Renhe Commercial Holdings Company Limited
人和商業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1387)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

The board of directors (the "Board") of Renhe Commercial Holdings Company Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group" or "Renhe Commercial") for the year ended 31 December 2014 with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2014

	Note	**2014** *RMB'000*	2013 *RMB'000*
Revenue	*2*	**555,357**	547,410
Cost of sales	*3*	**(11,825)**	(26,144)
Gross profit		**543,532**	521,266
Net valuation loss on investment properties		**(1,364,462)**	(832,256)
Profit on disposal of investment properties		**7,736**	65,699
Other income	*4*	**104,659**	98,987
Administrative expenses		**(409,490)**	(1,003,951)
Other operating expenses		**(339,600)**	(345,285)
Loss from operations		**(1,457,625)**	(1,495,540)
Finance income		**123,174**	72,821
Finance expenses		**(541,490)**	(476,937)
Net finance expenses	*6*	**(418,316)**	(404,116)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)
For the year ended 31 December 2014

	Note	**2014** *RMB'000*	2013 *RMB'000*
Loss before income tax	*5*	**(1,875,941)**	(1,899,656)
Income tax	*7*	**161,398**	151,286
Loss for the year		**(1,714,543)**	(1,748,370)
Attributable to:			
Equity shareholders of the Company		**(1,666,513)**	(1,699,604)
Non-controlling interests		**(48,030)**	(48,766)
Loss for the year		**(1,714,543)**	(1,748,370)
			(Restated)
Basic and diluted loss per share ***(RMB cents)***	*9*	**(7.53)**	(7.67)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2014

	Note	31 December 2014 RMB'000	31 December 2013 RMB'000
Non-current assets			
Property and equipment		**474,215**	512,654
Investment properties		**26,198,046**	25,748,633
Intangible asset		**11,123**	11,086
Goodwill		**363,792**	363,792
Other assets		**1,249,634**	1,590,822
Deferred tax assets		**135,262**	202,815
Trade receivables and other assets	*10*	**520,528**	1,171,880
Total non-current assets		**28,952,600**	29,601,682
Current assets			
Inventories		**4,579,443**	4,183,535
Trade receivables and other assets	*10*	**2,892,110**	893,658
Cash at bank and on hand		**884,493**	1,284,100
Total current assets		**8,356,046**	6,361,293
Current liabilities			
Interest-bearing borrowings	*12(ii)*	**3,185,101**	521,800
Trade and other payables	*11*	**5,534,252**	3,071,872
Taxation		**18,538**	21,442
Total current liabilities		**8,737,891**	3,615,114
Net current (liabilities)/assets		**(381,845)**	2,746,179
Total assets less current liabilities		**28,570,755**	32,347,861
Non-current liabilities			
Interest-bearing borrowings	*12(i)*	**5,403,091**	7,276,718
Deferred tax liabilities		**4,059,703**	4,333,036
Receipt in advance		**539,617**	431,152
Total non-current liabilities		**10,002,411**	12,040,906
Net assets		**18,568,344**	20,306,955
Capital and reserves			
Share capital	*13*	**186,376**	186,376
Reserves		**18,242,088**	19,932,669
Total equity attributable to equity shareholders of the Company		**18,428,464**	20,119,045
Non-controlling interests		**139,880**	187,910
Total equity		**18,568,344**	20,306,955

Notes:

1. STATEMENT OF COMPLIANCE

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The 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 the financial statements is provided as below.

Changes in Accounting Policies

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

- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*

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

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

Amendments to IAS 32, Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The adoption of the amendments does not have an impact on the Group's financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IAS32 during the periods presented.

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

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

2. REVENUE

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

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

As the Group's operations are all located in the People's Republic of China (the "PRC"), no geographic segment reporting is presented.

