銀泰商业

Intime Retail (Group) Company Limited
銀泰商業（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1833

2014

ANNUAL REPORT

Contents

Corporate Profile

Intime Retail (Group) Company Limited (the "Company") was incorporated in the Cayman Islands with limited liability on 8 November 2006. The Company and its subsidiaries (the "Group") are principally engaged in the operation and management of department stores and shopping malls in the People's Republic of China (the "PRC"). The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 March 2007.

The Group commenced its department store business in 1998 when its first department store was established in Hangzhou, namely the Hangzhou Wulin store. After 16 years of development, the Group has established a leading position in Zhejiang province and secured strategic footholds in Hubei province, Shaanxi province, Anhui province, Guangxi province, Hebei province and Beijing. As at 31 December 2014, the Group operated and managed a total of 29 department stores and 15 shopping centres with a total gross floor area of 2,600,793 square meters, including 20 department stores and 9 shopping centres located in the principal cities of Zhejiang province, 6 department stores and 1 shopping centre located in Hubei province, 1 department store located in Beijing, 2 shopping centres located in Anhui province, 1 shopping centre located in Hebei province, 1 shopping centre located in Guangxi province, and 2 department stores and 1 shopping centre located in Shaanxi province. All of the Group's stores and shopping malls are located in prime shopping locations of their respective cities and aim to provide the Group's customers with pleasant and perfect shopping experience. In addition, the Group also holds a 50% equity interest in Beijing Youyi Lufthansa Shopping City Co., Ltd. Beijing Lufthansa Centre.

The Group adopts "Bring you a new lifestyle" as its motto and has traditionally targeted young and modern families as its major customers. The Group focuses on operating trendy department stores while also actively developing comprehensive shopping malls, online store and online-to-offline (O2O) business. The Group positions its merchandise in the medium to high-end market with a commitment to offer excellent shopping experiences. With increasing sales floor area under management, the Group is gradually broadening its range of merchandise and service offerings to include high-end to luxury retailing, as well as more comprehensive, richer shopping related amenities and services.

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

SHEN Guojun *(Chairman)*
CHEN Xiaodong

Non-Executive Directors:

XIN Xiangdong
LIU Dong (resigned on 14 November 2014)
WONG Luen Cheung Andrew
(resigned on 5 September 2014)
ZHANG Yong (appointed on 7 July 2014)
LEE Hon Chiu (appointed on 5 September 2014)
SUN Xiaoning (appointed on 14 November 2014)

Independent Non-Executive Directors:

SHI Chungui
YU Ning
CHOW Joseph

REGISTERED OFFICE

P.O. Box 309GT
Ugland House
South Church Street, George Town
Grand Cayman
Cayman Islands

HEAD OFFICE

1063-3, Creative Culture Industrial Park,
Sihui East Road,
Chaoyang District,
Beijing 100124
PRC
Tel: +86 10 87159300
Fax: +86 10 87159385
Email: info@intime.com.cn

COMPANY SECRETARY

CHOW Hok Lim *FCCA, CPA*

AUTHORIZED REPRESENTATIVES

CHEN Xiaodong
CHOW Hok Lim

AUDIT COMMITTEE

CHOW Joseph *(Chairman)*
SHI Chungui
YU Ning

REMUNERATION COMMITTEE

SHI Chungui *(Chairman)*
YU Ning
CHOW Joseph

NOMINATION COMMITTEE

YU Ning *(Chairman)*
SHI Chungui
CHOW Joseph

STRATEGIC DEVELOPMENT COMMITTEE

SHEN Guojun *(Chairman)*
ZHANG Yong

LEGAL ADVISERS AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe
43rd Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1703, Tower II
Admiralty Centre
18 Harcourt Road
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

HONG KONG

Bank of China (Hong Kong) Limited
JPMorgan Chase Bank N.A.

PRC

Industrial and Commercial Bank of China
China Construction Bank
Agricultural Bank of China
Shanghai Pudong Development Bank

AUDITORS

Ernst & Young
Certified Public Accountants

STOCK CODE

1833

COMPANY WEBSITE

www.intime.com.cn

Financial Highlights

A summary of the results and assets, liabilities and equity of the Group for the last five financial years is set out below:

	Year ended 31 December				
	2010	2011	2012	2013	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
	Restated	*Restated*	*Restated*	*Restated*	
Operating Results					
Revenue	2,288,753	3,117,198	3,907,230	4,510,219	**5,250,568**
Profit before income tax	1,062,639	1,266,394	1,514,211	2,356,100	**1,805,256**
Profit for the year	803,713	961,189	1,165,715	1,713,858	**1,163,782**
Profit attributable to:					
– Owners of the parent	770,362	903,735	1,074,122	1,594,524	**1,121,483**
– Non-controlling interests	33,351	57,454	91,593	119,334	**42,299**
Full year dividends per share (RMB)	0.15	0.17	0.19	0.21	**0.22**
Basic earnings per share (RMB)	0.44	0.47	0.54	0.79	**0.53**
Diluted earnings per share (RMB)	0.40	0.46	0.53	0.79	**0.50**

	31 December				
	2010	2011	2012	2013	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
	Restated	*Restated*	*Restated*	*Restated*	
Assets and Liabilities					
Total assets	12,590,114	17,678,654	21,925,675	23,972,589	**27,794,182**
Total liabilities	(6,649,607)	(10,081,484)	(13,296,104)	(13,937,400)	**(16,013,089)**
Total equity	5,940,507	7,597,170	8,629,571	10,035,189	**11,781,093**
– Owners' equity	5,501,047	6,824,690	7,612,849	8,860,386	**10,694,983**
– Non-controlling interests	439,460	772,480	1,016,722	1,174,803	**1,086,110**

Chairman's Statement

In 2014, the Group has made significant progress in upgrading of its department stores, continuous expansion of its shopping malls network and implementation of its O2O innovation. In view of the Group's performance, as well as our commitment to delivering fair returns to shareholder of the Company, the board of directors of the Company (the "Board") has resolved to declare a final dividend of RMB0.12 per share. Together with an interim dividend of RMB0.10 per share already paid, the full year dividend per share for 2014 will amount to RMB0.22 per share if the proposed final dividend is approved at the forthcoming annual general meeting.

MACROECONOMIC OVERVIEW

In 2014, China's economic growth slowed down and reached a GDP growth rate of 7.4%. The total retail sales of consumer goods rose by 12.0% to RMB26,239.4 billion in 2014. Both figures showed comparative decrease from the previous year. Overall speaking, China's economy remained stable under the "new normal" and presented a desirable trend of stabilized growth, optimized structure, enhanced quality and improved standard of living. The rise of mobile internet and the development of e-commerce have made enormous impacts on the conventional sales channels and sales model, resulting in a paradigm shift in the retail industry in terms of retail practices and competition landscape, where the market posed great challenges and pressure to reform to each corporation.

The economy of Zhejiang province, where the Group has achieved a leading position, achieved a steady GDP growth rate of 7.6% in 2014. The total retail sales of consumer goods in Zhejiang province rose by 11.7% to RMB1,690.5 billion in 2014. Both figures showed comparative decrease from the previous year, indicating a slowdown in consumption growth. The per capita disposable income of urban households in Zhejiang province increased by 8.9% to RMB40,393 in 2014.

The economy of Hubei province, where the Group has built up a significant presence, continued to grow steadily in 2014 with a GDP growth rate of 9.7%. The total retail sales of consumer goods in Hubei province rose by 12.8% to RMB1,180.6 billion in 2014. The per capita disposable income of urban households in Hubei province also increased steadily by 9.6% to RMB24,852 in 2014.

The economy of Shaanxi province, where the Group is operating two department stores and one shopping centre, performed generally well in 2014 with a GDP growth rate of 9.7%. The total retail sales of consumer goods in Shaanxi province rose by 12.8% to RMB557.3 billion in 2014. The per capita disposable income of urban households in Shaanxi province also increased by 9.0% to RMB24,366 in 2014.

The economy of Anhui province, where the Group has opened two shopping centres, also performed reasonably well in 2014 with a GDP growth rate of 9.2%. The total retail sales of consumer goods in Anhui province rose by 13.0% to RMB732.1 billion in 2014. The per capita disposable income of urban households in Anhui province also increased by 9.0% to RMB24,839 in 2014.

OUTLOOK

In 2015, China is expected to maintain a slower but more sustainable growth. The “new normal” growth rates reflect the PRC government’s desire to pursue structural reforms that would allow the country to maintain a relatively fast-paced but more sustainable and equitable long-term growth. China’s consumption is also expected to remain a reasonable rate of growth. The PRC government is expected to manage a delicate balance between growth and reform and to use targeted stimulus policies and measured interest rate cuts to avoid any significant downturn in 2015.

To succeed in today’s highly competitive marketplace, retail operators need to take account of consumers’ rapidly evolving shopping preferences, and to explore various aspects of an omni-channel strategy. The Group is an innovation-oriented enterprise that is always open to reforms and cooperation. With rapid development of technologies, we are clearly aware of the need to learn and apply new technologies to our business. We will be more proactive to adapt to changes of our customers. By adhering to the principle of “customer orientation, care for staff, innovation & reform”, and by adopting the means of “digitalization, omni-channelizaton, platformization and entertainmentization”, the Group is committed to establish as a consumer solution provider driven by big data.

The Group will continue to adhere to its “regional pre-dominance” strategy to develop itself into a leading national retail chain, managing a portfolio of large department stores and shopping malls, with competitive or dominating presence in various regions in China. The Group will continue to maintain its long-term financial health and strong short-term financial liquidity, optimize its asset portfolio, and improve future return on its investments. In addition, the Group will continue to develop the online platform and leverage on the existing physical stores and shopping malls to enhance its online-offline interaction and realize the online and offline interacting sales. Harnessing the information collected from big data, the Group seeks to pull together multi- and cross-channel offerings, including physical stores, shopping malls, online platforms and social media to create a highly convenient, impactful and entertaining shopping experience to its customers.

Facing the increase in market competition and changes in economic environment, the management will adhere to the “sound and cautious” development approach and take appropriate actions against any possible market and operating risk, with effective integration of internal resources and development of new business under clear strategy vision aiming to turn its own advantages into market competitiveness, so as to strive to enhance its market share and increase operating income in the fierce market competition. The Group is confident about its future development and will strive to create more value for its shareholders through persistent efforts.

Chairman's Statement

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to our Board members and the management team, and to all the employees, business partners, customers and shareholders of the Group, for their support and contribution to the Group.

Shen Guojun
Chairman

CEO's Statement

2014 was a challenging year for the Group. Amid the slowdown in China's economy, the intensifying market competition, and the weakening in consumption growth, the Group reported a total gross sales proceeds (that is, the aggregate proceeds from direct sales, gross revenue from concessionaire sales, rental income, management fee income and commission from sale of goods) of RMB15,814.3 million for the year ended 31 December 2014, representing an increase of 0.8% as compared to that of last year. The year-on-year same store sales of the Group declined by 3.3%. For the year ended 31 December 2014, total revenue of the Group increased to RMB5,250.6 million, representing an increase of 16.4% as compared to that of last year. Profit attributable to owners of the parent was RMB1,121.5 million, representing a decline of 29.7% from that of last year.

EXPANSION OF NETWORK

ZHEJIANG

During the period under review, the Group further strengthened its position as the leading department store and shopping mall operator in Zhejiang province by opening Huzhou Dongwu Intime City, Wenling Intime City and Taizhou Linhai Intime City between April and May 2014, and by opening Wenzhou Yueqing Store, Hangzhou ZhongDa Intime City and Shaoxing Intime City in December 2014.

Huzhou Dongwu Intime City, with a gross floor area of approximately 104,000 square meters, is a one-stop shopping mall integrating fashion, leisure, shopping, entertainment and cultural facilities. Huzhou is in the north of Zhejiang province with Shanghai in its east and Hangzhou in its south, with a total area of 5,817 square kilometers and a total population of approximately 2,905,000. Huzhou Dongwu Intime City is located in the city centre area of Huzhou.

Wenling Intime City, with a gross floor area of approximately 100,000 square meters, is the first of its kind shopping mall in Wenling city. The mall brings together 300 well-known brands and services, many of which are new to Wenling, and aims to provide customers with a relaxed and stylish shopping and living experience.

Taizhou Linhai Intime City, with a gross floor area of approximately 118,000 square meters, is a one-stop shopping mall featuring the theme of "Youth, Fashion, Trend, Innovation, Education and Technology". As the Group's first lifestyle shopping mall in Taizhou, the mall aims to set a new standard for quality living, and to provide customers with stylish and comprehensive shopping experience.

Wenzhou Yueqing Store, with a gross floor area of approximately 41,848 square meters, is the Group's second department store located in Wenzhou. As one of the most developed counties within Wenzhou, Yueqing is ranked 8th in the list of 2013 Forbes China Richest County-Level Cities, with per capita disposable income of RMB34,448.

CEO's Statement

Hangzhou ZhongDa Intime City, with a gross floor area of approximately 80,528 square meters, is a one-stop shopping centre targeted at urban households and is the first to introduce nearly 200 famous brands into the northern part of Hangzhou. Hangzhou ZhongDa Intime City is co-built by the Group and Zhong Da Real Estate Group.

Shaoxing Intime City, with a gross floor area of approximately 123,000 square meters, is the first large urban complex project in Shaoxing. Shaoxing Intime City is designed to offer one-stop all-round services for the Shaoxing people.

ANHUI

In April 2014, Hefei Intime City, the Group's second shopping mall in Hefei, commenced operations. With a gross floor area of approximately 80,800 square meters, Hefei Intime City is a flagship landmark shopping mall in the new municipal and cultural district of Hefei. Hefei Intime City mainly targets at modern urban households and fashionable citizens, and provides more than 200 fashion brands and one-stop shopping facilities, including boutique supermarkets, luxurious theaters, indoor theme park, games city, professional sport supermarket, national and international caterings, dental hospital and health maintenance services.

GUANGXI

In September 2014, Liuzhou Intime City, the Group's first shopping centre in Guangxi, was officially opened. Liuzhou City is a prosperous trade and business logistics centre in Southwest China. Liuzhou Intime City, with a gross floor area of approximately 65,000 square meters, is a fashionable urban complex integrating fashion, leisure, shopping and recreation, and also is the first landmark riverside fashion shopping centre in Liuzhou.

HUBEI

In September 2014, Luojia Creativity Experience City, the first cultural life centre themed with creative and interactive experience in Wuhan, was officially opened. Luojia Creativity Experience City, with a gross floor area of 110,000 square meters, is positioned as a "youth and fashion" center in Wuhan. Through the offering of 9 thematic zones, namely "Digital Park", "Communication Oasis", "Clothes Area", "Eating Wuhan", "The Public House", "The Taste of Life", "Experiences of Youth", "Creative Exhibition" and "Star Show", Luojia Creativity Experience City integrates creativity of vision, food and inspiration, aiming to establish the largest creativity studio in Wuhan.

As at 31 December 2014, the Group operated and managed a total of 29 department stores and 15 shopping centres with a total gross floor area of 2,600,793 square meters, including 20 department stores and 9 shopping centres located in the principal cities of Zhejiang province, 6 department stores and 1 shopping centre located in Hubei province, 1 department store located in Beijing, 2 shopping centres located in Anhui province, 1 shopping centre located in Hebei province, 1 shopping centre located in Guangxi province, and 2 department stores and 1 shopping centre located in Shaanxi province. All of the Group's stores and shopping centres are located in prime shopping locations of their respective cities and aim to provide the Group's customers with pleasant and perfect shopping experience.

STRATEGIC COOPERATION WITH ALIBABA

On 30 March 2014, the Company entered into a subscription agreement (the "Subscription Agreement") with Alibaba Investment Limited (a subsidiary of Alibaba Group Holding Limited) pursuant to which (i) the Company has conditionally agreed to issue and allot to Alibaba Investment Limited, and Alibaba Investment Limited has conditionally agreed to subscribe in cash for an aggregate of 220,541,892 ordinary shares of the Company at the subscription price of HK$7.5335 per share (the "Subscription Shares"); (ii) the Company has conditionally agreed to issue and Alibaba Investment Limited has conditionally agreed to subscribe for convertible bonds of the Company with an aggregate principal amount of HK$3,706,066,630.16 that can be convertible into ordinary shares of the Company at an initial conversion price of HK$7.9102 per share (the "Convertible Bonds"); and (iii) the Company and Alibaba Investment Limited have undertaken to each other that each will use all reasonable endeavors to establish a joint venture (the "Joint Venture"). The ordinary resolutions to approve the Subscription Agreement and the whitewash waiver in relation to the Subscription Agreement were duly passed by the shareholders and the independent shareholders (as applicable) of the Company by way of poll at an extraordinary general meeting held on 24 June 2014.

Completion of the subscription of the Subscription Shares and Convertible Bonds took place on 7 July 2014. The Company plans to use the proceeds from the issue of Subscription Shares and Convertible Bonds for (i) synergizing the Group's online-to-offline (O2O) business with its omni-channel strategies so as to create a highly convenient and impactful shopping experience; (ii) expansion of the Group's retail business network by opening of new stores and shopping malls; (iii) possible acquisition of high quality assets and/or retail businesses in order to complement the Group's retail business; (iv) repayment or prepayment of existing debt; and (v) general working capital.

CEO's Statement

On 7 July 2014, a joint venture contract was entered into by Alibaba Investment Limited, Omni Win Limited (a wholly-owned subsidiary of the Company), the Company and Golden Leading (Cayman) Holding Limited (the "JV Contract") and the Joint Venture has been incorporated as Golden Leading (Cayman) Holding Limited (a company incorporated in the Cayman Islands). Pursuant to the JV Contract, each of Alibaba Investment Limited and the Company (through Omni Win Limited) is expected to contribute the US$ equivalent of RMB80,100,000 and RMB19,900,000 respectively, representing 80.1% and 19.9% of the total issued share capital of the Joint Venture. The Joint Venture is expected to develop an online-to-offline (O2O) business relating to shopping malls, department stores and supermarkets in the PRC.

With effect from 7 July 2014, Mr. Zhang Yong, the chief operating officer of Alibaba Group Holding Limited, has been appointed as a non-executive director of the Company.

ACQUISITION OF CORE BUSINESS ASSETS

On 25 September 2014, Zhejiang Intime Investment Co., Ltd. ("Zhejiang Intime"), a subsidiary of the Company, and Ningbo Romon Universal Commercial Plaza Co., Ltd. ("Ningbo Universal") entered into an asset transfer agreement pursuant to which Zhejiang Intime agreed to acquire and Ningbo Universal agreed to transfer part of the commercial properties of the Romon Universal City Project, which are currently under construction, for a total consideration of approximately RMB1,037,416,620. The Romon Universal City Project is located at a prime area in Ningbo, Zhejiang province. Participation in the Romon Universal City Project represents an attractive opportunity for the Group to expand its shopping mall operations in the Ningbo area, where the Group currently does not have a shopping mall presence. Upon completion of the above transfer, the Group will operate the commercial property as a shopping mall.

DISPOSAL OF NON-CORE ASSETS

On 12 December 2014 and 15 December 2014, the Group entered into agreements to dispose all of its 100% equity interest in Shenyang Northern Intime Co., Ltd. ("Shenyang Intime") for a total consideration of RMB489,223,544.87. Shenyang Intime is primarily engaged in the letting of self-owned property to independent third parties. The Group considers that the disposal of its equity interests in Shenyang Intime will enable the management and financial resources of the Group to focus on its core business of operation and development of department stores and shopping malls. Upon completion of the above transaction in January 2015, Shenyang Intime ceased to be a subsidiary of the Group.

CONSUMPTION SOLUTION PROVIDER DRIVEN BY BIG DATA

The Group aims at becoming a consumption solution provider (消費解決方案提供商) driven by big data (大數據), so that shoppers could spend more time and have their needs fulfilled at any one of our newly designed department stores, shopping malls and online channels. Since last year's cooperation with Tmall.com, the Group has started to initiate omni-channel strategies and explore a new "Ok to Ok" business model. The nine major channels, i.e. Yintai.com, Tmall Boutique Store, Tmall O2O Store, Love Shopping on Mobile Taobao, O2O Sub-Venue, MINI Yin, Wechat Official Account, Xiao Store and Yintaibao, combined with the offline interactive shopping experience, have provided a solid foundation for the Group to further explore in O2O, deepen the notion of putting customers' needs first, fasten omni-channel construction and better customers' shopping experience.

During the period under review, the Group continued its efforts to improve operational efficiency, merchandise mix and service quality and to provide richer shopping experience to its customers. We have employed big data to spot trends and better adapt to consumers' changing needs and to adjust product and service offerings to suit customers' changing needs. We have made continuous efforts to achieve greater operating synergy and economies of scale in daily retail operations, to enhance the integration of new stores and shopping malls with the existing network and to enhance the integration of its online and offline channels. Taking care of customers is taking care of business. We take pride in serving as a housekeeper (消費管家) for our customers' needs and are committed to providing shopping solutions that are relevant and rewarding for customers both in stores and online.

Chen Xiaodong
Chief Executive Officer

Management Discussion and Analysis

TOTAL GROSS SALES PROCEEDS AND REVENUE

For the year ended 31 December 2014, total gross sales proceeds of the Group (that is, the aggregate proceeds from direct sales, gross revenue from concessionaire sales, rental income, management fee income and commission from sale of goods) was RMB15,814.3 million, representing an increase of 0.8% from RMB15,692.1 million in 2013. The growth was mainly contributed by the inclusion of the sales performances of the new stores and shopping malls opened in the year of 2014 and 2013. Among the total gross sales proceeds of the Group, total sales proceeds from concessionaire sales accounted for 85.8% (2013: 86.1%) and those derived from direct sales accounted for 10.6% (2013: 11.5%).

Sales proceeds from concessionaire sales increased by 0.4% to RMB13,561.4 million in the year of 2014. The commission rate of concessionaire sales remained stable at 17.2% for the year of 2014 (2013: 17.2%). The Group will continue to conduct regular reviews on the performance of the suppliers and concessionaires, with an aim to enhance and strengthen the merchandize mix and to provide better shopping choices to its customers.

Affected by the increasingly competitive market environment, total sales proceeds from direct sales declined by 7.6% to RMB1,671.7 million for the year of 2014. Direct sales margin was approximately 15.9% for the year of 2014, which was better than the sales margin of 14.1% for the year of 2013.

Rental income increased by 55.3% to RMB543.6 million for the year of 2014. The increase was mainly due to a more efficient use of the rental area and an increase in rentable areas from the new stores and shopping malls opened in the year of 2014 and 2013.

The Group's total revenue for the year ended 31 December 2014 amounted to RMB5,250.6 million, representing an increase of 16.4% from RMB4,510.2 million in 2013. The increase was mainly due to the revenue from sales of various residential and commercial properties amounted to RMB662.7 million in 2014.

OTHER INCOME AND GAINS

Other income of the Group, which mainly comprised of advertisement, promotion and administration income, amounted to RMB447.2 million, representing an increase of 0.2% from RMB446.3 million recorded in the year of 2013.

Other gains of the Group amounted to RMB419.8 million for the year of 2014 (2013 restated: RMB962.9 million), which was mainly comprised of fair value gains on investment properties as a result of the change in accounting policy regarding the Group's investment properties.

