital *(million)*	
Hefei Feidong RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Kaiyuan RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	6
Shenyang Ruenping Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	6
Zhongshan RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Nanxiang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Liupanshui RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Suzhou Ruenwei Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Xiamen Ruenliang Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Wuxi Ruenbai Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Hainan Longkun RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Youxi RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Nanning Ruenping Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Chengde RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Liaoyang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	6
Beian Ruentex Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Nanjing RT-MART Warehousing Co.,Ltd.		**93.19%**	93.82%	Warehousing	USD	20
Zhenjiang RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2
Huai'an Chuzhou Ruenzhou Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3
Shenyang Ruenliang Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	6
Shaoxing Ruenrui Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	3/1
Yuhuan RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	7/1
Sanya RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Haikou Guoxing RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/–
Liuzhou Ruenpeng Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Nanning Ruenliang Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Nanchang Wuhu RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Xianning RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Datong RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Emeishan RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Nanxiong Ruenmin Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Nanchong Nanbu RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Jiangshan Ruenliang Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	8

29 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL: (continued)

Name of companies	*Note*	Effective interest of ownership attributable to the Group 2014	2013	Principal activities	Registered capital/issued and fully paid up capital *(million)*	
Wuhu RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Xingyi RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Hangzhou Xiaoshan Ruenhua RT-MART Hypermarket Co., Ltd.		**93.19%**	93.82%	Retailing	USD	2/0.4
Tonghua RT-MART Commercial Co., Ltd.		**93.19%**	93.82%	Retailing	USD	6/1
Linquan RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Jiyuan RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Bozhou RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Ruian Ruentex Commercial and Trading Co., Ltd.		**93.19%**	–	Retailing	USD	3/0.5
Huaiyuan RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Shandong Zhangqiu RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Taizhou Hailing Ruenxuan Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Fuzhou Fuxin RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Tianmen RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Linyi RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Xining Ruenliang RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Fuzhou RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Baicheng RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	6
Nanchang Qingshanhu RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Pizhou Ruentex Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Qidong Ruentex Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Xiamen Ruenyun Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Liaoyuan RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	6/1
Changzhou Yaoguan RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Ha'erbin Shuangcheng RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Zhanjiang Ruenmin Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Yong'an RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Mingguang RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Laizhou RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Jiaxing RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	3/–
Wuxi Ruenru Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Meizhou RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4

29 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by ACHK:

Name of companies	*Note*	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		2014	2013			*(million)*
Ji'nan Zhangzhuanglu RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Nantong Ruenmao Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Shangqiu Ruenhua Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Jiangyin Weiruen Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Baise RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Jiamusi RT-MART Commercial and Trading Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Tengzhou RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Liaocheng RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Sanming Meilie RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Anshan Ruenhua Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Huanggang Ruenhua Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Qitaihe RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Wuxi Ruentu RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/0.4
Liuan RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Ji'nan Lixia RT-MART Commercial and Trading Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Ji'nan Jingshilu RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Longyou RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	3/–
Chongqin Hechuan Ruendi Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Yinchuan RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Shangrao RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Zunyi Ruenyun Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Luoding RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Quanzhou Licheng RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Zhongshan Ruenping Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Nantong Ruenru Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Zhangjiakoushi RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Qingyang RT-MART Commercial Co., Ltd.		**93.19%**	–	Retailing	USD	2/–
Shanghai Auchan Hypermarkets Co., Ltd.	*(ii)*	**95.00%**	95.64%	Retailing	USD	18
Wuxi Immochan Real Estate Co., Ltd.	*(ii)*	**100%**	100%	Property development and leasing	RMB	66
Suzhou Auchan Hypermarkets Co., Ltd.		**95.00%**	95.64%	Retailing	RMB	220
Hangzhou Auchan Hypermarkets Co., Ltd.	*(ii)*	**95.00%**	95.64%	Retailing	USD	23

29 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by ACHK: (continued)