3. COST OF SALES

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

4. OTHER INCOME

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

5. LOSS BEFORE INCOME TAX

	2014	2013
	RMB'000	*RMB'000*
Depreciation	**41,930**	45,653
Advertisement expenses	**18,432**	38,324
Repairs and maintenance	**95,039**	101,054
Utility charges	**53,261**	53,695
Operating lease charges	**24,042**	26,246
Auditors' remuneration		
– audit services	**11,774**	11,126
– tax services	**314**	115
Rentals receivable from investment properties less direct outgoings of RMB33,074,000 (2013: RMB39,413,000)	**(500,634)**	(415,279)
Impairment loss on receivables *(Note 10(iii)/(v))*	**15,747**	540,186

6. NET FINANCE EXPENSES

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

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

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

7. INCOME TAX

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

(i) According to the Corporate Income Tax Law of the PRC, from 1 January 2008, the statutory income tax rate applicable to the Group's subsidiaries in the PRC is 25%.

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

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

(iii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(iv) No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the year.

(v) In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is levied at the properties developed with legal title by the Group for sale in the PRC. Land Appreciation Tax is charged on the appreciated amount at progressive rates ranged from 30% to 60%.

8. DIVIDENDS

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

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

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

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

9. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB1,666,513,000 (2013: loss of RMB1,699,604,000) and the weighted average of 22,145,685,000 ordinary shares (2013 (Restated): 22,145,685,000) during the year ended 31 December 2014, as adjusted to reflect issuance of shares under the rights issue, which are expected to be fully underwritten under the underwriting agreement. As described in note 13(i), the Company completed the rights issue in January 2015. In calculating loss per share, the weighted average number of shares outstanding during the years ended 31 December 2014 and 2013 were calculated as if the bonus elements without consideration included in the rights issue had been existed from the beginning of the comparative year.

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

10. TRADE RECEIVABLES AND OTHER ASSETS

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

Except as disclosed in Note 10(i) below, the balance of trade receivables and other assets are expected to be settled or recovered within one year.

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

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

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

(ii) Ageing analysis

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

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

(iii) Impairment of trade receivables

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

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

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

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

(iv) Trade receivables that are not impaired

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

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

(v) Receivables from disposal of subsidiaries

	2014	2013
	RMB'000	*RMB'000*
Other receivables	**–**	260,190

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

(vi) Bank deposits

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

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

(a) The Group's subsidiaries in PRC have entered into agreements with certain banks with respect to loans provided to buyers of the operation rights. The Group makes deposits as security for repayment of the loans under these agreements. The deposits will be released along with the repayment of loan principal by the buyers.

(b) The amounts of the Group represent deposits made as security to obtain the bank loans from certain PRC banks (Note 12(i)(b)). The deposit will be released along with the Group's repayment of such related bank loans.

(c) During the year, the Group proposed the right shares at a subscription price of HKD0.32 each on the basis of one right share for every two existing shares held on 9 December 2014 (the "Rights Issue"). As at 31 December 2014, subscription proceeds of RMB2,451,202,000 was received by the Group from shareholders for the Rights Issue. The proceeds were restricted to the use of subscription of the Rights Issue upon it became unconditional on 2 January 2015.

11. TRADE AND OTHER PAYABLES

	Note	2014 RMB'000	2013 RMB'000
Receipts in advance		**374,002**	512,203
Construction payables	*(i)*	**1,707,394**	1,602,729
Other taxes payable	*(ii)*	**110,444**	89,322
Deposits	*(iii)*	**522,319**	600,985
Amounts due to a related party		**20,554**	2,006
Salary and welfare expenses payable		**5,065**	14,153
Professional service fee payables		**16,106**	14,151
Interest payable		**175,962**	175,623
Proceeds from the rights issue	*10(vi)(c)*	**2,451,202**	–
Others		**151,204**	60,700
		5,534,252	3,071,872

(i) All the construction payables at the end of the reporting period are expected to be settled within one year or are payable on demand.

(ii) Other taxes payable mainly represents the payables of business tax which is 5% of the gross revenue, and property tax which levied at original cost of investment properties or lease income.

(iii) These mainly represent deposits paid by tenants for the privilege to renew the operating lease contracts upon expiry, to sign new operating lease contracts and to sign operation rights transfer contracts for the units of the Group's shopping malls to be opened in the future and deposits collected from customers to secure the execution of the lease agreements.