PURCHASE OF GOODS AND CHANGE IN INVENTORIES

The purchase of goods and changes in inventories represent the cost of the direct sales. In line with the decline of direct sales, the Group's purchase of goods and change in inventories declined to RMB1,405.8 million for the year ended 31 December 2014, representing a decrease of 9.5% from RMB1,553.9 million recorded in the year of 2013.

COST OF PROPERTIES SOLD AND PROPERTIES DEVELOPMENT EXPENSES

The Group's cost of properties sold and properties development expenses amounted to RMB279.6 million and RMB112.4 million, respectively, which were related to the sale of properties during the year.

STAFF COSTS

The Group's staff costs increased by 20.6% from RMB629.8 million in 2013 to RMB759.7 million in 2014. The increase was mainly due to the inclusion of the staff costs for the new stores and shopping malls opened in the year of 2014 and 2013 and a general wage rise. Staff costs as a percentage of total revenue of the Group for year of 2014 was 14.5%, which was higher than the ratio of 14.0% recorded in the year of 2013.

DEPRECIATION AND AMORTISATION

The Group's depreciation and amortisation increased by 18.3% from RMB385.8 million (restated) in 2013 to RMB456.4 million in 2014. The increase was primarily due to the inclusion of depreciation and amortization costs for the new stores and shopping malls opened in the year of 2014 and 2013. Depreciation and amortisation as a percentage of total revenue of the Group increased from 8.6% in 2013 to 8.7% in 2014.

OTHER EXPENSES

Other expenses, which mainly consisted of utility expenses, store rental expenses, advertising expenses, credit card charges, professional service charge and other tax expenses, increased by 26.9% from RMB1,304.3 million in 2013 to RMB1,655.5 million in 2014. Other expenses as a percentage of total revenue of the Group in 2014 was 31.5%, which was higher than the ratio of 28.9% recorded in 2013.

SHARE OF LOSSES OF A JOINT VENTURE

This is the share of losses in Hangzhou Xin Hubin Commercial Development Co. Ltd. ("Xin Hubin"), a joint venture of the Company. The share of losses of Xin Hubin for year ended 31 December 2014 amounted to RMB33.9 million, which was higher than the losses of RMB19.9 million (restated) recorded in 2013.

Management Discussion and Analysis

SHARE OF PROFITS AND LOSSES OF ASSOCIATES

The share of net profits of associates for year ended 31 December 2014 amounted to RMB343.1 million, representing an increase of 24.6% from RMB275.4 million recorded in 2013. The share of profits and losses of associates mainly represents the Group's share of results of its equity interests in Beijing Youyi Lufthansa Shopping City Co., Ltd. Beijing Lufthansa Centre and Wuhan Department Store Group Co., Ltd.

FINANCE INCOME

For the year ended 31 December 2014, finance income of the Group amounted to RMB217.0 million, representing a decrease of 9.2% from RMB239.0 million recorded in 2013.

FINANCE COSTS

For the year ended 31 December 2014, finance costs of the Group amounted to RMB169.3 million, representing a decrease of 8.0% from RMB184.1 million recorded in 2013.

INCOME TAX EXPENSE

The Group's income tax expenses decreased by 0.1% from RMB642.2 million (restated) in 2013 to RMB641.5 million in 2014. The effective tax rate of the Group was 35.5% in 2014, which was higher than the rate of 27.3% recorded in 2013 as a result of RMB135.4 million PRC LAT related to sale of properties being included in income tax expense in 2014.

PROFIT FOR THE YEAR

As a result of the reasons mentioned above, profit for the year ended 31 December 2014 amounted to RMB1,163.8 million, representing a decline of 32.1% from RMB1,713.9 million (restated) in 2013.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Profit attributable to owners of the parent for the year ended 31 December 2014 amounted to RMB1,121.5 million, representing a decline of 29.7% from RMB1,594.5 million (restated) in 2013.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and cash equivalents amounted to RMB2,129.4 million as at 31 December 2014, representing an increase of RMB390.9 million from the balance of RMB1,738.5 million as at 31 December 2013. For the year ended 31 December 2014, the Group's net cash inflow from operating activities amounted to RMB1,002.3 million (2013: RMB831.0 million), the Group's net cash used in investing activities amounted to RMB1,278.5 million (2013: RMB1,848.8 million), and the Group's net cash inflow from financing activities amounted to RMB620.9 million (2013: RMB580.6 million).

As at 31 December 2014, the Group's borrowings, including bank and other borrowings and convertible bonds amounted to RMB6,175.6 million (31 December 2013: RMB5,752.5 million). The gearing ratio, calculated by the total interest-bearing bank and other borrowings, guaranteed bonds and convertible bonds over the total assets of the Group, decreased to 22.2% as at 31 December 2014 (31 December 2013: 24.0%).

On 21 July 2014, the RMB guaranteed bonds with an aggregate principal amount of RMB1,000,000,000 were redeemed by the Company.

NET CURRENT LIABILITIES AND NET ASSETS

The net current liabilities of the Group as at 31 December 2014 amounted to RMB1,077.9 million, while it was RMB1,810.1 million (restated) as at 31 December 2013. Net assets of the Group as at 31 December 2014 amounted to RMB11,781.1 million, representing an increase of 17.4% from RMB10,035.2 million (restated) as at 31 December 2013.

PLEDGE OF ASSETS

Certain buildings, investment properties, land use rights, completed properties held for sale, properties under development and time deposits with a carrying amount of RMB2,288.0 million have been pledged to the Industrial and Commercial Bank of China, Bank of China, Agricultural Bank of China and Standard Chartered Bank to obtain bank facilities in the aggregate amount of RMB3,643.6 million as at 31 December 2014.

FOREIGN EXCHANGE RISK

The operations of the Group are mainly carried out in Mainland China with most transactions settled in RMB. Certain of the Group's cash and bank deposits are denominated in Hong Kong dollars. The dual-currency term loan facility with a syndicate of banks is denominated in Hong Kong dollars and United States dollars. In addition, the Company pays dividends in Hong Kong dollars. Any significant exchange rate fluctuations of Hong Kong dollars and United States dollars against RMB may have financial impacts on the Group. The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure. Nevertheless, the Group will from time to time review and adjust the Group's investment and financing strategies based on the RMB, Hong Kong dollars and United States dollars exchange rate movement.

Management Discussion and Analysis

STAFF AND REMUNERATION POLICY

As at 31 December 2014, the total number of employees of the Group was 8,897. The Group strives to offer a good working environment, a diversified range of training programs as well as an attractive remuneration package to its employees. The Group endeavours to motivate its staff with performance based remuneration. On top of the basic salary, staff with outstanding performance will be rewarded by way of bonuses, share options, honorary awards or a combination of all the above. Such rewards are aimed to further align the interests of its employees with that of the Group, to attract talented individuals, and to create long term incentives for its staff.

CONTINGENT LIABILITIES

Details of the contingent liabilities are set out in note 41 to the financial statements.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Shen Guojun, 52, was appointed as the chairman of the Company (the "Chairman") and executive Director of the Company in November 2006. Mr. Shen is responsible for major decision making of the Group and coordination and management of the Board in general. Mr. Shen has served as chairman of the board of directors of Intime International Holdings Limited since February 2006, and as chairman of Zhejiang Intime and Shanghai Intime since their establishment in 1997 and 2005, respectively. Also, Mr. Shen has in the past, during the period between 1998 and 2006, held indirect investments in department store businesses in Dalian, Chongqing and Shenyang. From June 2003 to June 2007, Mr. Shen also acted as an independent director of Shanghai Tongda Venture Capital Co. Ltd, which is listed on the Shanghai Stock Exchange. He has extensive experience in the department store industry, real estate industry and capital markets. Since December 1996, Mr. Shen has served as chairman of China Yintai Holdings Company Limited ("China Yintai"). From July 1988 to November 1996, he worked for China Construction Bank group in various management roles. Mr. Shen obtained a Master's degree in Economics from Zhongnan University of Finance and Economics.

Mr. Chen Xiaodong, 46, was appointed as an executive Director of the Company in June 2011. Mr. Chen, who has been serving as the President and Chief Executive Officer of the Company since January 2009, is responsible for the overall management of the Group and leading the management team to implement strategies and objectives adopted by the Board. Mr. Chen joined the Company as Vice President in February 2007 and served as the Chief Operating Officer of the Company from July 2007 to January 2009. Mr. Chen has extensive experience in the department store industry, financial management and capital markets. He held various managerial positions in both publicly listed and private companies prior to joining the Company. Notably, he was the Vice Chairman and President of Science City Development Public Co., Ltd, a company listed on the Shenzhen Stock Exchange, from October 2004 to November 2008, and a director of Baida Group Company Limited, a company listed on the Shanghai Stock Exchange, from May 2008 to May 2011. He was also the Assistant General Manager of the Investment Management Department of China Everbright Holdings Company Limited, from May 2001 to August 2004. Mr. Chen obtained a Bachelor degree in Economics from Zhongshan University and a Master degree in Business Administration from Murdoch University, Australia.

Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Xin Xiangdong, 58, was appointed as a non-executive Director of the Company in February 2007. Mr. Xin has many years of experience in investment and capital markets. He has been a director of Yintai Resources Co., Ltd., which is listed on the Shenzhen Stock Exchange (Stock Code: 000975) since October 2005. From May 2001 to April 2004, Mr. Xin was the Vice General Manager of Minsheng Investment Credit Assurance Co., Ltd. and Shanghai Shenhua Holdings Co., Ltd. From June 2000 to May 2001, he was the Senior Vice General Manager of Beijing Langxin Information System Co., Ltd. Mr. Xin received his Master's degree in Economics from Huadong Normal University.

Mr. Zhang Yong, 43, was appointed as a non-executive Director of the Company in July 2014. Mr. Zhang has been the chief operating officer of Alibaba Group since September 2013. Mr. Zhang was appointed president of Tmall.com in June 2011, when Tmall.com became an independent platform. He was chief financial officer of Taobao from the time he joined Alibaba Group in August 2007 until June 2011, and also served as general manager of Tmall during the latter three years in this period. Before joining Alibaba Group, Mr. Zhang served as chief financial officer of Shanda Interactive Entertainment Limited, an online game developer and operator listed on the NASDAQ Stock Market, from August 2005 to August 2007. From 2002 to 2005, he was senior manager of PricewaterhouseCoopers' Audit and Business Advisory Division in Shanghai, prior to which he worked in the Shanghai office of Arthur Andersen for seven years. Mr. Zhang serves on the boards of directors of Alibaba Health Information Technology Limited and of Haier Electronics Group Co., Ltd., each a company listed on The Stock Exchange of Hong Kong Limited. Mr. Zhang also has been serving on the board of directors of Weibo Corporation since May 2014. Mr. Zhang received a bachelor's degree in finance from Shanghai University of Finance and Economics. He is a member of the Chinese Institute of Certified Public Accountants.

Mr. Lee Hon Chiu, 53, was appointed as a non-executive Director of the Company in September 2014. Mr. Lee has been an assistant president of Henderson (China) Investment Company Limited since June 2014. Mr. Lee was an executive director of PYI Corporation Limited, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 498), from February 2003 to January 2005, as well as an executive director of Louis XIII Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 577), from January 2005 to April 2008. Mr. Lee was also the Chief Financial Officer, Company Secretary and Authorised Representative of ITC Corporation Limited, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 372), from May 2008 to September 2011. Mr. Lee has over 25 years of experience in auditing, accounting and financial management. Mr. Lee graduated from Chinese University of Hong Kong with a Bachelor's degree in business administration in 1986 and is a member of the Hong Kong Institute of Certified Public Accountants, a Fellow of the Association of Chartered Certified Accountants and also a practicing certified public accountant in Hong Kong.

Ms. Sun Xiaoning, 45, was appointed as a non-executive Director of the Company in November 2014. Ms. Sun has been a non-executive director of China Pacific Insurance (Group) Co., Ltd., a company dual-listed on The Stock Exchange of Hong Kong Limited (stock code: 2601) and on the Shanghai Stock Exchange (stock code: 601601) since May 2013. Ms. Sun was also a non-executive director of Far East Horizon Limited, a company listed on the SEHK (stock code: 3360), from September 2009 to October 2012. Ms. Sun has over 20 years of experience working in the financial and investment banking industries. Ms. Sun currently serves as the Senior Vice President and the Head of Direct Investments Group, Asia (Greater China), of GIC Special Investments Pte Ltd ("GIC"). She is also a member of the global Investment Committee of GIC. She worked as an investment officer and a senior investment officer at the International Finance Corporation from March 2005 to June 2008 and also worked as an investment officer and a project manager at McKinsey & Company from August 2000 to March 2005. Prior to that, she served various positions at the People's Bank of China between 1991 and 1998. Ms. Sun holds a Master's degree in Business Administration (MBA) from the Wharton School of the University of Pennsylvania.

Mr. Wong Luen Cheung Andrew, 57, was appointed as a non-executive Director of the Company in May 2013 and resigned as a Director of the Company in September 2014. Mr. Wong is a director of Henderson China Properties Limited and the senior advisor to Mr. Lee Ka Kit, who is the vice chairman of the board of Henderson Land Development Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (Stock Code: 12). Mr. Wong is also an independent non-executive director of China CITIC Bank Corporation Limited, a company listed on The Stock Exchange of Hong Kong Limited (Stock Code: 998), the chairman of its nomination and remuneration committees and a member of its audit committee, an external director of Shenzhen Yantian Port Group Co., Ltd., an independent non-executive director of ACE Life Insurance Co., Ltd., a director of China Overseas Friendship Association and a director of China Tongxin Warm Project Foundation. Mr. Wong was an independent non-executive director of China Minsheng Banking Corp., Ltd., a company listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange, from July 2006 to May 2012, and was also a member of its audit committee, risk management committee and nomination committee and the chairman of its compensation and remuneration committee.

Directors and Senior Management

Mr. Wong had held various senior positions at the Royal Bank of Canada, including the assistant representative for China operations, representative of southern China, and branch manager of its Shanghai branch, and the Union Bank of Switzerland, including the head of China desk and an executive director of its debt capital markets division in the past. Mr. Wong previously also served as a director of China Citicorp International Limited, a merchant banking arm of Citibank. Further, Mr. Wong was the head of Greater China business of Hang Seng Bank Limited and the managing director of the corporate and investment banking — Greater China of DBS Bank Limited, Hong Kong. Mr. Wong has been a member of the 3rd, 4th and 5th session of CPPCC Guangdong Provincial Shenzhen Municipal Committee since 2002. He has served as the part-time vice chairman of the Committee for Liaison with Hong Kong, Macau, Taiwan and Overseas Chinese and Foreign Affairs since 2011. In addition, since 2011, Mr. Wong has served as the deputy head of the Finance Committee of Association for Promotion of Cooperation between Guangdong, Hong Kong and Macau of Guangdong Province. Mr. Wong was awarded the National Excellent Independent Director by the Shanghai Stock Exchange in 2010. Mr. Wong also received the Medal of Honour (Hong Kong SAR) from the Hong Kong SAR Government in 2011. Since 2013, Mr. Wong has been a member of 11th session of CPPCC Shaanxi Provincial Committee.

Mr. Liu Dong, 50, was appointed as a non-executive Director of the Company in December 2011 and resigned as a Director of the Company in November 2014. Mr. Liu was a senior vice president and head of the Funds and Co-Investments Group, Asia (Greater China) of GIC. From 2003 to 2007, Mr. Liu worked at the China office of International Finance Corporation ("IFC") as a principal investment officer and deputy country manager. From 1998 to 2003, Mr. Liu worked at IFC's Washington office as a senior investment officer. Mr. Liu joined the World Bank Group under the Young Professional Program in Washington in 1994, and worked as an economist at the World Bank Group from 1995 to 1998. Mr. Liu received a Bachelor of Science degree and a Master of Science degree from Shanghai Jiao Tong University in 1986 and 1988, respectively, as well as a PhD degree from Wharton School, University of Pennsylvania in 1993.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Shi Chungui, 74, was appointed as an independent non-executive Director of the Company in May 2008. Mr. Shi was previously a non-executive director of Aluminum Corporation of China Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 02600) and an independent non-executive director of China National Materials Company Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 01893). Mr. Shi has intensive experience in accounting, government and business administration. Mr. Shi was previously the Vice Director of Commerce Bureau of Qinhuangdao City, Hebei Province; the Deputy Mayor and Standing Deputy Mayor of Qinhuangdao City, Hebei Province; the President of Hebei Branch of China Construction Bank, the President of Beijing Branch of China Construction Bank and the Deputy President of the Head Office of China Construction Bank; the Deputy President of China Cinda Asset Management Corporation and the Vice Chairman of Tianjin Pipe Co. Ltd. He graduated from the Finance Faculty of Dongbei University of Finance and Economics in 1964. Mr. Shi is a senior economist.

Mr. Yu Ning, 61, was appointed as an independent non-executive Director of the Company in June 2009. He is an independent director of Bank of Beijing Co., Ltd. (Stock Code: 601169) and China CSSC Holdings Limited (Stock Code: 600150), both companies listed on The Shanghai Stock Exchange. He is also an independent director of United Mechanical and Electrical Co., Ltd. (Stock Code: 000925) and BOE Technology Group Co., Ltd. (Stock Code: 000725), both companies listed on the Shenzhen Stock Exchange. Mr. Yu is also an independent non-executive director of Beijing Enterprises Water Group Limited (Stock Code: 371), an independent supervisor of the People's Insurance Company (Group) of China Limited (Stock Code: 1339) and was an independent non-executive director of Huaneng Power International, Inc. (Stock Code: 902), these three companies listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Yu was previously the president of All China Lawyers Association. Mr. Yu graduated from the law department of Peking University with a bachelor degree in 1983 and obtained a master degree specialising in economic law from the law department of Peking University in 1996. He is a qualified PRC lawyer.

Mr. Chow Joseph, 51, was appointed as an independent non-executive Director of the Company in February 2007. Mr. Chow has accumulated ample experience and knowledge in formulating and monitoring investment strategies through his roles as chief financial officer of various companies and his senior managerial roles in various financial institutions' investment related functions. Mr. Chow was previously a Managing Director of Moelis & Co (China). Mr. Chow was the Chief Financial Officer of China Netcom (Holdings) Company Limited ("China Netcom"), director of strategic planning with Bombardier Capital Inc. ("Bombardier Capital"), and vice president of international operations with Citigroup. China Netcom is one of China's largest telecommunication service providers, and Mr. Chow participated in substantially all of its strategic decision making process during that period. Mr. Chow also headed China Netcom's strategic equity investment operations and was involved in investments in ten joint ventures by China Netcom. While he was the head of Bombardier Capital's strategic planning division, Mr. Chow oversaw its strategic planning and expansion. In his role as Vice President of Citi Capital, now part of Citigroup, Mr. Chow led his team to evaluate potential acquisition opportunities and executed over US$10 billion worth of mergers and acquisitions transactions in North America, Europe and Asia. While at Citigroup, Mr. Chow was also involved in monitoring the quality and performance of a US$12 billion international loan portfolio. Mr. Chow obtained a Bachelor of Arts degree in political science from Nanjing Institute of International Relations, and a Master of Business Administration from the University of Maryland at College Park.

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Gary Wang, 38, has been Vice President of the Company since January 2014 and Chief Financial Officer of the Company since July 2014. He is responsible for the Group's financial management, cost control, investment development, legal affairs, information management, capital markets and investors relationship. He had been Assistant to President of the Group since February 2012 and general manager of financial management department of the Group since March 2008, responsible for the Group's financial management. Prior to joining the Group, he took various financial management positions in Veolia Water, Asia Pacific and ABB China from 1999 to 2008. He graduated from the accounting department of Renmin University of China in 1999 and obtained a bachelor's degree in economics.

Mr. Niu Wei, 52, joined the Group in October 2014 as Vice President, and has served as Chief Operations Officer of the Group since January 2015, in charge of the operational management department and group purchasing department of the Group. Before joining the Company, he was senior assistant to the president of Wanda Group, deputy general manager of Wanda Department Store and general manager of its operations centre (central). Mr. Niu Wei has nearly twenty years of management experience in the retail business. He was regional director (central and western) of Hong Kong New World Department Store Company Limited, in charge of business and development in the central and south-western regions of China. Mr. Niu Wei graduated from Nanjing University, majoring in laws.

Mr. Zou Minggui, 51, has been Vice President of the Group since October 2009, and its regional general manager of Wuhan region since Jannuary 2015. Before joining the Group, Mr. Zou was an executive director of the Maoye International Holdings Limited and was responsible for overall operational management and business development in China. Mr. Zou has over ten years of experience in the retail industry, and has served as department manager of the Xiehe Group, deputy general manager and general manager of the Shenzhen Maoye Commercial Buildings Co., Ltd., director and general manager of Chengdu People's Department Store (Group) Co., Ltd., and executive director and group general manager of Maoye International Holdings Limited. Mr. Zou obtained a master's degree in business administration from China Europe International Business School in 2007.

Mr. Zhang Pingan, 47, joined the Group in February 2013 as Assistant President. He has served concurrently as general manager of the administration office of the Group since September 2013. He is responsible for work related to projects, properties and the administration office. Before joining the Group, he was director of internationally renowned real estate services provider Savills for 15 years. He has many years of experience in project management for large-scale integrated complexes, property management and ample experience in site management. He graduated from the electrical engineering department of Beijing University of Civil Engineering and Architecture in 1990 and obtained a bachelor's degree.

Mr. Wei Biao, 52, has been Assistant President of the Group since January 2014, and general manager of the business development center of the Group since February 2015. Before joining the Group, he was general manager of Times Square in Wenzhou. He has 20 years of experience in the department store retail industry. Mr. Wei graduated from Shanghai University of Engineering Science, majoring in industrial management engineering, and obtained an EMBA degree from Renmin University of China.

Mr. Cheng Yongjiang, 40, has been Assistant President of the Group since March 2013. He has been general manager of the Group's marketing planning department since January 2011, responsible for the Group's marketing planning. Mr. Cheng joined the Group in May 2006 and previously served as deputy general manager of the Group's marketing planning department, deputy general manager of central Zhejiang region cum general manager of Intime City, general manager of central Zhejiang region cum general manager of Intime City, and general manager of the Group's marketing planning department cum deputy general manager of northern Zhejiang region. Before joining the Group, he held store and group managerial positions in operations and planning at Shenzhen Haiya Department Store Co., Ltd. and Shenzhen Maoye Commercial Buildings Co., Ltd. Mr. Cheng graduated from the Chinese department of Hangzhou University.

Ms. Duan Jianyang, 42, has been Assistant President of the Company since April 2013, as well as regional general manager of Hefei region and general manager of Hefei Yintai Centre since January 2015. Ms. Duan joined the Group in August 2010 as regional general manager of Anhui region, responsible for development in Anhui region and setting up and operation of Hefei Yintai Centre. Before joining the Group, Ms. Duan served successively as business manager, director of business development centre and general manager of Anhui Ruijing Commercial Co., Ltd.. She has over 10 years of experience in the retail industry and has accumulated strong experience in business promotion. Ms. Duan graduated from Hefei University in Anhui, majoring in Chinese literature.