Name of companies	Note	Effective interest of ownership attributable to the Group 2014	2013	Principal activities	Registered capital/issued and fully paid up capital (million)	
Nanjing Immochan Real Estate Co., Ltd.		**95.00%**	95.64%	Property development and leasing	USD	8
Ningbo Immochan Real Estate Co., Ltd.		**95.00%**	95.64%	Property development and leasing	RMB	56
Auchan (China) Investment Co., Ltd.		**95.00%**	95.64%	Consulting service and investment	USD	300/279
Chengdu Auchan Hypermarkets Co., Ltd.		**95.00%**	95.64%	Retailing	RMB	110
Beijing Auchan Hypermarkets Co., Ltd.		**95.00%**	95.64%	Retailing	RMB	50
Shanghai New Auchan Hypermarkets Co., Ltd.		**95.00%**	95.64%	Retailing	RMB	128
Beijing Immochan Consultation Co., Ltd.		**95.00%**	95.64%	Property development and leasing	RMB	96
Nanjing Auchan Hypermarkets Co., Ltd.		**95.00%**	95.64%	Retailing	RMB	50
Ningbo Auchan Hypermarkets Co., Ltd.		**95.00%**	95.64%	Retailing	RMB	72
Nanjing Jinshang Property Co., Ltd.		**100%**	100%	Property development and leasing	RMB	130
Nanjing Ningshang Property Co., Ltd.		**95.00%**	95.64%	Property development and leasing	RMB	80
Shuangliu Zhongsen Real Estate Development Co., Ltd.	*(iii)*	**95.00%**	95.64%	Property development and leasing	RMB	30
Jiaxing Immochan Real Estate Co., Ltd.		**95.00%**	95.64%	Property development and leasing	USD	6
Zhoushan Immochan Real Estate Co., Ltd.		**95.00%**	95.64%	Property development and leasing	RMB	57
Changzhou Immochan Real Estate Co., Ltd.	*(ii)*	**95.00%**	95.64%	Property development and leasing	USD	22
Taizhou Auchan Hypermarkets Co., Ltd.		**95.00%**	95.64%	Retailing	USD	10
Changzhou Auchan Hypermarkets Co., Ltd.		**95.00%**	95.64%	Retailing	RMB	122
Yangzhou Auchan Hypermarkets Co., Ltd.		**95.00%**	95.64%	Retailing	USD	8
Anhui Auchan Hypermarkets Co., Ltd.		**95.00%**	95.64%	Retailing	USD	12
Jiaxing Auchan Hypermarkets Co., Ltd.		**95.00%**	95.64%	Retailing	USD	6
Zhenjiang Auchan Hypermarkets Co., Ltd.		**95.00%**	95.64%	Retailing	USD	12
Wuxi Auchan Hypermarkets Co., Ltd.		**95.00%**	95.64%	Retailing	USD	8

29 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by ACHK: (continued)

Name of companies	*Note*	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		2014	2013			*(million)*
Huzhou Auchan Hypermarkets Co., Ltd.		**95.00%**	95.64%	Retailing	USD	10
Shanghai Auchan Information and Technique Development Co., Ltd.		**95.00%**	95.64%	Research and development service	USD	1
Nantong Auchan Hypermarkets Co., Ltd.		**95.00%**	95.64%	Retailing	USD	12
Nantong New Auchan Hypermarkets Co., Ltd.		**95.00%**	95.64%	Retailing	USD	10/5
Yantai Auchan Hypermarkets Co., Ltd.		**95.00%**	95.64%	Retailing	USD	20/10
Meizhou Auchan Hypermarkets Co., Ltd.		**95.00%**	95.64%	Retailing	USD	7
Dongguan Auchan Hypermarkets Co., Ltd.		**95.00%**	95.64%	Retailing	USD	8
Bengbu Auchan Hypermarkets Co., Ltd.		**95.00%**	95.64%	Retailing	USD	5/1
Fuzhou Auchan Hypermarkets Co., Ltd.		**95.00%**	–	Retailing	USD	3

Note:

(i) RT-Mart Holdings Limited, ACHK and Feiniu Hong Kong are incorporated in Hong Kong. CCIL is incorporated in the Cayman Islands. All other subsidiaries are established and operated in the PRC.

(ii) These subsidiaries are co-operative joint ventures. With the exception of People's RT-MART Limited Jinan, the joint venture partners are only entitled to fixed returns and do not otherwise participate in the profit or loss of these subsidiaries pursuant to the joint venture agreements (note 19).

(iii) These subsidiaries are domestic enterprises.

CIC, ACI and Feiniu E-commerce (Shanghai) Co., Ltd. are sino-foreign equity joint ventures. Except for (ii) and (iii), all other subsidiaries of the Group which are established in the PRC are wholly foreign owned enterprises.

* The English translation of the names is for reference only. The official names of these entities are in Chinese.

30 SUBSEQUENT EVENTS

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 21(b).

FINANCIAL SUMMARY

A summary of the published consolidated results and assets, liabilities, equity and non-controlling interests of the Group for the last five financial years is set out below:

	Year Ended 31 December				
	2014	2013	2012	2011	2010
			RMB million		
Turnover	**91,855**	86,195	77,851	68,084	56,168
Gross Profit	**20,998**	18,613	16,150	13,857	10,968
Profit from Operations	**4,233**	4,147	3,518	2,906	2,474
Profit for the Year	**3,042**	2,942	2,533	1,985	1,614
Profit attributable to:					
Equity shareholders of the Company	**2,908**	2,775	2,409	1,600	1,031
Non-Controlling Interests	**134**	167	124	385	583

	At 31 December				
	2014	2013	2012	2011	2010
			RMB million		
Total assets	**52,443**	49,910	44,585	41,346	29,853
Total liabilities	**31,909**	30,529	27,227	25,829	23,033
Equity attributable to:					
Equity shareholders of the Company	**19,673**	18,748	16,830	15,139	4,403
Non-Controlling Interests	**861**	633	528	378	2,417

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs.

The above summary does not form a part of the consolidated financial statements.

SUN ART
Retail Group Limited

(Incorporated in Hong Kong with limited liability)
Stock Code: 6808