12. INTEREST-BEARING BORROWINGS

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

	Note	2014 RMB'000	2013 RMB'000
Senior notes	*(a)*		
– Senior Notes 2015		**1,830,201**	1,811,353
– Senior Notes 2016		**3,642,591**	3,609,965
Secured bank loans	*(b)*	**1,680,200**	1,242,000
Secured loans from other financial institutions	*(c)*	**1,375,200**	1,075,200
		8,528,192	7,738,518
Less: current portion of long-term bank loans	*12(ii)*	**(419,700)**	(261,800)
current portion of long-term loans from other financial institutions	*(c)/12(ii)*	**(875,200)**	(200,000)
current portion of Senior Notes 2015	*(a)/12(ii)*	**(1,830,201)**	–
		5,403,091	7,276,718

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

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

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

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

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

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

The bank loans are secured by the followings:

– As at 31 December 2014, RMB860,200,000 (31 December 2013: RMB1,042,000,000) bank loans are secured by restricted bank deposits and investment properties.

– As at 31 December 2014, RMB120,000,000 (31 December 2013: RMB200,000,000) bank loans are secured by restricted bank deposits and investment properties and jointly guaranteed by certain PRC subsidiaries of the Group.

– As at 31 December 2014, RMB700,000,000 (31 December 2013: Nil) bank loans are jointly guaranteed by a director of the Company and certain PRC subsidiaries of the Group.

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

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

– As at 31 December 2014, loans from other financial institutions of RMB975,000,000 (31 December 2013: RMB475,000,000) are jointly guaranteed by a director of the Company and certain PRC subsidiaries of the Group.

– As at 31 December 2014, loans from other financial institutions of RMB400,200,000 (31 December 2013: RMB600,200,000) are secured by restricted bank deposits and investment properties and jointly guaranteed by certain PRC subsidiaries of the Group.

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

	2014	2013
	RMB'000	*RMB'000*
Secured bank loan (a)	**60,000**	60,000
Current portion of Senior Notes *(Note 12(i)(a))*	**1,830,201**	–
Current portion of long-term bank loans *(Note 12(i))*	**419,700**	261,800
Current portion of long-term loans from other financial institutions *(Note 12(i))*	**875,200**	200,000
	3,185,101	521,800

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

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

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

13. SHARE CAPITAL

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

(i) Rights issue

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

DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

Malls Under Management

Cities	Number of malls	GFA under management -sq.m	Investment properties GFA -sq.m	Inventory GFA -sq.m
Harbin	9	168,081	66,718	4,209
Shenyang	3	210,602	80,225	92,163
Guangzhou	1	47,554	4,250	–
Wuhan	1	69,209	19,827	–
Wuxi	1	429,255 *(note 1)*	419,911 *(note 1)*	–
Handan	1	68,027	62,570	4,451
Putian	1	55,084	43,194	–
Anyang	1	25,310	21,989	–
Ganzhou	1	59,900 *(note 2)*	45,375 *(note 2)*	–
Fushun	1	10,596	10,596	–
Yueyang	1	81,780 *(note 3)*	41,780 *(note 3)*	27,895
Jinzhou	1	40,765	10,765	29,614
Total	**22**	**1,266,163**	**827,200**	**158,332**

Notes

1. Includes car parking space of 56,507 sq.m

2. Includes car parking space of 25,040 sq.m

3. Includes car parking space of 9,908 sq.m

Project Reserves (including projects under construction)

	Under construction#	Total construction GFA – sq.m	Investment properties GFA – sq.m	Inventory GFA – sq.m
1	Chongqing Banan Project Phase 1	60,669	40,669	20,000
2	Chongqing Dadukou Project Phase 1	40,379	20,379	20,000
3	Liaoning Anshan Project Phase 2	118,000	118,000	–
4	Hainan Sanya Project	135,190	100,190	35,000
5	Liaoning Shenyang Project Phase 2	118,058	88,058	30,000
6	Guangdong Dongguan Humen Project Phase 1*	423,890 *(note 1)*	273,890 *(note 1)*	150,000
7	Hebei Qinhuangdao Project Phase 1	23,282	13,282	10,000
8	Liaoning Anshan Project Phase 3	18,928	–	18,928
9	Jiangxi Yingtan Project Phase 1	86,000 *(note 2)*	61,000 *(note 2)*	25,000
10	Guangdong Dongguan Humen Project Phase 2*	228,000 *(note 3)*	178,000 *(note 3)*	50,000
11	Guangzhou Project Phase 2	41,861 *(note 4)*	6,861 *(note 4)*	35,000
12	Shandong Yantai Project Phase 1	30,000	5,000	25,000
	Total	**1,324,257**	**905,329**	**418,928**