Mr. Wang Qiruo, 44, joined the Group in February 2015 as Assistant President cum General Manager of the operational management department of the Group. Before joining the Group, Mr. Wang served various important positions including executive vice president of operations centre, regional general manager and general store manager of Wanda Commercial Management Company Limited, Wanda Department Store Company Limited and Golden Eagle International Retail Group from 2007 to 2014. He has many years of experience in business management, and is familiar with all aspects of business management. Mr. Wang graduated in 2005 with a master of business administration from Xi'an Jiaotong University.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the annual report of the Group for the year ended 31 December 2014.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining and ensuring high standards of corporate governance practices and procedures with a view to being a transparent and responsible organization that is open and accountable to the shareholders. The Board has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of the operations of the Company. The Company believes that effective corporate governance is an essential factor for creating more value for its shareholders.

The Company complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the period from 1 January 2014 to 31 December 2014. The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code.

The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board, in order to enhance shareholders' value.

BOARD OF DIRECTORS

Board Composition

As at 31 December 2014, the Board comprised of nine Directors, including two executive Directors, namely Mr. Shen Guojun and Mr. Chen Xiaodong; four non-executive Directors, namely Mr. Xin Xiangdong, Mr. Zhang Yong, Mr. Lee Hon Chiu and Ms. Sun Xiaoning and three independent non-executive Directors, namely Mr. Shi Chungui, Mr. Yu Ning and Mr. Chow Joseph. Mr. Shen Guojun is the Chairman of the Board. On 7 July 2014, Mr. Zhang Yong was appointed as a non-executive Director of the Company. On 5 September 2014, Mr. Wong Luen Cheung Andrew resigned as a non-executive Director of the Company and Mr. Lee Hon Chiu was appointed as a non-executive Director of the Company. On 14 November 2014, Mr. Liu Dong resigned as a non-executive Director of the Company and Ms. Sun Xiaoning was appointed as a non-executive Director of the Company.

Biographical details of the Directors are set out on pages 19 to 23 of this annual report. None of the members of the Board are related to one another. The composition of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operations and development of the Group. A list of the Directors identifying their role and function and whether they are independent non-executive Directors are available on the Company's website and the Stock Exchange's website.

Chairman and Chief Executive Officer

The Chairman of the Board, Mr. Shen Guojun, is responsible for the overall management of and leadership for the Board and ensuring that good corporate governance practices and procedures are established. He is also responsible to ensure all Directors receive adequate information in a timely manner and are properly briefed on issues arising on Board meetings.

The Chief Executive Officer, Mr. Chen Xiaodong, is responsible for managing the day-to-day operations of the Group's business.

In compliance with the CG Code, the Company has kept these roles separated and distinctive as this ensures better checks and balances and hence better corporate governance.

Independent Non-executive Directors

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgment to Board meetings and scrutinizing the Group's performance. Their views carry significant weight in the Board's decision; in particular, they bring an impartial view to issues relating to the Group's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. The independent non-executive Directors provide independent advice on the Group's business strategy, results and management to ensure that the interests of all shareholders are taken into account, and the interests of the Company and its shareholders are protected.

The Board has three independent non-executive Directors, in compliance with Rule 3.10(1) of the Listing Rules, which requires that every board of directors of a listed issuer must include at least three independent non-executive Directors. In addition, at least one independent non-executive Director, namely, Mr. Chow Joseph, possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Company has appointed three independent non-executive Directors, representing one-third of the Board, in compliance with Rule 3.10A of the Listing Rules.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of their respective independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are independent within the definition of the Listing Rules.

Appointment and Re-election of Directors

All the executive Directors, non-executive Directors and independent non-executive Directors are engaged on a service contract/letter of appointment with the Company for a specific term of three years, and are subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the articles of association of the Company.

In accordance with the articles of association of the Company, a person may be appointed as a Director either by the shareholders in general meeting or by the Board. Any Director appointed by the Board as additional Director or to fill casual vacancies shall hold office until the next general meeting, and are eligible for re-election by the shareholders. In accordance with the articles of association of the Company, no less than one-third in number of the Directors shall retire from office by rotation at each annual general meeting of the Company and may offer themselves for re-election at the annual general meeting.

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. All Directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively, and acting in the interests of the Company and its shareholders at all times.

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 Chief Executive Officer and the management.

Continuous Professional Development of Directors

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 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.

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. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The Directors are required to provide the Company with details of the continuous professional development training undertaken by them from time to time. A summary of the training received by the Directors during the period from 1 January 2014 to 31 December 2014 is as follows:

Name of Director	**Training** (Notes)
Shen Guojun	A,B
Chen Xiaodong	A,B
Xin Xiangdong	A,B
Zhang Yong (appointed on 7 July 2014)	A,B
Lee Hon Chiu (appointed on 5 September 2014)	A,B
Wong Luen Cheung Andrew (resigned on 5 September 2014)	A,B
Sun Xiaoning (appointed on 14 November 2014)	A,B
Liu Dong (resigned on 14 November 2014)	A,B
Shi Chungui	A,B
Yu Ning	A,B
Chow Joseph	A,B

Notes:

A: Attending seminar/training on corporate governance matters

B: Reading materials and updates relating to corporate governance matters

The Company has been encouraging the Directors to participate in continuous professional development courses and seminars organized by professional institutions or professional firms and reading materials on relevant topics so that they can continuously update and further improve their relevant knowledge and skills. Directors are also provided with updates from time to time on the Group's business, operations and financial matters.

Corporate Governance Report

Board Proceedings

Board meetings will be held at least four times a year with additional meetings convened as and when necessary to discuss the overall strategic directions, the Group's operations, financial performance, and to approve interim and annual results and other significant matters. For regular meetings, Board members are given at least 14 days prior notice and agenda with supporting papers are sent to Directors not less than 3 days before the relevant meeting is held. Directors may propose to the Chairman or the company secretary of the Company (the "Company Secretary") to include matters in the agenda for regular Board meetings.

Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at Board meetings and abstain from voting in favour of the related Board resolutions as appropriate.

The Company Secretary is responsible to keep minutes of all Board and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

All Directors have access to the advice and services of the Company Secretary with a view to ensuring the Board procedures are followed. The non-executive Directors and independent non-executive Directors may obtain independent professional advice at the Company's expense in carrying out their functions, upon making request to the Chairman of the Board.

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding Directors' dealings in the Company's securities (the "Code of Conduct") 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 to the Listing Rules. Having made specific enquiries of all the Directors, all of them confirmed that they have complied with required standard set out in the Model Code and the Code of Conduct throughout the year ended 31 December 2014.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD DIVERSITY POLICY

The Company has formulated the board diversity policy in August 2013 aiming at setting out the approach on diversity of the Board.

The Board recognizes the importance of having a diverse Board in enhancing the board effectiveness and corporate governance. A diverse Board will include and make good use of differences in the skills, industry knowledge and experience, education, background and other qualities of Directors of the Company and does not discriminate on the ground of race, age, gender or religious belief. These differences will be taken into account in determining the optimum composition of the Board and when possible should be balanced appropriately.

The Nomination Committee of the Company has responsibility of identifying and nominating for approval by the Board, candidates for appointment to the Board. It takes responsibility in assessing the appropriate mix of experience, expertise, skills and diversity required on the Board and assessing the extent to which the required skills are represented on the Board and overseeing the Board succession. The Nomination Committee is also responsible for reviewing and reporting to the Board in relation to Board diversity. Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates to join the Board will be, in part, dependent on the pool of candidates with the necessary knowledge, experience, skills, educational background and other qualities. The final decision will be based on merit and contribution the chosen candidate will bring to the Board. The Board considers that Board diversity, including gender diversity, is a vital asset to the business. At present, the Nomination Committee has not set any measurable objectives to implement the board diversity policy. However, it will consider and review the board diversity policy and setting of any measurable objects from time to time.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Strategic Development Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees (except the Strategic Development Committee) are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

Except the Strategic Development Committee, all of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 3.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Audit Committee currently comprises of three members, namely Mr. Shi Chungui, Mr. Yu Ning and Mr. Chow Joseph, all of whom are independent non-executive Directors. The Committee is chaired by Mr. Chow Joseph, an independent non-executive Director, who possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The principal responsibilities of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. These include reviewing the Group's interim and annual reports. The Audit Committee also oversees the engagement of the external auditor and reviews its independence as well as the effectiveness of the audit process.

During the year under review, the Audit Committee had reviewed the Group's interim and annual results and the effectiveness of the internal control system. The Audit Committee also considered and reviewed the reports prepared by the external auditors relating to accounting and internal control issues and major findings in the course of audit.

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

Remuneration Committee

The Remuneration Committee currently comprises of three members, namely Mr. Shi Chungui, Mr. Yu Ning and Mr. Chow Joseph, all of whom are independent non-executive Directors. The Committee is chaired by Mr. Shi Chungui, an independent non-executive Director.

The principal responsibilities of the Remuneration Committee are to review and make recommendations to the Board on the overall remuneration structure and policy as well as the specific remuneration packages for the Directors and senior management and on the establishment of a formal and transparent process for developing such remuneration policy. No director will take part in any discussion on his own remuneration.

During the year under review, the Remuneration Committee had reviewed the remuneration packages for all the Directors and senior management, including the grant of options under the share option scheme adopted by the Company.

The principal elements of the executive remuneration package include basic salary, allowances, discretionary bonus and share options. The emoluments received by every executive director and senior executive are based on time commitment and responsibilities to be undertaken, and are determined with reference to corporate and individual performance as well as remuneration benchmark in the industry and the prevailing market conditions. The primary goal of the remuneration policy on executive remuneration packages is to enable the Company to retain and maintain a stable, motivated and high caliber management team by linking their remuneration with performance as measured against corporate objectives.

The remuneration of non-executive Directors and independent non-executive Directors is subject to annual assessment and determined with reference to their qualifications, experience, level of involvement in the Company's affairs and the comparable remuneration standard in the market.

Details of the remuneration of each Director and the remuneration of the members of the senior management by band for the year ended 31 December 2014 are set out in note 9 and note 45 respectively to the financial statements.

Nomination Committee

The Nomination Committee currently comprises of three members, namely Mr. Shi Chungui, Mr. Yu Ning and Mr. Chow Joseph, all of whom are independent non-executive Directors. The Committee is chaired by Mr. Yu Ning, an independent non-executive Director.

The responsibilities of the Nomination Committee are to review the structure, size and composition, including the skills, knowledge, experiences and diversity of the Board and make recommendations to the Board regarding any proposed changes. The Nomination Committee is also responsible to identify and nominate suitable candidates qualified to become Board members and makes recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors if necessary, in particular, to identify and nominate candidates who can add value to the management through their contributions in the relevant strategic business areas and which appointments will result in the constitution of a stronger and more diverse Board. A candidate to be appointed as an independent non-executive Director must also meet the independence requirement set out in Rule 3.13 of the Listing Rules.

During the year under review, the Nomination Committee had reviewed the structure, size, composition and diversity of the Board, the appointment of Directors and the independence of the independent non-executive Directors, and considered the qualifications of the retiring directors standing for election at the annual general meeting.

Corporate Governance Report

Corporate Governance Function

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with code provision D.3.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code, and relevant disclosure in the corporate governance report of the annual report of the Company.

During the year ended 31 December 2014, the Board has 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 Code of Conduct, Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and relevant disclosure in this corporate governance report of the annual report of the Company.

Strategic Development Committee

The Strategic Development Committee currently comprises of two members, namely Mr. Shen Guojun, an executive Director, and Mr. Zhang Yong, a non-executive Director. The Committee is chaired by Mr. Shen Guojun, an executive Director.

The primary duty of the Strategic Development Committee is to develop and evaluate the effectiveness of the Company's strategic plans by reviewing and assessing proposals for consideration by the Board regarding:

(i) strategic development plans;

(ii) capital allocation plans;

(iii) organic expansion plans;

(iv) merger and acquisition plans; and

(v) significant investment and financing plans.

During the year under review, the Strategic Development Committee had frequently held meetings to discuss strategic development plans of the Company.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2014 is set out in the table below:

	Attendance/Number of Meetings (Note 1)					
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**	**Extraordinary General Meeting**
Shen Guojun	4/4	–	–	–	1/1	1/1
Chen Xiaodong	4/4	–	–	–	1/1	1/1
Xin Xiangdong	4/4	–	–	–	1/1	1/1
Zhang Yong (appointed on 7 July 2014)	1/1	–	–	–	0/0	0/0
Lee Hon Chiu (appointed on 5 September 2014)	0/0	–	–	–	0/0	0/0
Wong Luen Cheung Andrew (resigned on 5 September 2014)	4/4	–	–	–	1/1	1/1
Sun Xiaoning (appointed on 14 November 2014)	0/0	–	–	–	0/0	0/0
Liu Dong (resigned on 14 November 2014)	4/4	–	–	–	1/1	1/1
Shi Chungui	4/4	2/2	1/1	3/3	1/1	1/1
Yu Ning	4/4	2/2	1/1	3/3	1/1	1/1
Chow Joseph	4/4	2/2	1/1	3/3	1/1	1/1

Note 1: Number of Meetings held during the year ended 31 December 2014 or during the tenure of the Director for such financial year (if such Director was appointed or ceased to be as Director part way during the financial year).

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' RESPONSIBILITY 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.

Corporate Governance Report

EXTERNAL AUDITORS

The Group's independent external auditors are Ernst & Young. The report of the auditors of the Company on their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 55 to 56.

For the year ended 31 December 2014, the remuneration paid by the Company to the external auditors for the performance of audit services and non-audit services were approximately RMB3,000,000 and HK$18,000 respectively. The main non-audit services provided by the external auditors include tax services.

The Audit Committee is responsible for making recommendations to the Board as to the appointment, reappointment and removal of the external auditors, which is subject to the approval by the Board of Directors and at the general meetings of the Company by its shareholders. Certain factors the Audit Committee will take account of when assessing the external auditors include the audit performance, quality, objectivity and independence of the auditors.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the year under review.

INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control systems for the Group in order to safeguard the Group's assets and shareholders' interests. Procedures have been designed for safeguarding assets against unauthorized use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations. The Internal Audit Department of the Company, which reports directly to the Audit Committee and is independent of the Group's daily operations, is responsible for conducting regular audit on the major activities of the Group. Its objective is to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively.

During the year ended 31 December 2014, the Board, through the Audit Committee, reviewed the overall effectiveness of the Group's system of internal control over financial, operational and compliance issues, risk management process, information systems security and effectiveness of financial reporting and compliance with Listing Rules, and is satisfied that such systems are effective and adequate. The Board also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

COMPANY SECRETARY

The Company Secretary is Mr. Chow Hok Lim, a member of The Hong Kong Institute of Certified Public Accountants. Mr. Chow complied with Rule 3.29 of the Listing Rules of taking no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors. All resolutions put forward at shareholder 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 shareholder meeting.

Procedures for Shareholders to Convene an Extraordinary General Meeting and to put forward Proposals at Shareholders' Meeting

Pursuant to article 79 of the articles of association of the Company, any two or more shareholders or any one shareholder which is a recognised clearing house (or its nominee) holding, as at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company can deposit a written request to convene an extraordinary general meeting ("EGM") at the principal place of business of the Company in Hong Kong at Unit 1703, 17/F., Admiralty Centre, Tower 2, 18 Harcourt Road, Hong Kong for the attention of the Company Secretary.

The Company will verify the request with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to convene an EGM by serving sufficient notice to all the registered shareholders in accordance with the requirements set out in the Listing Rules and the articles of association of the Company. In the event that the request has been verified as not in order, the shareholders concerned will be advised of this outcome and accordingly, an EGM will not be convened as requested.

If within 21 days from the date of deposit of the requisition, the Board does not proceed duly to convene an EGM, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Corporate Governance Report

Procedures for Shareholders to Propose a Person for Election as a Director

Pursuant to article 116 of the articles of association of the Company, if a shareholder wishes to propose a person other than a Director of the Company for election as a Director at any general meeting, the shareholder can deposit a written notice to that effect at Unit 1703, 17/F., Admiralty Centre, Tower 2, 18 Harcourt Road, Hong Kong, the principal place of business of the Company in Hong Kong, for the attention of the Company Secretary.

In order for the Company to inform shareholders of that proposal, the written notice must state the full name of the person proposed for election as a Director, include the person's biographical details as required by rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and that person indicating his/her willingness to be elected.

The period for lodgment of such a written notice will commence no earlier than the day after the despatch of the notice of the relevant general meeting and end no later than seven days prior to the date of the general meeting.

Voting at and Notice of General Meetings

As required by the Listing Rules, the Company conducts all voting at general meetings by poll. To compile with the Listing Rules, notices to shareholders will be sent in the case of annual general meetings at least 20 clear business days before the meeting and at least 10 clear business days in the case of all other general meetings.

Pursuant to article 80 of the articles of association of the Company, an annual general meeting and a meeting called for the passing of a special resolution shall be called by twenty-one days' notice in writing at the least, and a meeting of the Company other than an annual general meeting or a meeting for the passing of a special resolution shall be called by fourteen days' notice in writing at the least. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given.

Procedures for Sending Enquires to the Board

Shareholders may at any time forward their enquiries to the Board in writing for the attention of the Board or Company Secretary via the following Address: Unit 1703, 17/F., Admiralty Centre, Tower 2, 18 Harcourt Road, Hong Kong

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, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the year. Updated consolidated versions of the Company's memorandum and articles of association are available on the websites of the Company and the Stock Exchange.

INVESTOR RELATIONS

The Group places high regard on investor relations and is dedicated to promoting effective communication with investors. This is done by using different channels to disseminate information and receive feedbacks in a timely, accurate and comprehensive manner.

During the year under review, the Group regularly participated in various investor conferences, meetings and teleconferences to exchange ideas with investors and respond to their enquiries. Briefings for analysts are arranged on a regular basis to provide information on the Group's final and interim results announcements and recent business developments. Besides providing extensive information about the Group to investors and analysts, these meetings also enable the senior management to understand investors' expectations and concerns.

The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The Chairman and 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 shareholders and answer their enquiries. The external auditors of the Company will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report and auditor independence.

To ensure all investors have equal and timely access to its information, the Group disseminates corporate information such as final and interim results announcements and press releases on its website www.intime.com.cn promptly and in compliance with the relevant requirements. Comprehensive information on the Group's background and its projects are also available on the corporate website. Looking ahead, the Group will continue to provide adequate information disclosure and maintain a high standard of corporate governance. By doing so, this will help build up investors' confidence in the Group. The Group will also continue to pursue a proactive approach in investor relations, with the ultimate goal of enhancing shareholder value.

Report of the Directors

The Directors have pleasure in submitting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are operations and management of department stores and shopping malls in the PRC. The activities of its principal subsidiaries, a joint venture and associates are shown on pages 133 to 146 of this annual report.

RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss on page 57 of this annual report.

PROPOSED FINAL DIVIDEND

During the year ended 31 December 2014, an interim dividend of RMB0.10 per share was paid to shareholders of the Company.

The Board has recommended the payment of a final dividend of RMB0.12 per share for the year ended 31 December 2014, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company (the "AGM"). Upon approval of the shareholders at the AGM, the proposed final dividend will be paid to the shareholders of the Company whose names appear on the register of members of the Company at close of business on 16 June 2015.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital during the year are set out in note 37 to the financial statements.

RESERVES

As at 31 December 2014, the Company has reserves of RMB4,362,170,000 in total available for distribution (2013: RMB3,894,560,000), of which RMB260,503,000 has been proposed as final dividend for the year. By passing an ordinary resolution of the Company, dividends may be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law of the Cayman Islands.

Details of the movements in reserves of the Company and the Group during the year are set out in note 38 to the financial statements and in the consolidated statement of changes in equity, respectively.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB2,651,000 (2013: RMB11,288,000).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of the Cayman Islands do not impose any limitations on such rights.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31 December 2014, the Company repurchased a total of 63,422,500 ordinary shares of the Company on the Stock Exchange. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole in enhancing the net assets and earnings per share of the Company. All the repurchased shares were cancelled. Details of the repurchase are summarized as follows:

Month of Repurchase	Total number of shares repurchased	Highest price paid per share *HK$*	Lowest price paid per share *HK$*	Aggregation consideration paid *HK$*
July 2014	13,342,000	7.30	6.97	96,481,945
Oct 2014	34,263,000	6.79	6.44	225,644,925
Nov 2014	15,817,500	6.80	6.69	107,258,226
Total	63,422,500	7.30	6.44	429,385,096

Save as disclosed above, neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2014.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors at the latest practicable date prior to this annual report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2014 and at any time up to date of this annual report.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 5 of this annual report.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors:

Mr. Shen Guojun *(Chairman)*
Mr. Chen Xiaodong

Non-executive Directors:

Mr. Zhang Yong (appointed on 7 July 2014)
Mr. Xin Xiangdong
Mr. Lee Hon Chiu (appointed on 5 September 2014)
Mr. Wong Luen Cheung Andrew (resigned on 5 September 2014)
Mr. Liu Dong (resigned on 14 November 2014)
Ms. Sun Xiaoning (appointed on 14 November 2014)

Independent Non-executive Directors:

Mr. Shi Chungui
Mr. Yu Ning
Mr. Chow Joseph

Pursuant to Article 130 of the Company's Articles of Association, Mr. Shen Guojun, Mr. Xin Xiangdong and Mr. Shi Chungui shall retire from office at the AGM. In addition, pursuant to Article 114 of the Company's Articles of Association, Mr. Zhang Yong, Ms. Sun Xiaoning and Mr. Lee Hon Chiu, who were appointed by the Board as Directors in July 2014, November 2014 and September 2014, respectively, shall hold office until the AGM, being the first general meeting after their respective appointments, and shall retire and subject to re-election from office at the AGM. Being eligible, Mr. Shen Guojun, Mr. Xin Xiangdong, Mr. Zhang Yong and Ms. Sun Xiaoning will offer themselves for re-election at the AGM. Mr. Lee Hon Chiu has informed the Company that he will not offer himself for re-election in order to spend more time to focus on his other business affairs. Mr. Shi Chungui has informed the Company that he will not offer himself for re-election due to the reach of the age of retirement. The Company proposes to elect Mr. Chen Jiangxu as an independent non-executive Director in place of Mr. Shi Chungui, and an ordinary resolution will be proposed at the AGM to elect Mr. Chen Jiangxu as an independent non-executive Director.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the AGM has an unexpired service contract with the Group which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of Directors and senior management of the Group are set out on pages 19 to 25 of this annual report.

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Connected Transactions and Continuing Connected Transactions" below and in note 45 to the financial statements, no contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year under review or at any time during the year.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the paragraph headed "Connected Transactions and Continuing Connected Transactions" below and in note 45 to the financial statements, no contract of significance in relation to the Company's business entered into between the Company or any of its subsidiaries and the controlling shareholders subsisted during the year ended 31 December 2014.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2014, save as disclosed in the paragraph headed "Compliance with the Non-Competition Deed" below, none of the Directors or their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group:

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions disclosed in accordance with the Listing Rules are as follows:

Co-development Agreement Relating to the Chengxi Project

On 31 May 2011, Zhejiang Intime Department Store Co., Ltd. ("Zhejiang Intime"), a wholly-owned subsidiary of the Company, entered into a co-development agreement ("Co-development Agreement") with Zhejiang Fuqiang Properties Co., Ltd ("Zhejiang Fuqiang") and Hangzhou Intime Shopping Centre Co., Ltd. ("Hangzhou Intime"), pursuant to which Zhejiang Intime agreed to make available to Zhejiang Fuqiang and Hangzhou Intime an amount not exceeding RMB300 million for the construction and development of the department store property of the Chengxi Project. Zhejiang Fuqiang and Hangzhou Intime will pay a fee of 15% per annum to Zhejiang Intime in consideration of the fund provided by Zhejiang Intime. Zhejiang Intime is entitled to a preemptive right to purchase and a priority to lease certain units of the department store property of the Chengxi Project.

On 15 July 2013, Zhejiang Intime entered into a supplemental agreement ("Chengxi Supplemental Agreement") with Zhejiang Fuqiang and Hangzhou Intime to supplement and amend the Co-Development Agreement. Pursuant to the Chengxi Supplemental Agreement, the exercisable period of the Preemptive Right of Zhejiang Intime shall be extended to no later than 30 June 2017.

Mr. Shen Guojun owns the entire equity interest of Beijing Guojun, which owns 75% equity interest in China Yintai. China Yintai owns 70% and 72% equity interest in Zhejiang Fuqiang and Hangzhou Intime respectively. As Mr. Shen Guojun is an executive Director and Chairman of the Company, pursuant to the Listing Rules, Zhejiang Fuqiang and Hangzhou Intime are connected persons of the Company. Accordingly, the transaction under the Co-Development Agreement constituted financial assistance and continuing connected transaction of the Company under Chapter 14A of the Listing Rules. During the year ended 31 December 2014, all outstanding principal plus capital utilization fee accrued pursuant to the Co-Development Agreement had been repaid to Zhejiang Intime.

Leases of Commercial Premises for Department Store Development Use from Zhejiang Fuqiang and Hangzhou Intime

Pursuant to the Chengxi Supplemental Agreement, on 15 July 2013, Hangzhou Intime Sanjiang Commercial Development Co., Ltd ("Intime Sanjiang"), an indirect wholly-owned subsidiary of the Company, entered into a lease with Zhejiang Fuqiang and Hangzhou Intime ("Chengxi Lease"). Pursuant to the Chengxi Lease, Intime Sanjiang has leased the level 1 basement and the first, second, third and fourth floors of Chengxi Intime City, which is located at the intersection between Fengtan Road and Pingshui Road, Gongshu District, Hangzhou City (the "Property") with a total floor area of 24,416 sq.m. for a term of 20 years from 16 July 2013 for establishment of a department store. Under the terms of the Chengxi Lease, Intime Sanjiang has been given a rent-free period of two years commencing from the delivery of the Property to Intime Sanjiang. Accordingly, no rent is payable by Intime Sanjiang for the two years ending 31 December 2014. For the year ended 31 December 2014, there is no annual cap in the announcement of the Company dated 15 July 2013.

Lease of Commercial Premise for Department Store Development Use from Huzhou Jialefu

On 25 February 2013, Zhejiang Intime Investment, a wholly owned subsidiary of the Company, entered into a lease with Huzhou Jialefu Mall Co. Ltd ("Huzhou Jialefu") pursuant to which Zhejiang Intime Investment leased the basement level to the fifth floor above ground of the Huzhou Jialefu Shopping Mall for a term of 20 years from the date of delivery of property to Zhejiang Intime Investment for establishment of a department store. Mr. Shen Guojun controls, through Beijing Guojun, 50% of the voting rights of Huzhou Jialefu. As Mr. Shen Guojun is an executive Director and Chairman of the Company, pursuant to the Listing Rules, Huzhou Jialefu is a connected person of the Company. Accordingly the transaction under the lease constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Under the terms of the lease, Zhejiang Intime Investment was given a rent free period of three months commencing from the delivery of property to Zhejiang Intime Investment. Accordingly, no rent was paid by Zhejiang Intime Investment until 28 September 2013, after which the fixed rental is an annual rate of RMB30,000,000 with an escalation at a rate of 2% per annum from the sixth year from the date of delivery of property to Zhejiang Intime Investment. There is also a commission based rental which comprises of 5% of net annual sales revenue of Huzhou Aishan Store for those areas which will not be sub-let, and 5% of 50% of the net annual operating revenue of Huzhou Aishan Store for areas that are further sub-let. For the year ended December 31, 2014, the total rental paid by Zhejiang Intime Investment was RMB29,771,000. The annual cap for the year ended 31 December 2014 was RMB35,000,000.

Report of the Directors

Lease of Commercial Premises for Department Store Development Use from Fenghua Yintai Properties Co., Ltd. ("Fenghua Yintai")

On 21 September 2012, Zhejiang Intime Investment Co. Ltd. ("Zhejiang Intime Investment") entered into a lease with Fenghua Yintai ("Fenghua Intime City Lease") pursuant to which the Zhejiang Intime Investment has leased the 1/F to 5/F, Ningbo Fenghua Intime City (the "Property") from Fenghua Yintai for a term of 20 years from 22 September 2012 for establishment of a department store. Zhejiang Intime Investment is an indirect wholly-owned subsidiary of the Company. Mr. Shen Guojun controls, through various entities, 49% of the voting rights of Fenghua Yintai. As Mr. Shen Guojun is an executive Director and Chairman of the Company, pursuant to the Listing Rules, Fenghua Yintai is a connected person of the Company. Accordingly, the transaction under the Fenghua Intime City Lease constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Under the terms of the Fenghua Intime City Lease, Zhejiang Intime Investment has been given a rent-free period of three years commencing from the delivery of the Property to Zhejiang Intime Investment. Accordingly, no rent is payable by Zhejiang Intime Investment for the three financial years ending 31 December 2014. For the year ended 31 December 2014, there is no annual cap in the announcement of the Company dated 24 September 2012.

Views of the independent non-executive Directors and the Auditors

The independent non-executive Directors of the Company have reviewed the above transactions and confirmed that the transactions have been entered into in the ordinary and usual course of business of the Company, are on normal commercial terms and in accordance with the relevant agreement and are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Based on the work performed, the auditors of the Company have provided a letter and confirmed that the aforesaid continuing connected transactions (1) have been approved by the board of directors of the Company; (2) are in accordance with the pricing policies of the Group; (3) have been entered into in accordance with the terms of the relevant agreements governing the transaction; and (4) have not exceeded any of the annual caps as mentioned in the announcements of the Company dated 31 May 2011, 25 February 2013 and 15 July 2013 (there is no annual cap in the announcement of the Company dated 24 September 2012).

Related Party Transactions

Details of the related party transactions undertaken in the normal course of business are provided under note 45 to the financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules, except for those described in the section of "Connected Transactions and Continuing Connected Transactions", in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

RETIREMENT SCHEMES

Employees of the Group's subsidiaries in Mainland China are required to participate in defined contribution retirement schemes administered and operated by the local municipal government. Particulars of these retirement plans are set out in note 6 to the financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme" below, at no time during the year was the Company and any of its subsidiaries a party to any arrangement to enable the Directors or chief executive or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

Name of Directors/ Chief Executive Officer	Nature of Interest	Number and class of securities(1)	Approximate percentage of interest in such corporation
Mr. Shen Guojun	Interest of controlled corporations(2)	L721,014,015	33.21%
Mr. Chen Xiaodong	Beneficial owner(3)	L14,200,000	0.65%

Notes:

(1) The Letter "L" denotes the person's long position in such Shares.

(2) Mr. Shen Guojun, an executive Director and the Chairman of the Board, is the beneficial owner of the entire share capital of Fortune Achieve Group Ltd., which in turn is the beneficial owner of the entire issued share capital of Glory Bless Limited, which in turn is the beneficial owner of the entire issued share capital of Intime International Holdings Limited, which holds 716,814,015 shares of the Company. Mr. Shen Guojun is a director of each of Fortune Achieve Group Ltd., Glory Bless Limited and Intime International Holdings Limited. Mr. Shen Guojun is also the beneficial owner of the entire share capital of East Jump Management Limited which holds 4,200,000 shares of the Company.

(3) Mr. Chen Xiaodong, an executive director and the Chief Executive Officer of the Company, is the beneficial owner of 1,050,000 shares of the Company. He also holds options in respect of a total of 13,150,000 shares of the Company as at 31 December 2014.

Save as disclosed above, as at 31 December 2014, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, so far as is known to any Director or chief executive of the Company, the persons (other than the Directors and the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were directly or indirectly, interested in 10% of more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Name of shareholders	Nature of Interest	Number and Class of Securities [1]	Approximate percentage of interest in such corporation
Fortune Achieve Group Ltd.	Interest of controlled corporation [2]	L716,814,015	33.02%
Glory Bless Limited	Interest of controlled corporation [2]	L716,814,015	33.02%
Intime International Holdings Limited	Beneficial Owner [2]	L716,814,015	33.02%
GIC private Limited	Investment Manager	L177,973,789	8.20%
Comax Investment Limited	Beneficial Owner [3]	L147,664,835	6.80%
Jetrich Global Limited	Interest of controlled corporation [3]	L147,664,835	6.80%
Henderson Development Limited	Interest of controlled corporation [3]	L147,664,835	6.80%
Henderson Land Development Company Limited	Interest of controlled corporation [3]	L147,664,835	6.80%
Hopkins (Cayman) Limited	Interest of controlled corporation [3]	L147,664,835	6.80%
Lee Shau Kee	Interest of controlled corporation [3]	L147,664,835	6.80%
Riddick (Cayman) Limited	Trustee [4]	L147,664,835	6.80%
Rimmer (Cayman) Limited	Trustee [4]	L147,664,835	6.80%
Wellington Management Company, LLP	Investment Manager	L136,857,769	6.30%
Alibaba Investment Limited	Beneficial Interest [5]	L710,142,614	32.71%
Alibaba Group Holding Limited	Interest in controlled corporation [5]	L711,967,614	32.80%

Notes:

(1) The letter "L" denotes the person's long position in such shares of the Company; the letter "S" denotes the person's short position in such shares of the Company; the letter "P" denotes the person's lending pool in such shares of the Company.

(2) Mr. Shen Guojun is the beneficial owner of the entire issued share capital of Fortune Achieve Group Ltd., which in turn is the beneficial owner of the entire issued share capital of Glory Bless Limited, which in turn is the beneficial owner of the entire issued share capital of Intime International Holdings Limited, which holds 716,814,015 shares of the Company. Mr. Shen Guojun is a director in each of Fortune Achieve Group Ltd., Glory Bless Limited and Intime International Holdings Limited.

(3) Lee Shau Kee is the beneficial owner of the entire issued share capital of Hopkins (Cayman) Limited, which in turn is the beneficial owner of the entire issued share capital of Henderson Development Limited. Henderson Development Limited is the beneficial owner of 66.20% of the entire issued share capital of Henderson Land Development Company Limited, which in turn is the beneficial owner of the entire issued share capital of Jetrich Global Limited. Jetrich Global Limited is the beneficial owner of the entire issued share capital of Comax Investment Limited, which holds 147,664,835 shares of the Company. Therefore, each of Lee Shau Kee, Hopkins (Cayman) Limited, Henderson Development Limited, Henderson Land Development Company Limited and Jetrich Global Limited is deemed to be interested in the shares held by Comax Investment Limited.

(4) Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, hold units in a unit trust in which Hopkins (Cayman) Limited act as a trustee. Accordingly, Rimmer and Riddick are deemed to be interested in the shares held by Comax Investment Limited.

(5) Alibaba Investment Limited is wholly owned by Alibaba Group Holding Limited. Accordingly, Alibaba Group Holding Limited is deemed to be interested in all the shares in which Alibaba Investment Limited is interested.

Save as disclosed above, as at 31 December 2014, so far is known to the Directors or the chief executive of the Company, no other person (not being a Director or chief executive of the Company) had any interests or short positions in the shares, underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

SHARE OPTION SCHEME

Pursuant to the Company's share option scheme approved by the resolution of the Company's shareholders dated 24 February 2007, the Company may grant options (the "Options") to any employee, management member or director of the Company, or any of the Company's subsidiaries and third party service providers (the "Scheme"). The purpose of the Scheme is to attract skilled and experienced personnel, to incentivise them to remain within the Group and to give effect to the Group's customer-focused corporate culture, and to motivate them to strive for the Group's future development and expansion, by providing them with the opportunity to acquire equity interests in the Company. The amount payable on acceptance of an option is HK$1.00. Details of the Scheme were disclosed in the Company's prospectus dated 7 March 2007.

The Scheme will remain valid for a period of ten years commencing on 20 March 2007, after which no further share options will be granted but the provisions of the Scheme shall remain in full force and effect in other respects. Share options complying with the provisions of the Listing Rules which are granted during the duration of the Scheme and remain unexercised immediately prior to the end of the 10-year period shall continue to be exercisable in accordance with their terms of grant within the share option period for which share options are granted, notwithstanding the expiry of the Scheme. The maximum number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of listing of shares of the Company (such 10% representing 180,000,000 shares), without prior approval from the Company's shareholders. No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of the Options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time, unless the approval of our shareholders is obtained. Options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates in the 12-month period in excess of 0.1% of the Company's issued share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within the time limit specified in the offer letter. The period with which the Options must be exercised will be specified by the Company at the time of grant and must expire no later than 10 years from the date of grant of the Options (being the date on which the board makes a written offer of grant of the Options to the relevant proposed beneficiary) unless the Company obtains specified shareholder's approval in relation to such grant. The exercise price for the shares under the Scheme will not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant; and (iii) the nominal value of a share of the Company.

The movements in share options granted under the share option scheme adopted by the Company for the year ended 31 December 2014 are shown below:

Name or category of participant	Date of Grant	Exercise Price per share *HK$*	Number of share options: As at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31 December 2014	Exercise Period	Closing price immediately before the date of grant *HK$*	Weighted Average closing price immediately before the date of exercise *HK$*
Director & Chief Executive Officer											
Chen Xiaodong	11/4/2008	5.64	300,000	-	-	-	-	300,000	12/4/2009-11/4/2015	5.60	-
	18/9/2008	3.56	300,000	-	300,000	-	-	-	19/9/2009-18/9/2014	3.20	7.00
	4/3/2009	1.88	450,000	-	-	-	-	450,000	5/3/2010-4/3/2015	1.83	-
	28/8/2009	6.63	4,500,000	-	2,250,000	-	-	2,250,000	29/8/2010-28/8/2015	5.15	7.18
	26/5/2010	6.49	2,250,000	-	-	-	-	2,250,000	27/5/2011-26/5/2016	6.24	-
	1/4/2011	10.77	2,000,000	-	-	500,000	-	1,500,000	2/4/2012-1/4/2017	10.56	-
	22/6/2012	7.56	1,800,000	-	-	-	-	1,800,000	23/6/2013-22/6/2018	7.35	-
	10/4/2013	9.27	1,800,000	-	-	-	-	1,800,000	11/4/2014-10/4/2019	9.05	-
	25/6/2014	6.85	-	2,800,000	-	-	-	2,800,000	26/6/2015-25/6/2020	6.80	-
Other employees in aggregate	11/4/2008	5.64	915,500	-	915,000	500	-	-	12/4/2009-11/4/2014	5.60	8.29
	18/9/2008	3.56	899,500	-	775,000	-	124,500	-	19/9/2009-18/9/2014	3.20	7.12
	4/3/2009	1.88	2,794,500	-	1,316,500	-	-	1,478,000	5/3/2010-4/3/2015	1.83	7.62
	20/10/2009	5.50	500,000	-	250,000	-	-	250,000	21/10/2010-20/10/2015	5.35	6.52
	26/5/2010	6.49	7,224,000	-	1,678,000	-	152,000	5,394,000	27/5/2011-26/5/2016	6.24	7.97
	26/8/2010	9.00	1,200,000	-	-	-	-	1,200,000	27/8/2011-26/8/2016	8.93	-
	1/4/2011	10.77	13,213,000	-	-	3,260,000	510,000	9,443,000	2/4/2012-1/4/2017	10.56	-
	22/6/2012	7.56	15,840,000	-	120,000	-	760,500	14,959,500	23/6/2013-22/6/2018	7.35	8.65
	10/4/2013	9.27	5,654,000	-	-	-	565,000	5,089,000	11/4/2014-10/4/2019	9.05	-
	25/6/2014	6.85	-	3,722,000	-	-	-	3,722,000	26/6/2015-25/6/2020	6.80	-
Total			61,640,500	6,522,000	7,604,500	3,760,500	2,112,000	54,685,500			

BANK AND OTHER BORROWINGS

Bank and other borrowings of the Group as at 31 December 2014 amounted to RMB3,341 million (31 December 2013: RMB4,754 million). Particulars of the borrowings are set out in note 34 to the financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds of the Company are set out in note 35 to the financial statements.

COMPLIANCE WITH THE NON-COMPETITION DEED

In conjunction with the subscription of Shares and convertible bonds of the Company by Alibaba Investment Limited, the entry into of the strategic cooperation framework agreement and the establishment of the joint venture between the parties as detailed in the Company's announcement dated 31 March 2014 ("Announcement") and circular dated 9 June 2014, an amendment deed of non-competition ("Amendment Deed of Non-Competition") dated 7 July 2014 was entered into by Mr. Shen Guojun, Fortune Achieve Group Ltd., Glory Bless limited, East Jump Management Limited ("East Jump") and Intime International Holdings Limited (together the "Covenantors") in favour of the Company pursuant to which the non-competition deed 2007 ("Non-competition Deed") dated 7 March 2007 and entered into by the Covenantors (other than East Jump) in favour of the Company was amended to extend Non-compete period (as such term is defined in the Announcement) and broadened the scope of the Restricted Business (as such term is defined in the Announcement).

The Covenantors have informed the Company that, due to the significant number of investments and business dealings in which they are interested, as at 31 December 2014, they were still in the process of identifying and reviewing (including engaging professional advisers where required) investments and business dealings which may fall within the scope of the Non-competition Deed (as amended by the Amendment Deed of Non-Competition). The Covenantors have also undertaken to the Company that they will provide the relevant information of such investments and business dealings to the Company as soon as practicable.

The independent non-executive Directors were aware of the above status.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014, the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total value of purchases, and the aggregate amount of sales attributable to the Group's five largest customers represented less than 30% of the Group's total value of revenue.

Report of the Directors

DISCLOSURE PURSUANT TO RULE 13.18 AND 13.21 OF THE LISTING RULES

On 28 June 2013, the Group entered into a dual-currency three-year term loan facility agreement for amounts up to USD266,588,000 and HKD750,000,000 respectively with a syndicate of banks (the "Term Loan Facility").

Pursuant to the terms of the Term Loan Facility, it is, among others, an event of default if at any time when the entire or part of the Term Loan Facility remains outstanding, Mr. Shen Guojun, the Company's Chairman and Executive Director, ceases to (i) be the single largest shareholder of the Company; (ii) hold, directly or indirectly, at least 30% of the total issued share capital of the Company; (iii) be the chairman of the Board; or (iv) exercise power to direct the policies and management of the Company, whether by contract or otherwise. Upon occurrence of an event of default, all loans together with accrued interest and any other amounts accrued under the Term Loan Facility may become immediately due and payable. As at the latest practicable date, none of the above events of default has occurred.

CORPORATE GOVERNANCE REPORT

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period of the Group are set out in note 50 to the financial statements.

AUDITORS

Ernst & Young, the Company's auditors, will retire at the AGM of the Company, and being eligible, offer themselves for re-appointment. A resolution will be proposed at the AGM to re-appoint Ernst & Young as auditors of the Company.