	Approved and under planning stage	Approved GFA – sq.m		
1	Harbin Project Phase 4	15,738		
2	Harbin Project Phase 5	10,000		
3	Harbin Project Phase 6	31,500		
4	Tianjin Project	121,220		
5	Tianjin West Station South Plaza Project	100,000		
6	Hubei Wuhan Xibeihu Project	450,000		
7	Shenzhen Project	160,000		
8	Shandong Qingdao Project	500,000		
9	Jiangsu Wuxi Taihu Plaza Project	250,000		
10	Hebei Zhangjiakou Project	150,000		
11	Jiangxi Yingtan Project Phase 2	69,000		
12	Shandong Yantai Project Phase 2	56,000		
13	Hebei Qinhuangdao Project Phase 2	96,718		
14	Henan Zhengzhou Project Phase 2	350,000		
15	Henan Luoyang Project	194,840		
16	Anhui Wuhu Project	150,000		
17	Yunnan Kunming Project	200,000		
18	Jiangxi Nanchang Bayi Tunnel Project	162,000		
19	Guizhou Guiyang Project Phase 1	420,000		
	Total	**3,487,016**		
	Grand Total	**4,811,273**	**905,329**	**418,928**

Notes:

1. Includes car parking space with GFA of 30,000 sq.m

2. Includes car parking space with GFA of 18,476 sq.m

3. Includes car parking space with GFA of 25,385 sq.m

4. Includes car parking space with GFA of 5,587 sq.m

\# all properties under construction are 100% owned by the PRC subsidiaries

* held by 90% owned subsidiary

FINANCIAL REVIEW

Revenue

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

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

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

Operation Rights Transfer

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

Operating Lease Income

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

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

Cost of Sales

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

Gross Profit

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

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

Net Valuation Loss on Investment Properties

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

Valuation loss for completed projects

(i) Wuhan Project

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

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

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

(ii) Shenyang Project

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

Valuation loss for projects under construction

(i) *Dongguan Humen Project*

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

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

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

Other Income

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

Administrative Expenses

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

Other Operating Expenses

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

Finance Income

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

Finance Expenses

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

Investment Properties

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

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

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

Trade Receivables and Other Assets

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

Liquidity and Financial Resources

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

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

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

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

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

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

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

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

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

Foreign Exchange Rate Risk

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

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

Capital Commitments

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

Contingent Liabilities

Guarantees Provided to Buyers

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

Human Resources

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

PROSPECTS

The management believes the challenging macro environment will continue and may further intensify during 2015. The Group will continue to adopt a prudent and cautious approach in terms of commencing construction of new projects. As to the projects under construction, the management will be conservative and tightly control the capital expenditure by pacing down the construction progress. Projects located in areas with better prospect will be prioritized. Projects in other areas may be delayed or temporary suspended. In terms of our revenue, the Group will continue to focus on the rental growth of the existing shopping malls by evolving new strategies and operational modes to adapt to the new environment on one hand, as well as optimizing our management structure and efficiency.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

AUDIT COMMITTEE

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

Code Provision A.2.1

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

Code Provision A.2.7

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

Code Provision A.6.7 and E.1.2

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company is proposed to hold on 25 June 2015. Notice of the Annual General Meeting will be published and despatched to the shareholders in due course.

APPRECIATION

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

By order of the Board
Renhe Commercial Holdings Company Limited
Dai Yongge
Chairman

Hong Kong, 26 March 2015

As at the date of this announcement, the Board consists of Mr. Dai Yongge, Mr. Wang Hongfang, Mr. Zhou Jun, Mr. Dai Bin and Mr. Hu Yuzhou as executive directors, Mrs. Hawken Xiu Li, Ms. Jiang Mei, Ms. Zhang Xingmei, Mr. Zhang Dabin and Ms. Wang Chunrong as non-executive directors and Mr. Fan Ren-Da, Anthony, Mr. Wang Shengli, Mr. Wang Yifu, Mr. Leung Chung Ki and Mr. Tang Hon Man as independent non-executive directors.

* *For identification purpose only*