On behalf of the Board
Shen Guojun
Chairman

24 March 2015

Independent Auditors' Report

Ernst & Young
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To the shareholders of Intime Retail (Group) Company Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Intime Retail (Group) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 57 to 192, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

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

Independent Auditors' Report

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 auditors' 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 auditors consider internal control relevant to the entity's preparation of 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 disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

24 March 2015

Consolidated Statement of Profit or Loss

Year ended 31 December 2014

	Notes	2014 *RMB'000*	2013 *RMB'000* *Restated**
Retail revenue		**4,587,830**	4,510,219
Sale of properties		**662,738**	–
Total revenue	5	**5,250,568**	4,510,219
Other income and gains	5	**867,016**	1,409,188
Purchases of goods and changes in inventories	6	**(1,405,750)**	(1,553,885)
Cost of properties sold	6	**(279,574)**	–
Properties development expenses	6	**(112,406)**	–
Staff costs	6	**(759,658)**	(629,774)
Depreciation and amortisation	6	**(456,386)**	(385,815)
Other expenses		**(1,655,465)**	(1,304,336)
Share of profits and losses of:			
A joint venture		**(33,883)**	(19,890)
Associates		**343,086**	275,438
Finance income	7	**216,999**	239,015
Finance costs	7	**(169,291)**	(184,060)
Profit before tax		**1,805,256**	2,356,100
Income tax expense	8	**(641,474)**	(642,242)
Profit for the year		**1,163,782**	1,713,858
Attributable to:			
Owners of the parent	11	**1,121,483**	1,594,524
Non-controlling interests		**42,299**	119,334
		1,163,782	1,713,858
Earnings per share attributable to ordinary equity holders of the parent (expressed in RMB per share)	13		
Basic			
– For profit for the year		**0.53**	0.79
Diluted			
– For profit for the year		**0.50**	0.79

* *Certain amounts shown here do not correspond to the 2013 financial statements and reflect adjustments made, refer to Note 2.2.*

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2014

	Notes	2014 *RMB'000*	2013 *RMB'000* *Restated**
Profit for the year		**1,163,782**	1,713,858
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates		**120**	–
Exchange differences on translation of foreign operations		**1,542**	19,691
Other comprehensive income for the year, net of tax		**1,662**	19,691
Total comprehensive income for the year		**1,165,444**	1,733,549
Attributable to:			
Owners of the parent	11	**1,123,145**	1,614,215
Non-controlling interests		**42,299**	119,334
		1,165,444	1,733,549

* *Certain amounts shown here do not correspond to the 2013 financial statements and reflect adjustments made, refer to Note 2.2.*

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 *RMB'000*	2013 *RMB'000* *Restated**
NON-CURRENT ASSETS			
Property, plant and equipment	15	**5,994,300**	6,105,578
Investment properties	16	**5,699,000**	3,340,907
Prepaid land lease payments	17	**1,603,314**	2,007,143
Prepayments, deposits and other receivables	27	**825,485**	330,084
Goodwill	19	**535,609**	535,609
Other intangible assets	20	**53,065**	30,049
Prepaid rental	21	**56,428**	64,435
Investment in a joint venture	23	**190,605**	224,488
Investments in associates	24	**2,617,218**	2,378,314
Loans and receivables – third parties	28	**275,654**	35,654
Loans and receivables – related parties	28	**558,190**	696,648
Held-to-maturity investments		**–**	12,000
Deferred tax assets	25	**265,919**	190,237
Total non-current assets		**18,674,787**	15,951,146
CURRENT ASSETS			
Inventories	26	**495,026**	484,193
Completed properties held for sale	18	**1,151,768**	–
Properties under development	18	**550,335**	905,067
Prepayments, deposits and other receivables	27	**903,332**	1,115,029
Loans and receivables – third parties	28	**33,813**	100,290
Loans and receivables – related parties	28	**240,258**	294,625
Due from related parties	45(c)	**1,801,406**	1,294,440
Trade receivables	29	**36,021**	44,628
Cash in transit	30	**91,691**	131,336
Pledged deposits	31	**67,000**	67,000
Restricted bank balances	31	**106,133**	195,915
Cash and cash equivalents	31	**2,129,429**	1,738,513
		7,606,212	6,371,036
Assets of disposal group classified as held for sale	14	**1,513,183**	1,650,407
Total current assets		**9,119,395**	8,021,443
CURRENT LIABILITIES			
Trade and bills payables	32	**2,080,461**	1,782,148
Other payables and accruals	33	**6,110,722**	4,717,171
Guaranteed bonds due July 2014	36	**–**	998,374
Interest-bearing bank and other borrowings	34	**1,120,911**	1,709,200
Due to related parties	45(e)	**12,482**	14,183
Tax payable		**535,187**	401,660
		9,859,763	9,622,736
Liabilities directly associated with the assets classified as held for sale	14	**337,512**	208,855
Total current liabilities		**10,197,275**	9,831,591
NET CURRENT LIABILITIES		**(1,077,880)**	(1,810,148)
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,596,907**	14,140,998

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 *RMB'000*	2013 *RMB'000* *Restated**
NON-CURRENT LIABILITIES			
Other payables and accruals	33	**–**	288,786
Interest-bearing bank and other borrowings	34	**2,219,804**	3,044,942
Deferred tax liabilities	25	**713,354**	722,740
Deferred subsidy income		**47,778**	49,341
Convertible bonds	35	**2,834,878**	–
Total non-current liabilities		**5,815,814**	4,105,809
NET ASSETS		**11,781,093**	10,035,189
EQUITY			
Equity attributable to owners of the parent			
Share capital	37	**163**	154
Equity component of convertible bonds	35	**126,417**	–
Reserves	38	**10,307,900**	8,639,557
Proposed final dividend	12	**260,503**	220,675
		10,694,983	8,860,386
Non-controlling interests		**1,086,110**	1,174,803
Total equity		**11,781,093**	10,035,189

* *Certain amounts shown here do not correspond to the 2013 financial statements and reflect adjustments made, refer to Note 2.2.*

Shen Guojun
Chairman

Chen Xiaodong
Executive Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Notes	Share capital RMB'000 (note 37)	Share premium RMB'000 (note 37)	Capital redemption reserve RMB'000 (note 37)	Capital reserve RMB'000	Reserve for fair value changes of available-for-sale investments RMB'000	Discretionary reserve fund RMB'000 (note 38)	Statutory reserves RMB'000 (note 38)	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Equity component of convertible bonds RMB'000 (note 35)	Share option reserve RMB'000 (note 39)	Proposed final dividend RMB'000 (note 12)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent														
At 1 January 2013																
As previously reported		154	4,292,022	4	362,364	59	3,284	395,540	1,981,564	(42,175)	23,607	65,371	180,274	7,262,068	913,039	8,175,107
Prior year adjustments (note 2.2)		–	–	–	–	–	–	–	350,781	–	–	–	–	350,781	103,683	454,464
As restated		154	4,292,022	4	362,364	59	3,284	395,540	2,332,345	(42,175)	23,607	65,371	180,274	7,612,849	1,016,722	8,629,571
Profit for the year *(restated*)*		–	–	–	–	–	–	–	1,594,524	–	–	–	–	1,594,524	119,334	1,713,858
Other comprehensive income for the year:																
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	19,691	–	–	–	19,691	–	19,691
Total comprehensive income for the year		–	–	–	–	–	–	–	1,594,524	19,691	–	–	–	1,614,215	119,334	1,733,549
Transfer of share option reserve upon the forfeiture or expiry of share options		–	–	–	–	–	–	–	1,336	–	–	(1,336)	–	–	–	–
Equity-settled share option arrangements	39	–	–	–	–	–	–	–	–	–	–	25,784	–	25,784	–	25,784
Exercise of share options	39	1	92,736	–	–	–	–	–	–	–	–	(21,910)	–	70,827	–	70,827
Final 2012 dividend declared	12	–	–	–	–	–	–	–	–	–	–	–	(180,274)	(180,274)	–	(180,274)
Repurchase of shares	37	(1)	(80,298)	1	–	–	–	–	–	–	–	–	–	(80,298)	–	(80,298)
Dividend on shares issued for employee share options exercised after 31 December 2012		–	–	–	–	–	–	–	(2,456)	–	–	–	–	(2,456)	–	(2,456)
Interim 2013 dividend	12	–	(200,261)	–	–	–	–	–	–	–	–	–	–	(200,261)	–	(200,261)
Proposed final 2013 dividend	12	–	(220,675)	–	–	–	–	–	–	–	–	–	220,675	–	–	–
Contribution by non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	–	–	74,507	74,507
Transfer from retained profits		–	–	–	–	–	3,748	109,102	(112,850)	–	–	–	–	–	–	–
Convertible bonds redeemed		–	–	–	23,607	–	–	–	–	–	(23,607)	–	–	–	–	–
Dividend distribution to non-controlling interests of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	–	(35,760)	(35,760)
At 31 December 2013 *(restated*)*		154	3,883,524	5	385,971	59	7,032	504,642	3,812,899	(22,484)	–	67,909	220,675	8,860,386	1,174,803	10,035,189

* *Certain amounts shown here do not correspond to the 2013 financial statements and reflect adjustments made, refer to Note 2.2.*

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Notes	Share capital RMB'000 (note 37)	Share premium RMB'000 (note 37)	Capital redemption reserve RMB'000 (note 37)	Capital reserve RMB'000	Reserve for fair value changes of available-for-sale investments RMB'000	Discretionary reserve fund RMB'000 (note 38)	Statutory reserves RMB'000 (note 38)	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Equity component of convertible bonds RMB'000 (note 35)	Share option reserve RMB'000 (note 39)	Proposed final dividend RMB'000 (note 12)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent														
At 1 January 2014 *(restated)*		154	3,883,524	5	385,971	59	7,032	504,642	3,812,899	(22,484)	-	67,909	220,675	8,860,386	1,174,803	10,035,189
Profit for the year		-	-	-	-	-	-	-	1,121,483	-	-	-	-	1,121,483	42,299	1,163,782
Other comprehensive income for the year:																
Share of other comprehensive income of associates		-	-	-	-	120	-	-	-	-	-	-	-	120	-	120
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	1,542	-	-	-	1,542	-	1,542
Total comprehensive income for the year		-	-	-	-	120	-	-	1,121,483	1,542	-	-	-	1,123,145	42,299	1,165,444
Transfer of share option reserve upon the forfeiture or expiry of share options		-	-	-	-	-	-	-	10,905	-	-	(10,905)	-	-	-	-
Equity-settled share option arrangements	39	-	-	-	-	-	-	-	-	-	-	16,429	-	16,429	-	16,429
Exercise of share options	39	-	41,737	-	-	-	-	-	-	-	-	(10,344)	-	31,393	-	31,393
Final 2013 dividend declared	12	-	-	-	-	-	-	-	-	-	-	-	(220,675)	(220,675)	-	(220,675)
Issuance of shares	37	14	1,321,755	-	-	-	-	-	-	-	-	-	-	1,321,769	-	1,321,769
Issuance of convertible bonds	35	-	-	-	-	-	-	-	-	-	126,417	-	-	126,417	-	126,417
Repurchase of shares	37	(5)	(340,407)	5	-	-	-	-	-	-	-	-	-	(340,407)	-	(340,407)
Dividend on shares issued for employee share options exercised after 31 December 2013		-	(416)	-	-	-	-	-	-	-	-	-	-	(416)	-	(416)
Interim 2014 dividend	12	-	(223,058)	-	-	-	-	-	-	-	-	-	-	(223,058)	-	(223,058)
Proposed final 2014 dividend	12	-	(260,503)	-	-	-	-	-	-	-	-	-	260,503	-	-	-
Contribution by a non-controlling shareholder		-	-	-	-	-	-	-	-	-	-	-	-	-	79,777	79,777
Transfer from retained profits		-	-	-	-	-	-	90,296	(90,296)	-	-	-	-	-	-	-
Dividend distribution to non-controlling interests of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	-	(39,060)	(39,060)
Acquisition of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	-	63,817	63,817
Disposal of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	-	(235,526)	(235,526)
At 31 December 2014		163	4,422,632#	10#	385,971#	179#	7,032#	594,938#	4,854,991#	(20,942)#	126,417	63,089#	260,503	10,694,983	1,086,110	11,781,093

\# These reserve accounts comprise the consolidated reserves of RMB10,307,900,000 (2013: RMB8,639,557,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 *RMB'000*	2013 *RMB'000 Restated**
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,805,256**	2,356,100
Adjustments for:			
Finance income	7	**(216,999)**	(239,015)
Finance costs	7	**169,291**	184,060
Share of losses of a joint venture		**33,883**	19,890
Share of profits and losses of associates		**(343,086)**	(275,438)
Loss on disposal of items of property, plant and equipment		**2,994**	665
Gain on disposal of subsidiaries		**(9,200)**	(341,379)
Gain on disposal of available-for-sale investments		**–**	(672)
Gain on disposal of held for trading securities		**–**	(11,752)
Gain on disposal of held to maturity investments	5	**(1,059)**	–
Gain on early redemption of convertible bonds		**–**	(111)
Equity-settled share option expense	39	**16,429**	25,784
Depreciation of property, plant and equipment		**398,218**	326,398
Fair value gains on investment properties	16	**(434,729)**	(761,659)
Amortisation of prepaid land lease payments		**46,442**	51,319
Amortisation of other intangible assets	20	**7,111**	4,432
Amortisation of prepaid rental	21	**201,986**	102,534
Impairment of goodwill	19	**–**	72,761
		1,676,537	1,513,917
Decrease/(increase) in restricted cash		**354,958**	(432,553)
Decrease in pledged deposits		**–**	108,500
Increase in prepayments, deposits and other receivables		**(217,328)**	(52,757)
Decrease in trade receivables		**478**	5,111
Decrease in cash in transit		**39,645**	276,119
Increase in inventories		**(10,833)**	(122,916)
Increase/(decrease) in trade and bills payables		**298,313**	(594,062)
(Decrease)/increase in advances from customers		**(115,120)**	1,222,791
Decrease/(increase) in amounts due from related parties		**76,352**	(198,656)
(Decrease)/increase in amounts due to related parties		**(1,701)**	2,353
Decrease/(increase) in properties under development		**239,140**	(252,277)
Increase in completed properties held for sale		**(1,151,768)**	–
Increase/(decrease) in other payables and accruals		**507,816**	(66,854)
Cash generated from operations		**1,696,489**	1,408,716
Interest paid		**(226,052)**	(242,215)
Income tax paid		**(468,169)**	(335,536)
Net cash flows from operating activities		**1,002,268**	830,965

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000 Restated*
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**146,608**	170,005
Purchases of items of property, plant and equipment and investment properties		**(1,182,160)**	(2,496,049)
Purchases of other intangible assets	20	**(30,156)**	(2,376)
Acquisition of subsidiaries, net of cash acquired		**(82,523)**	–
Capital injection to associates	24	**–**	(29,000)
Establishment of associates	24	**(68,900)**	–
Acquisition of prepaid land lease payments	17	**(32,196)**	(3,033)
Prepayment of prepaid land lease payments		**–**	(55,600)
Disposal of subsidiaries	40	**279,970**	116,595
Purchases of held-to-maturity investments		**–**	(12,000)
Prepayment for acquisition of a subsidiary		**–**	(153,160)
Proceeds from disposal of available-for-sale investments		**–**	25,138
Proceeds from disposal of held for trading securities		**–**	11,752
Advance from disposal of subsidiaries		**357,582**	200,492
Loans to related parties		**(221,080)**	(130,000)
Proceeds from disposal of items of property, plant and equipment		**9,382**	571
Proceeds from disposal of intangible assets		**29**	108
Advances to third parties		**(50,459)**	(230,632)
Repayment of advances from third parties		**31,352**	60,654
Loans and receivables made to third parties		**(170,000)**	(35,654)
Advances to related parties		**(553,576)**	(173,112)
Repayment of loans and receivables from third parties		**–**	237,000
Repayment of loans and receivables from related parties		**436,688**	50,000
Repayment of advances from related parties		**25,000**	27,477
Dividend received from an associate		**250,000**	150,000
Advances received from third parties		**–**	125,980
Receipt of government grants		**38,344**	60,750
Repayment from advance to subsidiaries disposed of		**144,160**	155,117
Repayment from non-controlling shareholders		**106,560**	80,173
Proceeds from disposal of held-to-maturity investments		**13,059**	–
Prepayment of acquisition of investment properties		**(726,192)**	–
Net cash flows used in investing activities		**(1,278,508)**	(1,848,804)

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 *RMB'000*	2013 *RMB'000* *Restated**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		**31,393**	70,827
Capital contribution from non-controlling shareholders		**79,777**	74,507
Proceeds from interest-bearing bank and other borrowings		**1,498,808**	5,036,572
Repayments of interest-bearing bank and other borrowings		**(3,361,009)**	(2,444,981)
Repayments of guaranteed bonds due July 2014		**(1,000,000)**	–
Dividends paid		**(422,106)**	(382,991)
Dividends paid to non-controlling shareholders		**(39,060)**	(35,760)
Repurchase of shares		**(340,407)**	(80,298)
Redemption of convertible bonds	35	**–**	(1,657,325)
Proceeds from issue of convertible bonds	35	**2,944,505**	–
Proceeds from issue of shares		**1,321,769**	–
Advance from a related party		**59,473**	–
Repayment of advance from related parties		**(152,210)**	–
Net cash flows from financing activities		**620,933**	580,551
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**344,693**	(437,288)
Cash and cash equivalents at beginning of year		**1,814,440**	2,243,986
Effect of foreign exchange rate changes, net		**15,613**	7,742
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,174,746**	1,814,440
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**2,129,429**	1,738,513
Cash and cash equivalents as stated in the statement of financial position	31	**2,129,429**	1,738,513
Cash and short term deposits attributable to the disposal group held for sale	14	**45,317**	75,927
Cash and cash equivalents as stated in the statement of cash flows		**2,174,746**	1,814,440

* *Certain amounts shown here do not correspond to the 2013 financial statements and reflect adjustments made, refer to Note 2.2.*

Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Prepayments, deposits and other receivables	27	**90,000**	90,000
Other intangible assets		**325**	441
Investments in subsidiaries	22	**1,658,318**	1,493,886
Due from subsidiaries	22	**9,462,429**	6,990,784
Total non-current assets		**11,211,072**	8,575,111
CURRENT ASSETS			
Prepayments, deposits and other receivables	27	**1,027**	1,024
Cash and cash equivalents	31	**121,365**	48,066
Total current assets		**122,392**	49,090
CURRENT LIABILITIES			
Other payables and accruals	33	**586,424**	26,549
Guaranteed bonds due July 2014	36	**–**	998,374
Interest-bearing bank and other borrowings	34	**440,743**	–
Total current liabilities		**1,027,167**	1,024,923
NET CURRENT LIABILITIES		**(904,775)**	(975,833)
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,306,297**	7,599,278
NON-CURRENT LIABILITIES			
Other payables and accruals	33	**–**	288,786
Interest-bearing bank and other borrowings	34	**1,762,973**	2,174,942
Due to subsidiaries	22	**97,018**	117,699
Convertible bonds	35	**2,834,878**	–
Total non-current liabilities		**4,694,869**	2,581,427
NET ASSETS		**5,611,428**	5,017,851
EQUITY			
Share capital	37	**163**	154
Equity component of convertible bonds	35	**126,417**	–
Reserves	38	**5,224,345**	4,797,022
Proposed final dividend	12	**260,503**	220,675
Total equity		**5,611,428**	5,017,851

Shen Guojun
Chairman

Chen Xiaodong
Executive Director

Notes to Financial Statements

31 December 2014

1. CORPORATE INFORMATION

Intime Retail (Group) Company Limited (formerly known as Intime Department Store (Group) Company Limited, the "Company") was incorporated in the Cayman Islands on 8 November 2006 as an exempted company with limited liability under the Cayman Islands Companies Law. The address of the Company's registered office is M&C Corporate Services Limited, P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands. The Company and its subsidiaries (together the "Group") are principally engaged in the operation and management of department stores and shopping malls in Mainland China.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 March 2007.

In the opinion of the directors, the ultimate holding company of the Company is Fortune Achieve Group Ltd., a company incorporated in West Samoa. The intermediate holding company of the Company is Intime International Holdings Limited ("Intime International"), a company incorporated in the Cayman Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the 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 have been prepared under the historical cost convention, except for investment properties and available-for-sale investments, which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 December 2014, the Group had net current liabilities of approximately RMB1,077,880,000 (2013 restated: RMB1,810,148,000). The directors believe that the Group has sufficient cash flows from the operations and currently available banking facilities to meet its liabilities as and when they fall due. Therefore, the financial statements are prepared on a going concern basis.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*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)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

The adoption of the revised standards has had no significant financial effect on these financial statements.

In order to align with the expansion plan of shopping mall business, the Group plans to hold more commercial properties. The directors of the Company are of the opinion that using the fair value model will result in the financial statements providing reliable and more relevant information. The directors of the Company reviewed and assessed the measurement of the Group's investment properties in accordance with HKAS 40 and have determined to change the accounting policy for investment properties from the cost method to the fair value method for the year ended 31 December 2014. The change in accounting for the investment properties has been applied retrospectively. The opening balances as at 1 January 2013 and comparative information for the year ended 31 December 2013 have been restated in the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Impact on the consolidated statement of profit or loss for the years ended 31 December:

	2014 *RMB'000*	2013 *RMB'000*
Increase in fair value gains on investment properties	**434,729**	761,659
Decrease in depreciation and amortisation	**85,067**	66,882
Decrease in gain on disposal of a subsidiary	**(116,347)**	–
Decrease in share of losses of a joint venture	**30,138**	28,847
Increase in impairment of goodwill	**–**	(72,761)
Increase in profit before tax	**433,587**	784,627
Increase in income tax expense	**(129,948)**	(207,135)
Increase in profit for the year	**303,639**	577,492
Attributable to:		
Owners of the parent	**282,130**	529,343
Non-controlling interests	**21,509**	48,149
	303,639	577,492
Increase in earnings per share attributable to ordinary equity holders of the parent (expressed in RMB per share)		
Basic		
– For profit for the year	**0.14**	0.26
Diluted		
– For profit for the year	**0.12**	0.26

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Impact on the consolidated statement of financial position at:

	31 December 2014 RMB'000	31 December 2013 RMB'000	1 January 2013 RMB'000
Increase in property, plant and equipment	–	357,805	790,340
Increase in investment properties	1,492,655	973,468	(103,717)
Increase/(decrease) in investment in a joint venture	24,225	(5,913)	(34,760)
Decrease in goodwill	(115,172)	(115,172)	(42,411)
(Decrease)/increase in prepaid land lease payments	–	(50,553)	22,224
Increase in non-current assets	1,401,708	1,159,635	631,676
Increase in assets of disposal group classified as held for sale	308,880	256,668	–
Increase in current assets	308,880	256,668	–
Increase in liabilities directly associated with the assets classified as held for sale	77,220	64,167	–
Increase in current liabilities	77,220	64,167	–
Increase in deferred tax liabilities	372,440	320,180	177,212
Increase in non-current liabilities	372,440	320,180	177,212
Increase in non-controlling interests	74,220	151,832	103,683
Increase in net assets and total equity	1,260,928	1,031,956	454,464

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
Amendments to HKFRS 10, HKFRS 12 and HKFRS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (CONTINUED)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (CONTINUED)

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and non-current assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognised such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	2.375% to 4.75%
Decorations	20% to 33.33%
Machinery	9.5% to 19%
Vehicles	7.92% to 19%
Furniture, fittings and equipment	19% to 31.67%
Leasehold improvements	10% to 33.33%

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment and depreciation” up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under “Property, plant and equipment and depreciation” above.

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Properties under development

Properties under development are intended to be held for sale after completion. On completion, the properties are transferred to completed properties held for sale.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development which are intended to be held for sale and expected to be completed within 12 months from the end of the reporting period are classified as current assets.

Properties under development which are intended to be held for sale and expected to be completed beyond 12 months from the end of the reporting period are classified as non-current assets.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the selling price, less estimated costs to be incurred in selling the properties based on prevailing market conditions.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties, deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of the acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss or capitalised as part of the cost of construction in progress, investment properties and properties under development on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Lease agreement buyout

The lease agreement buyout represents the Group's payments to an old tenant to buy out its lease agreement. The lease agreement buyout is stated at cost less any impairment losses and is amortised on the straight-line basis over the lease terms of 20 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, when the cumulative gain or loss reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends whilst holding the available-for-sale financial investments earned are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, amounts due to related parties and interest-bearing loans and borrowings, convertible bonds and guaranteed bonds due July 2014.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the bond is redeemed, any difference between the fair values and the carrying amounts of the liability component and the derivative is recognised immediately in profit or loss. The difference between the total redemption payment and the fair value of the liability component and the derivative is considered as payment to redeem the equity component of the convertible bonds. This deemed redemption payment in relation to the equity component of the convertible bonds is dealt with directly in equity.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories comprise merchandises purchased for resale and are stated at the lower of cost and net realisable value. Cost of merchandise is determined using the first-in, first-out method. The cost of merchandise comprises the purchase cost of goods and other direct costs. Net realisable value is based on the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Deferred revenue

The Group operates a loyalty point programme, which allows customers to accumulate points when they purchase products in the Group's department stores. The points can then be redeemed for gifts and coupons, subject to a minimum number of points being obtained. The coupons are cash-equivalent when customers use them to purchase products of the Group.

Consideration received is allocated between the products sold and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined by applying statistical analyses. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Notes to Financial Statements

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is measured at the fair value of the consideration received net of value-added tax, estimated returns, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

(a) *Sale of goods – retail*

Sales of goods are recognised when a group entity sells a product to the customers. Retail sales are usually in cash or by debit card or credit card.

(b) *Commission revenue*

Commission revenue from concessionaire sales is recognised upon the sale of goods by the relevant stores.

Customer loyalty award credits granted in sales of goods and concessionaire sales are accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

(c) *Operating lease rental income and display space leasing income*

These incomes are recognised on a time proportion basis over the terms of the respective leases.

(d) *Other service incomes*

Other service incomes including the administration fee and credit card handling fee are recognised in the accounting period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(e) *Management fee income*

Management fee income from the operation of department stores is recognised when management services are rendered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

(f) Promotion income

Promotion income is recognised according to the underlying contract terms with concessionaires and as the service is provided in accordance herewith.

(g) Sale of properties income

Revenue from the sale of properties in the ordinary course of business is recognised when all the following criteria are met:

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

The above criteria are met when construction of the relevant properties has been completed and the Group has obtained the project completion report issued by the relevant government authorities, the properties have been delivered to the purchasers, and the collectibility of related receivables is reasonably assured. Payments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

(h) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(i) Dividend income

Dividend income is recognised when the right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in note 39 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension obligations

The group companies operating in Mainland China participate in defined contribution retirement benefit plans organised by the relevant government authorities for its employees in Mainland China and contribute to these plans based on a certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions to these plans are recognised as employee benefit expenses when incurred.

Housing benefits

Employees of the group companies operating in Mainland China participate in government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the funds are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currency of the Company and certain subsidiaries is the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these companies are translated into the presentation currency of the Group (RMB) at the exchange rates prevailing at the end of the reporting period, and their statements of profit or loss are translated at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Associate

The Group's management determines the classification of the Group's equity investments according to its ability to exercise control or influence on the investee companies. The respective accounting treatments under the Group's accounting policies are set out in note 2.4 above.

Certain equity investments in which the Group holds less than 20% of their voting power and over which the Group is able to exercise significant influence is classified by management as an investment in associates. When determining whether the Group has significant influence over these companies, management takes into consideration whether:

(a) the Group has representatives on the board of directors or an equivalent governing body of these companies;

(b) the Group can participate in the policy making processes of these companies, including participation in decision making such as dividends or other distributions;

(c) there are any material transactions between the Group and these companies;

(d) there are any interchange of managerial personnel between the Group and these companies;

(e) the Group provides any essential technical information to these companies; or

(f) there are any substantial or majority ownership by other investors which can significantly impair the Group's ability to exercise its influence over these companies.

Management reassesses the classification of each equity investment based on the above criteria at each reporting date or when there are events or changes in circumstances which affect the Group's ability to exercise control or influence over the investee companies.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 was RMB535,609,000 (2013 restated: RMB535,609,000). More details are given in note 19.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location or subject to different lease or other contracts, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2014 was RMB5,699,000,000 (2013 restated: RMB3,340,907,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 16 to the financial statements.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at each reporting date.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of other receivables, loans and receivables and amounts due from related parties

The Group's management estimates the provision for impairment of other receivables, loans and receivables and amounts due from related parties by assessing their recoverability based on credit history and the prevailing market conditions. This requires the use of estimates and judgements. Management reassesses the provision at each reporting date.

Provisions are applied to other receivables and amounts due from related parties where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimates, the difference will affect the carrying values of other receivables and amounts due from related parties and thus the impairment charge in the period in which the estimates are changed.

Deferred revenue

The amount of revenue attributable to the award credits earned by the customers of the Group's VIP programme is estimated based on the fair value of the credits awarded and the expected redemption rate. The expected redemption rate was estimated considering the number of the credits that will be available for redemption in the future after allowing for credits which are not expected to be redeemed.

PRC land appreciation tax ("LAT")

LAT in the PRC is levied at progressive rates ranging from 30% to 60% on the appreciation of land value being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures.

The subsidiaries of the Group engaging in the property development business in Mainland China are subject to LAT. However, the implementation of these taxes varies amongst various cities in Mainland China and the Group has not finalised its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact the statement of profit or loss and the provision for land appreciation taxes in the period in which such determination is made.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Income taxes

The Group is primarily subject to income taxes in Mainland China. There are certain transactions and calculations for which the ultimate tax determination is uncertain. Where the final outcome of tax assessment is different from the carrying amounts of tax provision, the differences will impact the income tax and deferred tax provisions in the period in which the determination is made.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on income derived from business and has four reportable operating segments as follows:

- the department store segment operates and manages department stores in Mainland China;
- the shopping mall segment operates shopping malls in Mainland China;
- the property development segment develops and sells properties in Mainland China; and
- the others segment comprises, principally, the Group's trading business.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that share of profits and losses of associates, share of profits and losses of a joint venture, finance income, finance costs, fair value gains on investment properties, unallocated gains and losses, net, and other unallocated head office and corporate expenses are excluded from this measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2014	Department store *RMB'000*	Shopping mall *RMB'000*	Property development *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue					
Sales to external customers	3,470,239	926,424	662,738	191,167	5,250,568
Intersegment sales	–	–	–	67,593	67,593
	3,470,239	926,424	662,738	258,760	5,318,161
Reconciliation:					
Elimination of intersegment sales					(67,593)
Revenue					5,250,568
Segment results	910,783	(69,381)	270,758	41,386	1,153,546
Reconciliation:					
Share of profits and losses of:					
A joint venture					(33,883)
Associates					343,086
Finance income					216,999
Finance costs					(169,291)
Equity-settled share option expense					(16,429)
Fair value gains on investment properties					434,729
Unallocated gains and losses, net					(14,920)
Corporate and other unallocated expenses					(108,581)
Profit before tax					1,805,256
Other segment information:					
Depreciation and amortisation	307,016	139,018	1,037	9,315	456,386
Capital expenditure (a)	256,116	1,714,149	–	439	1,970,704

Note:

(a) Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments and other intangible assets.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2013	Department store RMB'000	Shopping mall RMB'000	Property development RMB'000	Others RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	3,407,332	685,497	–	417,390	4,510,219
Intersegment sales	–	–	–	60,325	60,325
	3,407,332	685,497	–	477,715	4,570,544
Reconciliation:					
Elimination of intersegment sales					(60,325)
Revenue					4,510,219
Segment results	954,082	170,302	–	67,969	1,192,353
Reconciliation:					
Share of profits and losses of:					
A joint venture					(19,890)
Associates					275,438
Finance income					239,015
Finance costs					(184,060)
Equity-settled share option expense					(25,784)
Fair value gains on investment properties					761,659
Unallocated gains and losses, net					201,228
Corporate and other unallocated expenses					(83,859)
Profit before tax					2,356,100
Other segment information:					
Depreciation and amortisation	263,896	110,003	–	11,916	385, 815
Capital expenditure	934,701	1,622,343	–	14	2,557,058

All the Group's operations are carried out in Mainland China. No revenue from operations amounting to 10 percent or more of the Group's revenue was derived from sales to a single customer for the years ended 31 December 2014 and 2013. All non-current assets (excluding financial instruments and deferred tax assets) of the Group are located in Mainland China.

5. REVENUE, OTHER INCOME AND GAINS

	2014 RMB'000	2013 RMB'000
Sale of goods – direct sales	**1,671,654**	1,808,984
Commissions from concessionaire sales	**2,334,953**	2,322,547
Rental income	**543,576**	350,140
Rental income from investment properties and owner-occupied properties	**343,215**	236,424
Sublease rental income	**167,236**	88,794
Contingent rental income	**33,125**	24,922
Management fee income from operation of department stores	**22,550**	28,548
Commissions from sale of goods	**15,097**	–
Retail revenue	**4,587,830**	4,510,219
Sale of properties	**662,738**	–
	5,250,568	4,510,219

The commissions from concessionaire sales are analysed as follows:

	2014 RMB'000	2013 RMB'000
Gross revenue from concessionaire sales	**13,561,449**	13,504,441
Commissions from concessionaire sales	**2,334,953**	2,322,547

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

The direct sales and gross revenue from concessionaire sales are mainly settled by cash, debit card or credit card. The Group has no fixed credit policy.

	2014 *RMB'000*	2013 *RMB'000* *Restated*
Other income		
Advertisement, promotion and administration income	**362,530**	317,500
Supplementary income	**26,911**	37,415
Subsidy income	**22,046**	57,657
Others	**35,720**	33,729
	447,207	446,301
Gains/(losses)		
Loss on disposal of items of property, plant and equipment	**(2,994)**	(665)
Gain on disposal of subsidiaries (note 40)	**9,200**	341,379
Gain on disposal of available-for-sale investments	**–**	672
Gain on disposal of trading securities	**–**	11,752
Gain on disposal of held to maturity investments	**1,059**	–
Fair value gains on investment properties	**434,729**	761,659
Impairment of goodwill	**–**	(72,761)
Others	**(22,185)**	(79,149)
	419,809	962,887
	867,016	1,409,188

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2014 *RMB'000*	2013 *RMB'000* *Restated*
Purchases of goods and changes in inventories	**1,405,750**	1,553,885
Cost of properties sold	**279,574**	–
Depreciation and amortisation	**456,386**	385,815
Staff costs (including directors' and chief executive's remuneration (note 9)):	**759,658**	629,774
Wages, salaries and bonuses	**566,738**	470,353
Pension costs – defined contribution schemes (note (a))	**109,488**	81,798
Welfare, medical and other benefits	**67,003**	51,839
Equity-settled share option expense (note 39)	**16,429**	25,784
Utility expenses	**306,008**	248,163
Store rental expenses	**563,170**	400,442
Credit card charges	**85,432**	91,176
Advertising expenses	**296,407**	238,743
Properties development expenses	**112,406**	–
Auditors' remuneration	**3,000**	3,200
Professional service charges	**17,588**	14,789
Other tax expenses	**91,857**	74,357
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**82,056**	48,834
Rental income on investment properties less direct operating expenses of RMB82,056,000 (2013: RMB48,834,000)	**(93,471)**	(66,329)

Note:

(a) Employees of the Group's subsidiaries in Mainland China are required to participate in defined contribution retirement schemes administered and operated by the local municipal government. The Group's subsidiaries in Mainland China contribute funds to the retirement schemes to fund the retirement benefits of the employees which are calculated on a certain percentage of the average employee salary as agreed by the local municipal government. Such retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

7. FINANCE INCOME/FINANCE COSTS

An analysis of finance income and finance costs is as follows:

Finance income

	2014	2013
	RMB'000	*RMB'000*
Interest income from bank deposits	**28,596**	16,979
Interest income from loans and receivables	**88,953**	114,838
Interest income from a joint venture	**18,934**	14,973
Interest income from associates	**21,735**	18,286
Other interest income	**58,781**	73,939
	216,999	239,015

Finance costs

	2014	2013
	RMB'000	*RMB'000*
Interest expenses on bank loans wholly repayable within five years	**179,467**	177,857
Interest on convertible bonds	**40,624**	65,692
Interest on guaranteed bonds due July 2014	**24,983**	49,783
Less: Interest capitalised	**(75,783)**	(109,272)
	169,291	184,060

8. INCOME TAX

	2014 RMB'000	2013 RMB'000 Restated
Group:		
Current income tax – Mainland China	**455,433**	461,220
Current – PRC LAT for the year	**135,423**	–
Deferred taxation	**50,618**	181,022
	641,474	642,242

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Law and is exempted from the payment of Cayman Islands income tax.

The subsidiaries incorporated in the British Virgin Islands (the "BVI") are not subject to income tax as such subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI.

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The subsidiaries incorporated in Singapore are subject to Singapore income tax at the rate of 17% (2013: 17%).

All the subsidiaries established in Mainland China are subject to corporate income tax ("CIT") at the rate of 25% for the year 2014 (2013: 25%).

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. Prior to the actual cash settlement of the LAT liabilities, the LAT liabilities are subject to the final review/approval by the tax authorities.

8. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the country in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

Group:

	2014 *RMB'000*	2013 *RMB'000* *Restated*
Profit before tax	**1,805,256**	2,356,100
Tax at the statutory tax rate of 25% (2013: 25%)	**451,314**	589,025
Lower tax rates for specific provinces or enacted by local authorities	**(872)**	(1,451)
Tax losses utilised from previous periods	**(10,817)**	–
Profits and losses attributable to associates and a joint venture	**(77,301)**	(63,887)
Effect of withholding tax at 10% on the distributable profits of an associate	**15,958**	18,049
Income not subject to tax	**–**	(5,751)
Adjustments in respect of current tax of previous periods	**31,160**	(340)
Tax losses not recognised	**93,012**	82,932
Expenses not deductible for tax	**37,453**	23,665
Provision for LAT	**135,423**	–
Tax effect on LAT	**(33,856)**	–
Tax charge at the Group's effective rate	**641,474**	642,242
Tax payable in the consolidated statement of financial position represents:		
PRC corporate income tax	**420,193**	401,660
PRC LAT	**114,994**	–
	535,187	401,660

The share of tax attributable to associates and a joint venture amounting to RMB412,272,000 (2013 restated: RMB340,731,000) is included in "Share of profits and losses of a joint venture and associates" on the face of the consolidated statement of profit or loss.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Fees	**480**	471
Other emoluments:		
Salaries, allowances and benefits in kind	**6,436**	5,979
Equity-settled share option expense	**3,355**	4,005
	9,791	9,984
	10,271	10,455

During the years, certain directors were granted share options in respect of their services to the Group, under the share option schemes of the Company, further details of which are set out in note 39 to the financial statements. The fair value of these options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant, and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2014	2013
	RMB'000	*RMB'000*
Mr. SHI Chungui	**160**	157
Mr. YU Ning	**160**	157
Mr. CHOW Joseph	**160**	157
	480	471

There were no other emoluments payable to the independent non-executive directors during the year (2013: nil).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors

	Salaries, allowances and benefits in kind *RMB'000*	Equity-settled share option expense *RMB'000*	Total remuneration *RMB'000*
2014			
Executive director:			
Mr. SHEN Guojun	**2,399**	**–**	**2,399**
Executive director and chief executive:			
Mr. CHEN Xiaodong	**2,989**	**3,355**	**6,344**
Non-executive directors:			
Mr. LIU Dong (note(i))	**348**	**–**	**348**
Mr. XIN Xiangdong	**400**	**–**	**400**
Mr. WONG Luen Cheung Andrew (note(ii))	**300**	**–**	**300**
Ms. SUN Xiaoning (note (i))	**–**	**–**	**–**
Mr. LEE Hon Chiu (note(ii))	**–**	**–**	**–**
Mr. ZHANG Yong (note(iii))	**–**	**–**	**–**
	1,048	**–**	**1,048**
	6,436	**3,355**	**9,791**
2013			
Executive director:			
Mr. SHEN Guojun	2,440	–	2,440
Executive director and chief executive:			
Mr. CHEN Xiaodong	2,639	4,005	6,644
Non-executive directors:			
Mr. LIU Dong	393	–	393
Mr. XIN Xiangdong	393	–	393
Mr. WONG Luen Cheung Andrew	114	–	114
	900	–	900
	5,979	4,005	9,984

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Notes:

(i) Mr. LIU Dong resigned as non-executive director with effect from 14 November 2014, and Ms. SUN Xiaoning has been appointed as a non-executive director of the Company with effect from 14 November 2014 to fill casual vacancy of the Board as a result of the resignation of Mr. LIU Dong.

(ii) Mr. WONG Luen Cheung Andrew resigned as non-executive director with effect from 5 September 2014, and Mr. LEE Hon Chiu has been appointed as a non-executive director of the Company with effect from 5 September 2014 to fill casual vacancy of the Board as a result of the resignation of Mr. WONG Luen Cheung.

(iii) Mr. ZHANG Yong has been appointed as non-executive director of the Company with effect from 7 July 2014.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors and the chief executive (2013: two directors and the chief executive), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2013: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**1,956**	4,809
Discretionary bonuses	**1,534**	1,200
Contributions to retirement benefit plans	**331**	290
Equity-settled share option expense	**1,623**	2,665
	5,444	8,964

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2014	2013
HK$1,500,001 to HK$ 2,000,000	**1**	1
HK$2,000,001 to HK$ 2,500,000	**1**	–
HK$3,000,001 to HK$ 3,500,000	**1**	1
HK$3,500,001 to HK$ 4,000,000	**–**	1
	3	3

During the year, share options were granted to the above non-director and non-chief executive, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 39 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant, and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a loss of RMB122,231,000 (2013: loss of RMB215,515,000) which has been dealt with in the financial statements of the Company (note 38).

12. DIVIDENDS

	2014 *RMB'000*	2013 *RMB'000*
Interim – RMB0.10 (2013: RMB0.10) per ordinary share	**223,058**	200,261
Proposed final – RMB0.12 (2013: RMB0.11) per ordinary share	**260,503**	220,675
	483,561	420,936

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

All dividends declared for the year ended 31 December 2013 totalling RMB220,675,000 and an interim dividend of RMB201,015,000 had been paid prior to 31 December 2014. The remaining amount was paid subsequently on 2 January 2015.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,101,812,145 (2013: 2,007,448,832) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds, where applicable. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

The calculations of basic and diluted earnings per share are based on:

	2014 *RMB'000*	2013 *RMB'000* *Restated*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**1,121,483**	1,594,524
Interest on convertible bonds	**40,624**	–
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**1,162,107**	1,594,524

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,101,812,145**	2,007,448,832
Effect of dilution – weighted average number of ordinary shares:		
Share options	**2,640,113**	7,320,876
Convertible bonds	**230,138,974**	–
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**2,334,591,232**	2,014,769,708

14. DISPOSAL GROUP HELD FOR SALE

On 9 January 2013, the Company entered into three equity transfer agreements with Xintai Investment Co., Ltd. ("Xintai Investment"), to dispose of each of their 70% equity interests in Wenling Taiyue Real Estate Development Limited ("Wenling Taiyue"), Wenling Intime Properties Limited ("Wenling Intime Properties") and Wenling Intime Hotel Development Limited ("Wenling Intime Hotel"), subsidiaries of the Company, for a total consideration of RMB405,574,900. As at 31 December 2014, the transactions were in progress and Wenling Taiyue, Wenling Intime Properties and Wenling Intime Hotel were classified as a disposal group held for sale.

On 12 December 2014, Intime Department Store Company Limited ("Shanghai Intime") and a third party individual entered into an equity transfer agreement to dispose of 3% of equity interests in Shenyang North Intime Real Estate Co., Ltd. ("Shenyang Intime"), a subsidiary of the Group, for a consideration of RMB14,676,706.35. On 15 December 2014, Shanghai Intime and Dashang Group Co., Ltd. entered into another equity transfer agreement to dispose of 97% of equity interests in Shenyang Intime for a consideration of RMB474,546,838.52. As at 31 December 2014, the transaction was in progress and Shenyang Intime was classified as a disposal group held for sale.

The results of Wenling Intime Properties, Wenling Taiyue, Wenling Intime Hotel and Shenyang Intime for the year (The 2013 results also included: Jiaxing Intime Meiwan Xintiandi Investment and Management Company Limited ("Jiaxing Intime Xintiandi"), which has been disposed of in 2014) are presented below:

	2014 ***RMB'000***	2013 *RMB'000* *Restated*
Revenue	**35,341**	29,476
Total expenses	**(21,970)**	(19,625)
Profit before tax	**13,371**	9,851
Income tax expense	**(6,788)**	(4,572)
Profit for the year from the disposal group held for sale	**6,583**	5,279

14. DISPOSAL GROUP HELD FOR SALE (CONTINUED)

The major classes of assets and liabilities of Wenling Intime Properties, Wenling Taiyue, Wenling Intime Hotel and Shenyang Intime (The major classes of assets and liabilities as at 31 December 2013 also included Jiaxing Intime Xintiandi, which has been disposed of in 2014) classified as held for sale as at 31 December are as follows:

	Notes	2014 *RMB'000*	2013 *RMB'000* *Restated*
Assets			
Property, plant and equipment		**60,650**	33,554
Investment properties	16	**570,907**	625,000
Prepaid land lease payments		**148,720**	90,157
Properties under development		**642,637**	520,255
Deposits, prepayments and other receivables		**29,011**	38,237
Trade receivables		**15,941**	2,101
Restricted bank balances		**–**	265,176
Cash and cash equivalents		**45,317**	75,927
Assets classified as held for sale		**1,513,183**	1,650,407
Liabilities			
Other payables and accruals		**211,935**	144,851
Tax payable		**3,024**	(163)
Deferred tax liabilities	25	**122,553**	64,167
Liabilities directly associated with the assets classified as held for sale		**337,512**	208,855
Net assets directly associated with the disposal group		**1,175,671**	1,441,552

14. DISPOSAL GROUP HELD FOR SALE (CONTINUED)

Amounts due from and due to the disposal group held for sale amounting to RMB77,018,484 (2013: RMB312,509,962) and RMB28,698,915 (2013: RMB5,774,105), respectively were eliminated as at 31 December 2014 and not included in liabilities directly associated with the assets classified as held for sale and assets classified as held for sale.

The net cash flows incurred by Wenling Intime Properties, Wenling Taiyue, Wenling Intime Hotel and Shenyang Intime for the years (The 2013 net cash flows also included Jiaxing Intime Xintiandi, which has been disposed of in 2014) are as follows:

	2014	2013
	RMB'000	*RMB'000*
Operating activities	**48,973**	2,874
Investing activities	**(216,866)**	(72,860)
Financing activities	**(120,889)**	320,305
Net cash (outflow)/inflow	**(288,782)**	250,319

The Group's assets classified as held for sale include investment properties measured at fair value at the end of each reporting period. Fair values are measured by the Group internally based on a quoted prices (unadjusted) in active markets for identical assets.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings RMB'000	Decorations RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2013								
At 31 December 2012 and at 1 January 2013: *(Restated)*								
Cost	3,768,332	289,147	224,478	40,378	103,136	700,505	1,062,654	6,188,630
Accumulated depreciation	(441,868)	(144,491)	(92,760)	(18,784)	(48,453)	(375,911)	–	(1,122,267)
Net carrying amount	3,326,464	144,656	131,718	21,594	54,683	324,594	1,062,654	5,066,363
At 1 January 2013, net of accumulated depreciation *(Restated)*	3,326,464	144,656	131,718	21,594	54,683	324,594	1,062,654	5,066,363
Additions	157,465	67,009	1,073	9,066	38,895	192,106	1,390,062	1,855,676
Transfer	668,324	23,837	328	–	1,340	111,564	(805,393)	–
Depreciation provided during the year	(134,810)	(35,980)	(19,392)	(7,282)	(21,599)	(106,086)	–	(325,149)
Transfer to assets held for sale	–	–	–	(39)	(172)	–	–	(211)
Transfer to investment properties (note 16)	(400,917)	–	–	–	–	–	(90,071)	(490,988)
Transfer from properties under development (note 18)	1,123	–	–	–	–	–	–	1,123
Disposals	–	–	(6)	(746)	(384)	(100)	–	(1,236)
At 31 December 2013, net of accumulated depreciation	3,617,649	199,522	113,721	22,593	72,763	522,078	1,557,252	6,105,578
At 31 December 2013: *(Restated)*								
Cost	4,194,824	414,742	224,530	46,768	139,655	969,092	1,557,252	7,546,863
Accumulated depreciation	(577,175)	(215,220)	(110,809)	(24,175)	(66,892)	(447,014)	–	(1,441,285)
Net carrying amount	3,617,649	199,522	113,721	22,593	72,763	522,078	1,557,252	6,105,578

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

	Land and buildings *RMB'000*	Decorations *RMB'000*	Machinery *RMB'000*	Vehicles *RMB'000*	Furniture, fittings and equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2014								
At 31 December 2013 and at 1 January 2014: *(Restated)*								
Cost	4,194,824	414,742	224,530	46,768	139,655	969,092	1,557,252	7,546,863
Accumulated depreciation	(577,175)	(215,220)	(110,809)	(24,175)	(66,892)	(447,014)	–	(1,441,285)
Net carrying amount	3,617,649	199,522	113,721	22,593	72,763	522,078	1,557,252	6,105,578
At 1 January 2014, net of accumulated depreciation *(Restated)*	3,617,649	199,522	113,721	22,593	72,763	522,078	1,557,252	6,105,578
Additions	837,305	153,972	64,937	2,483	33,859	86,943	980,791	2,160,290
Transfer	258,351	91,347	–	–	–	287,790	(637,488)	–
Depreciation provided during the year	(147,149)	(46,722)	(33,284)	(7,119)	(29,991)	(133,802)	–	(398,067)
Transfer to investment properties (note 16)	–	–	–	–	–	–	(1,859,274)	(1,859,274)
Government grant received	(1,851)	–	–	–	–	–	–	(1,851)
Disposals	–	(4,495)	(1,188)	(1,873)	(4,581)	(239)	–	(12,376)
At 31 December 2014, net of accumulated depreciation	4,564,305	393,624	144,186	16,084	72,050	762,770	41,281	5,994,300
At 31 December 2014:								
Cost	5,288,633	588,327	286,346	42,672	163,522	1,305,663	41,281	7,716,444
Accumulated depreciation	(724,328)	(194,703)	(142,160)	(26,588)	(91,472)	(542,893)	–	(1,722,144)
Net carrying amount	4,564,305	393,624	144,186	16,084	72,050	762,770	41,281	5,994,300

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Amortisation of land lease payments of approximately RMB16,541,000 (2013: RMB16,809,000) during the construction period capitalised as part of the construction cost incurred in Haining City, Linhai City and Wenling City in Zhejiang was included in the above additions of construction in progress.

The Group pledged certain of its buildings to secure the Group's banking facilities (note 34(b)). The net carrying amount of these pledged buildings as at 31 December 2014 was approximately RMB1,177,423,000(2013 restated: RMB2,075,782,000).

16. INVESTMENT PROPERTIES

Group

	2014 *RMB'000*	2013 *RMB'000* *Restated*
Carrying amount at 1 January	**3,340,907**	2,441,759
Additions	**265,910**	169,558
Transfer from property, plant and equipment (note 15)	**1,859,274**	490,988
Transfer from prepaid land lease payments (note 17)	**379,532**	101,943
Transfer to assets held for sale (note 14)	**(570,907)**	(625,000)
Government grant received	**(10,445)**	–
Fair value gains on investment properties	**434,729**	761,659
Carrying amount at 31 December	**5,699,000**	3,340,907

16. INVESTMENT PROPERTIES (CONTINUED)

The Group's investment properties principally comprise buildings held for long term rental yields, which are located in Jinhua City, Wenling City, Linhai City and Haining City of Zhejiang Province, Xi'an City of Shaanxi Province, Liuzhou City of Guangxi Province, and Wuhan City of Hubei Province, the PRC, and are held under the following lease terms:

	2014 *RMB'000*	2013 *RMB'000* *Restated*
Medium term leases	**676,086**	707,217
Short term leases	**5,022,914**	2,633,690
	5,699,000	3,340,907

The Group's investment properties consist of seven commercial properties (including one commercial property classified as assets held for sale) in Mainland China. The directors of the Company have determined that the investment properties consist of one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2014 based on valuations performed by Knight Frank Petty Limited, independent professionally qualified valuers, at RMB5,699,000,000. Each year, the directors of the Company decide to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's chief financial officer have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation in performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 43(a) to the financial statements.

The Group pledged certain of its investment properties to secure the Group's banking facilities (note 34(b)). The carrying amount of these pledged investment properties as at 31 December 2014 was approximately RMB285,000,000 (2013 restated: RMB1,518,000,000).

The application for the ownership certificates of certain buildings located in Xi'an City of Shaanxi Province, the PRC, with a carrying amount of RMB520,000,000 as at 31 December 2014 (2013 restated: RMB531,000,000) is in progress.

16. INVESTMENT PROPERTIES (CONTINUED)

The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned investment properties. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2014.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Commercial properties	**–**	**–**	**5,699,000**	**5,699,000**
	–	**–**	**5,699,000**	**5,699,000**

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commercial properties	–	–	3,340,907	3,340,907
	–	–	3,340,907	3,340,907

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2013: Nil).

16. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range of unobservable inputs 2014	2013
Commercial properties except Wenling	Income capitalisation method	(1) Capitalisation rate (2) Monthly rent	**(1) 4.5-9.5%** **(2) RMB86-217 sqm/month**	(1) 4.5-9.5% (2) RMB84-262 sqm/month

	Valuation technique	Significant unobservable inputs	Range of unobservable inputs 2014
Commercial property in Wenling	Income capitalisation method	(1) Capitalisation rate (2) Monthly rent	**(1) 4.5-6%** **(2) RMB104 sqm/month**

	Valuation technique	Significant unobservable inputs	Range of unobservable inputs 2013
Commercial property in Wenling	Market based approach	(1) Gross development value (2) Developer's profit	(1) RMB945 million (2) 30%

Income Capitalisation Method, or Term and Reversionary Method ("T&R Method"), takes into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which is then capitalised into the value at an appropriate rate. A significant increase (decrease) in the estimated monthly rent would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) of capitalisation rate would result in a significant decrease (increase) in the fair value of the investment properties.

Market Based Approach, or Residual Method, measures the fair value of the property by deducting the estimated development costs including outstanding construction costs, marketing expenses, business taxes and surcharges and developer's profit from the gross development value ("GDV") assuming that it was completed as of the valuation date. A significant increase (decrease) in the estimated GDV would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) of developer's profit would result in a significant decrease (increase) of the fair value of the investment properties.

17. PREPAID LAND LEASE PAYMENTS

Group

	2014 *RMB'000*	2013 *RMB'000* *Restated*
Carrying amount at 1 January	**2,007,143**	2,199,721
Additions	**87,796**	3,033
Transfer to investment properties (note 16)	**(379,532)**	(101,943)
Transfer (to)/from properties under development (note 18)	**(49,576)**	13,246
Government grant received	**(2,834)**	(38,786)
Amortisation for the year	**(59,683)**	(68,128)
Carrying amount at 31 December	**1,603,314**	2,007,143

The Group's leasehold land is located in Hangzhou City, Haining City, Linhai City, Wenling City and Jinhua City of Zhejiang Province, Suizhou City, Xiantao City of Hubei Province and Hefei City of Anhui Province, the PRC, with lease periods ranging from 36 to 40 years.

Included in the amortisation provided during the year was an amount of approximately RMB16,541,000 (2013: RMB16,809,000), which was capitalised as part of the construction costs of the stores in Haining City, Linhai City and Wenling City in Zhejiang Province. Further details of this capitalisation are included in note 15.

The Group pledged its prepaid land lease payments to secure the Group's banking facilities (note 34(b)). The carrying amount of these pledged prepaid land lease payments as at 31 December 2014 was approximately RMB739,976,000 (2013 restated: RMB1,126,439,000).

18. COMPLETED PROPERTIES HELD FOR SALE AND PROPERTIES UNDER DEVELOPMENT

Group

Completed properties held for sale	2014 *RMB'000*
At beginning of year	–
Transfer from properties under development	1,431,342
Transfer to cost of properties sold (note 6)	(279,574)
At end of year	1,151,768

Group

Properties under development	2014 *RMB'000*	2013 *RMB'000*
At beginning of year	905,067	717,958
Additions	1,050,248	324,356
Transfer from/(to) prepaid land lease payments (note 17)	49,576	(13,246)
Transfer to property, plant and equipment (note 15)	–	(1,123)
Transfer to completed properties held for sale	(1,431,342)	–
Government grant received	(23,214)	(21,964)
Recognised in the statement of profit or loss	–	(100,914)
At end of year	550,335	905,067

The Group's properties under development are located in Mainland China.

The carrying amounts of the properties under development situated on the leasehold land in Mainland China are as follows:

	2014 *RMB'000*	2013 *RMB'000*
Leases of over 50 years	394,917	244,182
Leases of between 20 and 50 years	155,418	660,885
	550,335	905,067

The Group pledged certain of its properties under development to secure the Group's banking facilities (note 34(b)). The carrying amount of these pledged properties under development as at 31 December 2014 was RMB18,400,000 (2013: RMB460,383,000).

19. GOODWILL

Group

	RMB'000
At 1 January 2013 *(Restated)*	
Cost at 1 January	650,781
Accumulated impairment	(42,411)
Net carrying amount	608,370
Cost at 1 January 2013, net of accumulated impairment	608,370
Impairment during the year	(72,761)
At 31 December 2013 *(Restated)*	535,609
At 1 January 2014 *(Restated)*	
Cost at 1 January	**650,781**
Accumulated impairment	**(115,172)**
Net carrying amount	**535,609**
Cost at 1 January 2014, net of accumulated impairment	**535,609**
Impairment during the year	**–**
Cost and net carrying amount at 31 December 2014	**535,609**
At 31 December 2014	
Cost	**650,781**
Accumulated impairment	**(115,172)**
Net carrying amount	**535,609**

Note:

As at 31 December 2013, based on restated carrying amount of relevant cash generating units, the Group recognised an impairment charge of RMB72,761,000 in 2013 against goodwill with a carrying amount of RMB72,761,000 as at 31 December 2012 (Note 2.2).

19. GOODWILL (CONTINUED)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the relevant department stores from which the goodwill was resulted. These individual department stores are treated as a cash-generating unit for impairment testing:

Department store cash-generating unit

The recoverable amount of the department store cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 14% and cash flows beyond the five-year period are extrapolated using a growth rate of 3%~5% which is the same as the long term average growth rate of the department store industry.

The carrying amount of goodwill allocated to each cash-generating unit of operation of department stores is:

	2014	2013
	RMB'000	*RMB'000*
		Restated
Carrying amount of goodwill	**535,609**	535,609

Assumptions were used in the value in use calculation of the department store cash-generating unit for 31 December 2014. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted income – The basis used to determine the value assigned to income is the average income achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rates – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

20. OTHER INTANGIBLE ASSETS

Group

	Computer software RMB'000	Lease agreement buyout RMB'000	Total RMB'000
31 December 2014			
At 1 January 2014:			
Cost	16,226	28,000	44,226
Accumulated amortisation	(11,027)	(3,150)	(14,177)
Net carrying amount	5,199	24,850	30,049
Cost at 1 January 2014, net of accumulated amortisation	5,199	24,850	30,049
Additions	30,156	–	30,156
Disposal	(29)	–	(29)
Amortisation provided during the year	(5,711)	(1,400)	(7,111)
At 31 December 2014	29,615	23,450	53,065
At 31 December 2014:			
Cost	46,348	28,000	74,348
Accumulated amortisation	(16,733)	(4,550)	(21,283)
Net carrying amount	29,615	23,450	53,065
31 December 2013			
At 1 January 2013:			
Cost	13,958	28,000	41,958
Accumulated amortisation	(7,995)	(1,750)	(9,745)
Net carrying amount	5,963	26,250	32,213
Cost at 1 January 2013, net of accumulated amortisation	5,963	26,250	32,213
Additions	2,376	–	2,376
Disposal	(108)	–	(108)
Amortisation provided during the year	(3,032)	(1,400)	(4,432)
At 31 December 2013	5,199	24,850	30,049
At 31 December 2013:			
Cost	16,226	28,000	44,226
Accumulated amortisation	(11,027)	(3,150)	(14,177)
Net carrying amount	5,199	24,850	30,049

21. PREPAID RENTAL

Group

	RMB'000
31 December 2014	
Carrying amount at 1 January 2014	**81,440**
Addition	**194,623**
Recognised during the year	**(201,986)**
At 31 December 2014	**74,077**
Less: Current portion	**(17,649)**
Non-current portion of prepaid rental	**56,428**
31 December 2013	
Carrying amount at 1 January 2013	82,324
Addition	101,650
Recognised during the year	(102,534)
At 31 December 2013	81,440
Less: Current portion	(17,005)
Non-current portion of prepaid rental	64,435

22. INVESTMENTS IN SUBSIDIARIES

Company

	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	**1,658,318**	1,493,886

The amounts due from and to subsidiaries included in the Company's non-current assets and non-current liabilities of RMB9,462,429,000 (2013: RMB6,990,784,000) and RMB97,018,000 (2013: RMB117,699,000), respectively, are unsecured and interest-free, and have no fixed repayment terms. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and kind of legal entity	Issued ordinary/ registered and share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
North Hill Holdings Limited	BVI, limited liability company	United States dollars ("US$") 1	100%	–	Investment holding
Sin Cheng Holdings Pte Ltd. ("Sin Cheng")	Singapore, private limited company	Singapore dollars ("SG$") 1,200,000	–	100%	Investment and business management
River Three Holdings Limited	BVI, limited liability company	US$1	100%	–	Investment holding and trademark management
Omni Win Limited	Hong Kong, limited liability company	US$1	100%	–	Investment holding
Raffland Pte. Ltd.	Singapore, private limited company	SG$33,246,499	–	51%	Investment holding
Hangzhou Intime North Hill Enterprise Management Co., Ltd.	Mainland China, wholly-foreign-owned enterprise ("WFOE")	US$55,000,000	–	100%	Investment holding

22. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and kind of legal entity	Issued ordinary/ registered and share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Zhejiang Intime Department Store Co., Ltd. ("Zhejiang Intime")	Mainland China, WFOE	RMB800,000,000	–	100%	Operation and management of department stores and investment holding
Shanghai Intime	Mainland China, WFOE	RMB300,000,000	–	100%	Operation and management of department stores and investment holding
Zhejiang Wenzhou Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB30,000,000	–	100%	Operation and management of department stores
Hangzhou Intime Outlets Commercial Development Co., Ltd. ("Hangzhou Outlets")	Mainland China, limited liability company	RMB20,000,000	–	100%	Investment holding
Zhejiang Intime Department Store (Jinhua) Co., Ltd.	Mainland China, limited liability company	RMB30,000,000	–	100%	Operation and management of department stores
Intime Department Store (Ningbo Yinzhou) Co., Ltd.	Mainland China, limited liability company	RMB20,000,000	–	100%	Operation and management of department stores
Zhejiang Zhelian Investment and Management Co., Ltd.*	Mainland China, limited liability company	RMB10,000,000	–	50%	Investment holding and property development
Hangzhou Yinxi Intime Department Store Co., Ltd.*	Mainland China, limited liability company	RMB36,000,000	–	50%	Operation and management of department stores
Ezhou Intime Department Store & Trade Company Limited	Mainland China, limited liability company	RMB23,000,000	–	100%	Operation and management of department stores

22. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and kind of legal entity	Issued ordinary/ registered and share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hubei Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB90,000,000	–	100%	Operation and management of department stores
Hangzhou Linping Intime Shopping Center Co., Ltd.	Mainland China, limited liability company	RMB10,000,000	–	100%	Operation and management of department stores
Jinhua Intime Shopping Center Co., Ltd.	Mainland China, limited liability company	RMB30,000,000	–	100%	Operation and management of department stores
Shenyang Intime	Mainland China, limited liability company	RMB6,800,000	–	100%	Lease of real estate and equipment; property management
Xi'an Central Intime Commercial Management Co., Ltd.	Mainland China, limited liability company	RMB30,000,000	–	60%	Operation and management of department stores
Yiwu Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB15,000,000	–	52%	Operation and management of department stores
Hubei Intime Xiantao Shangcheng Building Co., Ltd.	Mainland China, limited liability company	RMB36,925,000	–	65.8%	Operation and management of department stores
Intime Department Store (Hong Kong) Company Limited ("Intime HK")	Hong Kong, limited liability company	HK$1,000,000	100%	–	Investment holding
Zhejiang Intime Investment Co., Ltd. ("Zhejiang Intime Investment")	Mainland China, WFOE	RMB1,410,000,000	–	100%	Investment holding

Notes to Financial Statements

31 December 2014

22. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and kind of legal entity	Issued ordinary/ registered and share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Fuyang Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB10,000,000	–	100%	Operation and management of department stores
Anhui Province Huaqiao Hotel Company Limited ("Anhui Huaqiao Hotel")	Mainland China, limited liability company	RMB260,000,000	–	100%	Property development
Cixi Intime Commercial Management Co., Ltd.	Mainland China, limited liability company	RMB150,600,000	–	100%	Property development
Hubei Wuluo Innovation Park Development Co., Ltd.	Mainland China, limited liability company	RMB60,000,000	–	100%	Property development
Hangzhou Intime Century Department Store Co., Ltd.	Mainland China, WFOE	US$20,000,000	–	100%	Operation and management of department stores
Intime Department Store (Ningbo Haishu) Co., Ltd.	Mainland China, limited liability company	RMB50,000,000	–	100%	Operation and management of department stores
Intime Department Store (Ningbo Jiangdong) Co., Ltd.	Mainland China, limited liability company	RMB50,000,000	–	100%	Operation and management of department stores
Zhoushan Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB10,000,000	–	100%	Operation and management of department stores
Hubei New Century Shopping Center Co., Ltd.	Mainland China, limited liability company	RMB10,000,000	–	85%	Operation and management of department stores
Liuzhou New Real Estate Development Company Limited	Mainland China, WFOE	US$49,000,000	–	51%	Property development

22. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and kind of legal entity	Issued ordinary/ registered and share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Xi'an Southline Department Store Co., Ltd.	Mainland China, limited liability company	HK$91,000,000	–	100%	Lease of real estate and equipment; property management
Anhui Intime Commercial Co., Ltd.	Mainland China, limited liability company	RMB30,000,000	–	100%	Operation and management of department stores
Tangshan Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB10,000,000	–	100%	Operation and management of department stores
Wenling Intime Shopping Mall Development Co., Ltd.	Mainland China, limited liability company	RMB300,000,000	70%	–	Operation and management of department stores
Haining Intime Property Co., Ltd.	Mainland China, WFOE	US$150,000,000	–	100%	Property development
Xi'an Qujiang Intime International Shopping Mall Co., Ltd. ("Xi'an Qujiang Intime")	Mainland China, limited liability company	RMB175,000,000	–	100%	Lease of real estate and equipment; property management
Wenzhou Mingchen Trade Co., Ltd.	Mainland China, limited liability company	RMB26,290,000	–	51%	Cosmetics trading
Linhai Intime Shopping Mall Development Co., Ltd.	Mainland China, limited liability company	RMB100,000,000	–	100%	Lease of real estate and equipment; property management
Hangzhou Yinyao Shopping Mall Co., Ltd.*	Mainland China, limited liability company	RMB20,000,000	–	50%	Operation and management of department stores

22. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and kind of legal entity	Issued ordinary/ registered and share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Hangzhou Intime Sanjiang Commercial Development Co., Ltd. ("Intime Sanjiang")	Mainland China, WFOE	US$40,000,000	–	100%	Operation and management of department stores
Fenghua Intime Department Store Co., Ltd. ("Fenghua Intime")	Mainland China, limited liability company	RMB50,000,000	–	100%	Operation and management of department stores
Haining Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB10,000,000	–	100%	Operation and management of department stores
Linhai Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB120,000,000	–	100%	Operation and management of department stores
Shaoxing Jindi Intime Shopping Centre Co., Ltd.	Mainland China, limited liability company	RMB30,000,000	–	51%	Operation and management of department stores
Hefei Intime City Commercial Management Co., Ltd.	Mainland China, limited liability company	RMB10,000,000	–	100%	Operation and management of department stores
Huzhou Yindong Shopping Centre Co., Ltd.	Mainland China, limited liability company	RMB20,000,000	–	51%	Operation and management of department stores
Shaoxing Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB35,000,000	–	100%	Operation and management of department stores
Huzhou Yinjia Department Store Co., Ltd. ("Huzhou Yinjia")	Mainland China, limited liability company	RMB38,000,000	–	100%	Operation and management of department stores

22. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and kind of legal entity	Issued ordinary/ registered and share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Baoji Dongling Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB30,000,000	–	70%	Operation and management of department stores
Zhejiang Intime Trade Co., Ltd.	Mainland China, limited liability company	RMB25,000,000	–	100%	Cosmetics and apparel trading
Beijing Yueyou Interactive Internet Technology Co., Ltd.	Mainland China, limited liability company	RMB1,000,000	–	100%	Computer system services
Beijing Jingtai Xianghe Asset Management Co., Ltd.	Mainland China, limited liability company	RMB50,000,000	–	80%	Asset management
Jinhua Mingxiang Trade Co., Ltd.	Mainland China, limited liability company	RMB1,000,000	–	51%	Cosmetics trading
Ningbo Mingran Cosmetics Co., Ltd.	Mainland China, limited liability company	RMB10,000,000	–	51%	Cosmetics trading
Hangzhou Zhongda Intime Shopping Center Co., Ltd. (“Hangzhou Zhongda”)	Mainland China, limited liability company	RMB10,000,000	–	51%	Operation and management of department stores
Zhejiang Yueqing Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB10,000,000	–	100%	Operation and management of department stores
Ningbo Intime Universal Commercial Co., Ltd.	Mainland China, limited liability company	RMB620,000,000	–	100%	Operation and management of department stores

22. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and kind of legal entity	Issued ordinary/ registered and share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hangzhou Yintao Taitao Technology Co., Ltd.	Mainland China, limited liability company	HK$20,000,000	–	100%	Operation and management of on-line store
Liuzhou Intime Commercial Management Co., Ltd.	Mainland China, limited liability company	RMB5,000,000	–	51%	Operation and management of department stores
Wuhu Intime City Commercial Management Co., Ltd.	Mainland China, limited liability company	RMB20,000,000	–	67%	Commercial and property management

* *These companies are accounted for as subsidiaries of the Group as the Group is able to control their financial and operating policies.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

23. INVESTMENT IN A JOINT VENTURE

Group

	2014 *RMB'000*	2013 *RMB'000* *Restated*
Share of net assets	**119,732**	153,615
Goodwill on acquisition	**136,519**	136,519
	256,251	290,134
Provision for impairment	**(65,646)**	(65,646)
	190,605	224,488

The movements of the investment in a joint venture during the years 2014 and 2013 are as follows:

	2014 *RMB'000*	2013 *RMB'000* *Restated*
At 1 January	**224,488**	246,703
Share of losses	**(33,883)**	(19,890)
Unrealised profit and loss resulting from the transaction with the Group	**–**	(2,325)
At 31 December	**190,605**	224,488

23. INVESTMENT IN A JOINT VENTURE (CONTINUED)

Particulars of the Group's joint venture is as follows:

Name	Registered share capital	Place of registration and business	Percentage of Ownership interest	Voting power	Profit sharing	Principal activities
Hangzhou Xin Hubin Commercial Development Co., Ltd. ("Xin Hubin")	RMB80,000,000	PRC/Mainland China	50	50	50	Property development; wholesale and retailing

The investment in the joint venture is held through a wholly-owned subsidiary of the Company.

The following table illustrates the summarised financial information of the Group's joint venture that is not material to the Group:

	2014	2013
	RMB'000	*RMB'000*
		Restated
Share of the joint venture's assets and liabilities:		
Current assets	**244,432**	14,886
Non-current assets	**1,216,233**	1,138,974
Current liabilities	**182,944**	105,267
Non-current liabilities	**1,157,989**	894,978
Net assets	**119,732**	153,615

	2014	2013
	RMB'000	*RMB'000*
		Restated
Share of the joint venture's loss and total comprehensive loss for the year:	**(33,883)**	(19,890)

24. INVESTMENTS IN ASSOCIATES

Group

	2014 RMB'000	2013 RMB'000
Unlisted:		
Share of net assets	532,819	443,114
Goodwill on acquisition	972,791	972,791
	1,505,610	1,415,905
Listed in Mainland China:		
Share of net assets	977,018	827,819
Goodwill on acquisition	134,590	134,590
	1,111,608	962,409
	2,617,218	2,378,314
Market value of listed shares	1,811,883	1,461,417

The movements of the investments in associates during the years 2014 and 2013 are as follows:

	2014 RMB'000	2013 RMB'000
At 1 January	2,378,314	2,351,490
Share of profits and losses	343,086	275,438
Establishment of associates	68,900	–
Capital injection to an associate	–	29,000
Dividends	(150,000)	(250,000)
Unrealised profit and loss resulting from the transaction with the Group	(14,071)	(12,574)
Share of other comprehensive income of an associate	120	–
Exchange realignment	(9,131)	(15,040)
At 31 December	2,617,218	2,378,314

24. INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Registered and share capital	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Wuhan Department Store Group Co., Ltd. ("Wushang")	114,531,139 ordinary shares of RMB1 each	N/A	PRC/Mainland China	22.58%	Operation and management of supermarkets and department stores
Zhejiang Intime Electronic Commerce Co., Ltd. ("Zhejiang Intime Electronic Commerce")	N/A	RMB127,890,000	PRC/Mainland China	26.5%	Operation and management of on-line shopping mall
Anhui Hualun Gangwan Culture Investment Co., Ltd. ("Anhui Hualun")	N/A	RMB200,000,000	PRC/Mainland China	43%	Operation and management of department stores and property development
Beijing Youyi Lufthansa Shopping City Co., Ltd. Beijing Lufthansa Centre ("Beijing Youyi Lufthansa")	N/A	RMB60,000,000	PRC/Mainland China	50%	Operation and management of department stores
Hangzhou Zhongda Shengma Property Co., Ltd. ("Zhongda Shengma")	N/A	RMB50,000,000	PRC/Mainland China	40%	Property development
Bozhou Hualun International Culture Investment Co., Ltd. ("Bozhou Hualun")	N/A	RMB150,000,000	PRC/Mainland China	29%	Operation and management of department stores and property development
Hefei Hualun Cultural Investment Co., Ltd.("Hefei Hualun")	N/A	RMB100,000,000	PRC/Mainland China	49%	Operation and management of department stores and property development
Golden Leading (Cayman) Holding Limited	N/A	US$1	Cayman Islands	19.9%	Investment holding

The investments in associates are held through wholly-owned subsidiaries of the Company.

24. INVESTMENTS IN ASSOCIATES (CONTINUED)

The percentages of voting rights and profit sharing of these associates are the same with the percentage of ownership interests.

The Group has discontinued the recognition of its share of losses of associates Zhejiang Intime Electronic Commerce and Zhongda Shengma because the share of losses of the associates exceeded the Group's interests in the associates and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised shares of losses of these associates for the current year and cumulatively were RMB131,686,000 (2013:RMB43,059,000) and RMB197,308,000 (2013: RMB65,622,000), respectively.

Beijing Youyi Lufthansa, which is considered a material associate of the Group, is a strategic partner of the Group engaged in the operation and management of the department stores and shopping malls and is accounted for using the equity method.

The following table illustrates the summarised financial information of Beijing Youyi Lufthansa adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	2014 *RMB'000*	2013 *RMB'000*
Current assets	**1,828,962**	2,048,638
Non-current assets	**159,839**	157,408
Current liabilities	**(1,522,123)**	(1,758,526)
Net assets	**466,678**	447,520
Reconciliation to the Group's investments in the associates:		
Portion of the Group's ownership in Beijing Youyi Lufthansa	**50%**	50%
Group's share of the net assets of the associate	**233,339**	223,760
Goodwill on acquisition	**972,791**	972,791
Exchange realignment	**(7,651)**	1,481
Carrying amount of the investment	**1,198,479**	1,198,032
Revenue	**1,235,852**	1,337,635
Profit for the year	**319,157**	360,976
Total comprehensive income for the year	**319,157**	360,976
Dividend received/receivable from the associate	**150,000**	250,000

24. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates the summarised financial information of the Group's associates that are not individually material:

	2014	2013
	RMB'000	*RMB'000*
Share of the associates' profit or loss for the year	**183,507**	94,950
Share of the associates' total comprehensive income	**183,627**	94,950
Aggregate carrying amount of the Group's investments in the associates	**1,418,739**	1,180,282

25. DEFERRED TAX

Group

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Accruals	Government subsidy	Losses available for offsetting against future taxable profits	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	39,312	37,813	56,017	30,483	163,625
Recognised in the statement of profit or loss (note 8)	3,740	15,188	16,709	(9,025)	26,612
At 31 December 2013 and 1 January 2014	43,052	53,001	72,726	21,458	190,237
Recognised in the statement of profit or loss (note 8)	6,179	6,153	59,832	3,518	75,682
At 31 December 2014	49,231	59,154	132,558	24,976	265,919

25. DEFERRED TAX (CONTINUED)

The Group has tax losses arising in Mainland China of RMB909,312,000 (2013: RMB634,959,000) that will expire in one to five years for offsetting against future taxable profits for which no deferred tax assets have been recognised, as they have arisen in subsidiaries that have been loss-making for some time and it is uncertain that taxable profits will be available against which the tax losses can be utilised.

Deferred tax liabilities

	Available-for-sale investments	Fair value adjustment arising from acquisition of subsidiaries	Withholding tax at 10% on the distributable profits of Group's PRC subsidiaries and associates	Fair value adjustment of investment properties	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013 *(restated)*	5,775	362,431	24,503	177,212	17,130	587,051
Transfer to tax payable during the year	–	–	(7,500)	–	–	(7,500)
Exchange realignment	–	–	(278)	–	–	(278)
Transfer to liabilities directly associated with the assets classified as held for sale	–	–	–	(64,167)	–	(64,167)
Recognised in the statement of profit or loss (note 8)	(5,775)	(13,403)	10,827	207,135	8,850	207,634
At 31 December 2013 and 1 January 2014 *(restated)*	–	349,028	27,552	320,180	25,980	722,740
Transfer to tax payable during the year	–	–	(12,500)	–	–	(12,500)
Exchange realignment	–	–	(164)	–	–	(164)
Transfer to liabilities directly associated with the assets classified as held for sale	–	(45,333)	–	(77,220)	–	(122,553)
Recognised in the statement of profit or loss (note 8)	–	(11,713)	3,622	129,479	4,443	125,831
At 31 December 2014	–	291,982	18,510	372,439	30,423	713,354

25. DEFERRED TAX (CONTINUED)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by its subsidiaries, joint ventures and associates established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities arising from the withholding tax have not been recognised totalled approximately RMB5,851,068,000 at 31 December 2014 (2013: RMB4,369,506,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

26. INVENTORIES

Group

	2014 *RMB'000*	2013 *RMB'000*
Store merchandise, at cost or net realisable value	**492,213**	481,496
Low value consumables	**2,813**	2,697
	495,026	484,193

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current:				
Advance to the subsidiaries disposed of	**20,223**	144,160	**–**	–
Rental deposits	**94,585**	86,101	**–**	–
Prepaid rental	**17,649**	17,005	**–**	–
Advances to suppliers	**25,259**	27,720	**–**	–
Advances to third parties	**424,927**	410,799	**–**	–
Prepaid tax	**108,316**	75,099	**–**	–
Prepayments	**76,296**	88,808	**–**	–
Guarantee deposits	**20,000**	45,271	**–**	–
Dividend receivable from an associate	**–**	100,000	**–**	–
Others	**116,077**	120,066	**1,027**	1,024
	903,332	1,115,029	**1,027**	1,024
Non-current:				
Advance to the subsidiary disposed of	**9,293**	31,324	**–**	–
Deposit paid for prepaid land lease payment	**–**	55,600	**–**	–
Prepayment for acquisition of an investment property (note (ii))	**726,192**	–	**–**	–
Prepayment for acquisition of a subsidiary	**–**	153,160	**–**	–
Prepayment for acqusition of a non-controlling interest of a subsidiary	**90,000**	90,000	**90,000**	90,000
	825,485	330,084	**90,000**	90,000
	1,728,817	1,445,113	**91,027**	91,024

Notes:

(i) None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

(ii) On 25 September 2014, Zhejiang Intime entered into an asset transfer agreement with a third party, Ningbo Romon Universal Commercial Plaza Co., Ltd. ("Ningbo Universal"), to acquire the assets in relation to Romon Universal City Project, which are currently under construction, for a total consideration of approximately RMB1,037,416,620. As at 31 December 2014, Zhejiang Intime made the down payment of RMB726,191,634 and the asset acquisition had not been completed.

28. LOANS AND RECEIVABLES

Group

During the year, the Group granted interest-bearing loans to the following parties:

	2014 *RMB'000*	2013 *RMB'000*
Third parties		
Principal	305,654	135,654
Interest receivable	3,813	290
	309,467	135,944
Less: non-current portion	(275,654)	(35,654)
	33,813	100,290
Related parties		
Principal:		
Zhejiang Intime Electronic Commerce (note (ii))	486,190	265,110
Hangzhou Intime Shopping Centre Co., Ltd. ("Hangzhou Intime")	–	150,000
Zhongda Shengma (note (iii))	263,850	550,538
	750,040	965,648
Interest receivable:		
Zhejiang Intime Electronic Commerce (note (ii))	47,675	22,451
Hangzhou Intime	–	687
Zhongda Shengma (note (iii))	733	2,487
	48,408	25,625
	798,448	991,273
Less: non-current portion	(558,190)	(696,648)
	240,258	294,625

28. LOANS AND RECEIVABLES (CONTINUED)

Notes:

(i) During the year, the Group granted entrusted loans or other types of loans to certain third parties with a principal amount of RMB305,654,000 (2013: RMB135,654,000) which bear interest at rates ranging from 6.15% to 12% per annum with maturity periods of one to three years.

(ii) Pursuant to the loan agreements between Zhejiang Intime Electronic Commerce and the Group, the Group provided an interest-free shareholder's loan with a total amount of RMB132,110,000 (2013: RMB132,110,000) to Zhejiang Intime Electronic Commerce for a period of three years. The fair value of the loan was RMB121,110,000 (2013: RMB121,110,000) and the loan was affiliate with options provided to the Group to convert the amount of the loan into the paid-in capital of Zhejiang Intime Electronic Commerce. The loan was guaranteed by the controlling shareholder of Zhejiang Intime Electronic Commerce.

Pursuant to the loan agreements between Zhejiang Intime Electronic Commerce and the Group, the Group provided a shareholder's loan with a total amount of RMB365,080,000 (2013: RMB144,000,000) to Zhejiang Intime Electronic Commerce with no fixed repayment terms for an annual fee at a rate of 12%.

(iii) Pursuant to the loan agreements between Zhongda Shengma and the Group, the Group provided loans to Zhongda Shengma with an amount of RMB263,850,000 (2013: RMB550,538,000) for a period of 24 months for the construction and development of the department store property at an annual interest rate of 10%.

29. TRADE RECEIVABLES

Group

	2014 *RMB'000*	2013 *RMB'000*
Trade receivables	**36,021**	44,628
Impairment	**–**	–
	36,021	44,628

29. TRADE RECEIVABLES (CONTINUED)

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2014 *RMB'000*	2013 *RMB'000*
Within 1 month	**21,021**	38,871
1 to 2 months	**7,143**	1,905
2 to 3 months	**3,703**	18
Over 3 months	**4,154**	3,834
	36,021	44,628

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2014 *RMB'000*	2013 *RMB'000*
Neither past due nor impaired	**31,867**	40,794
Less than one month past due	**4,154**	3,834
	36,021	44,628

30. CASH IN TRANSIT

Group

	2014 *RMB'000*	2013 *RMB'000*
Cash in transit	**91,691**	131,336

The cash in transit represents the sales proceeds settled by debit cards or credit cards, which have yet to be credited by the banks to the Group.

31. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

		Group		Company	
		2014	2013	**2014**	2013
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Cash and bank balances		**2,302,562**	2,001,428	**121,365**	48,066
Less: Pledged time deposits	34(a)	**(67,000)**	(67,000)	**–**	–
Restricted bank balances		**(106,133)**	(195,915)	**–**	–
Cash and cash equivalents		**2,129,429**	1,738,513	**121,365**	48,066

At 31 December 2014 and 2013, cash at banks and on hand was denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB	**2,136,447**	1,969,881	**1,105**	31,366
US$	**10,449**	8,573	**4,001**	2,589
HK$	**155,666**	22,974	**116,259**	14,111
	2,302,562	2,001,428	**121,365**	48,066

At the end of the reporting period, the cash and bank balances of the Group denominated in US$ and HK$ amounted to RMB10,449,000 and RMB155,666,000 (2013: RMB8,573,000 and RMB22,974,000), respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

31. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES (CONTINUED)

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place in designated bank accounts certain amounts of pre-sale proceeds of properties as guarantee deposits for the construction of the related properties. The deposits can only be used for purchases of construction materials and payments of the construction fees of the relevant property projects when approval from the relevant local government authorities is obtained. As at 31 December 2014, such guarantee deposits amounted to approximately RMB36,947,000 (2013: RMB153,352,000).

32. TRADE AND BILLS PAYABLES

Group

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the payment due date, is as follows:

	2014 *RMB'000*	2013 *RMB'000*
Within 1 month	**1,709,736**	1,283,389
1 to 2 months	**306,791**	386,280
2 to 3 months	**32,784**	93,141
over 3 months	**31,150**	19,338
	2,080,461	1,782,148

Trade and bills payables as at the end of each reporting period were denominated in RMB.

33. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current:				
Payables for purchase of property, plant and equipment, investment properties and properties under development	**1,264,386**	526,379	**–**	–
Advances from customers	**1,568,628**	1,605,261	**–**	–
Advances from pre-sale of properties under development	**1,239,180**	1,317,667	**–**	–
Advances from third parties (note (i))	**108,481**	123,376	**–**	–
Other tax payables	**153,784**	247,979	**–**	–
Bonus and welfare payables	**146,194**	134,944	**–**	–
Deposits received from suppliers/ concessionaires	**402,681**	232,720	**–**	–
Accruals	**384,550**	299,436	**–**	–
Accrued interest	**5,790**	29,019	**4,918**	26,474
Deferred revenue	**61,924**	43,326	**–**	–
Deferred government subsidy	**1,600**	3,012	**–**	–
Advances from disposal of subsidiaries	**669,049**	72,498	**559,463**	–
Dividend payable	**22,043**	–	**22,043**	–
Others	**82,432**	81,554	**–**	75
	6,110,722	4,717,171	**586,424**	26,549
Non-current:				
Advances from disposal of subsidiaries	**–**	288,786	**–**	288,786
	6,110,722	5,005,957	**586,424**	315,335

Note:

(i) The advances from third parties are interest-free and have no fixed repayment terms.

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2014			2013		
	Effective/ contractual interest rate (%)	Maturity	*RMB'000*	Effective/ contractual interest rate (%)	Maturity	*RMB'000*
Current:						
Bank loans – unsecured	5.600-6.000	2015	30,400	2.283-6.888	2014	250,449
Bank loans – secured (a)	2.153-7.000	2015	589,768	1.600-7.500	2014	1,043,751
Current portion of long term bank loans – secured (a)	6.528-7.590	2015	50,000	5.895-7.315	2014	385,000
Current portion of long term bank loans – unsecured	5.843	2015	10,000	2.55-6.15	2014	5,000
Secured other loans (a)	–	–	–	7.380	2014	25,000
			680,168			1,709,200
Guaranteed bonds due July 2014 (note 36)	–	–	–	Weighted average of 4.93	2014	998,374
Syndicated loan	LIBOR plus 230 basis points for US$ borrowings and HIBOR plus 230 basis points for HK$ borrowings	2015	440,743	–	–	–
			1,120,911			2,707,574
Non-current:						
Secured bank loans (a)	6.528-7.205	2016-2018	416,831	6.15-7.59	2015-2018	820,000
Unsecured bank loans	5.843	2016	40,000	5.843	2015-2016	50,000
Syndicated loan	LIBOR plus 230 basis points for US$ borrowings and HIBOR plus 230 basis points for HK$ borrowings	2016	1,762,973	LIBOR plus 230 basis points for US$ borrowings and HIBOR plus 230 basis points for HK$ borrowings	2015-2016	2,174,942
Convertible bonds (note 35)	Weighted average of 2.99	2017	2,834,878	–	–	–
			5,054,682			3,044,942
			6,175,593			5,752,516

34. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	2014 *RMB'000*	2013 *RMB'000*
Analysed into:		
Within one year or on demand	**1,120,911**	2,707,574
In the second year	**1,906,804**	844,988
In the third to fifth years, inclusive	**3,147,878**	2,199,954
	6,175,593	5,752,516

Notes:

(a) Secured bank and other loans of RMB1,056,599,000 as at 31 December 2014 were secured by certain of the Group's buildings, investment properties, prepaid land lease payments, properties under development and time deposits, the total carrying amount of which at 31 December 2014 was RMB2,287,799,000 (2013 restated: RMB5,247,604,000) (notes 15, 16, 17, 18 and 31).

(b) The Group has the following undrawn banking facilities:

	2014 *RMB'000*	2013 *RMB'000*
At floating rate:		
Expiring within 1 year	**1,641,434**	105,363
Expiring within 2 to 4 years, inclusive	**1,330,003**	1,792,283
Expiring after 5 years	**148,000**	1,604,500
	3,119,437	3,502,146

The Group's banking facilities were secured by certain buildings (note 15), investment properties (note 16), prepaid land lease payments (note 17), completed properties held for sale (note 18), properties under development (note 18) and time deposits (note 31).

34. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Company

	2014			2013		
	Effective interest rate (%)	Maturity	*RMB'000*	Effective interest rate (%)	Maturity	*RMB'000*
Current:						
Guaranteed bonds due July 2014 (note 36)	-	-	-	Weighted average of 4.93	2014	998,374
Syndicated loan (a)	LIBOR plus 230 basis points for US$ borrowings and HIBOR plus 230 basis points for HK$ borrowings	2015	440,743	–	–	–
			440,743			998,374
Non-current:						
Syndicated loan (a)	LIBOR plus 230 basis points for US$ borrowings and HIBOR plus 230 basis points for HK$ borrowings	2016	1,762,973	LIBOR plus 230 basis points for US$ borrowings and HIBOR plus 230 basis points for HK$ borrowings	2015-2016	2,174,942
Convertible bonds (note 35)	Weighted average of 2.99	2017	2,834,878	–	–	–
			4,597,851			2,174,942
			5,038,594			3,173,316

Note:

(a) The syndicated loan was guaranteed by certain subsidiaries of the Group.

35. CONVERTIBLE BONDS

On 7 July 2014, the Company issued 1.5% convertible bonds with a nominal value of HK$3,706,066,630.16 to Alibaba Investment Limited. The bonds are convertible at an option of the bondholders into ordinary shares at any time during the conversion period at an initial conversion price of HK$7.9102 per share. The Company shall redeem the convertible bonds on the maturity date of 7 July 2017 at its principal amount together with accrued and unpaid interest. The Company may not redeem the convertible bonds at its option prior to the maturity date.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds issued during the year have been split as to the liability and equity components as follows:

	2014 *RMB'000*	2013 *RMB'000*
Nominal value of convertible bonds issued during year 2010	–	1,673,685
Nominal value of convertible bonds issued during year 2014	**2,944,505**	–
Equity component	**(126,417)**	(23,607)
Direct transaction costs attributable to the liability component	–	(25,105)
	2,818,088	1,624,973
Liability component at the issuance date	**2,818,088**	1,624,973
Interest expense	**40,624**	240,691
Exchange realignment	**(23,834)**	(126,373)
Interest paid	–	(81,855)
Gain on early redemption	–	(111)
Redemption	–	(1,657,325)
Liability component at 31 December (note 34)	**2,834,878**	–

36. GUARANTEED BONDS DUE JULY 2014

	2014 *RMB'000*	2013 *RMB'000*
Guaranteed bonds due July 2014, listed		
Current	–	998,374

On 19 July 2011, the Company issued the guaranteed bonds due July 2014 ("GB2014") in an aggregate principal amount of RMB1,000,000,000. The guaranteed bonds due July 2014 were admitted to the Official List of the Hong Kong Exchange Securities Trading Limited. GB2014 bear interest at a rate of 4.65% per annum and were repaid on 19 July 2014.

37. SHARE CAPITAL

	Authorised		
	Number of shares	*US$*	*RMB*
At 31 December 2014 and 2013	5,000,000,000	50,000	393,500

	Issued and fully paid up		
	Number of shares	*US$*	*RMB'000*
As at 1 January 2013	2,003,047,988	20,030	154
Share options exercised	17,084,000	171	1
Repurchase of shares	(14,000,000)	(140)	(1)
As at 31 December 2013 and 1 January 2014	2,006,131,988	20,061	154
Share options exercised (i)	7,604,500	76	–
Repurchase of shares (ii)	(63,422,500)	(634)	(5)
Issuance of shares (iii)	220,541,892	2,205	14
As at 31 December 2014	2,170,855,880	21,708	163

37. SHARE CAPITAL (CONTINUED)

During the year, the movements in share capital were as follows:

(i) The subscription rights attaching to 7,604,500 share options were exercised at subscription prices of HK$3.56, HK$5.64, HK$1.88, HK$6.63, HK$5.50, HK$6.49 and HK$7.56 per share (note 39), resulting in the issue of 7,604,500 shares of US$0.00001 each for a total cash consideration, before expenses, of HK$39,512,860 (RMB31,393,000 equivalent). An amount of RMB10,344,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(ii) The Company repurchased on the Stock Exchange a total of 63,422,500 shares of US$0.00001 each of the Company for an aggregate consideration of HK$429,385,000 (RMB340,407,000 equivalent). The repurchased shares were cancelled on 8 September 2014, 31 October 2014 and 14 November 2014.

(iii) On 7 July 2014, the Company issued 220,541,892 ordinary shares to Alibaba Investment Limited with a share price of HK$7.5335 per share.

A summary of movements in the Company's issued share capital is as follows:

	Number of shares	Issued capital *US$*	Capital redemption reserve *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
At 1 January 2013	2,003,047,988	20,030	4	4,292,022	4,292,026
Share options exercised	17,084,000	171	–	92,736	92,736
Repurchase of shares	(14,000,000)	(140)	1	(80,298)	(80,297)
Interim 2013 dividend	–	–	–	(200,261)	(200,261)
Proposed final 2013 dividend	–	–	–	(220,675)	(220,675)
At 31 December 2013 and 1 January 2014	2,006,131,988	20,061	5	3,883,524	3,883,529
Issuance of shares	220,541,892	2,205	–	1,321,755	1,321,755
Share options exercised	7,604,500	76	–	41,737	41,737
Repurchase of shares	(63,422,500)	(634)	5	(340,407)	(340,402)
Dividend on shares issued for employee share options exercised after 31 December 2013	–	–	–	(416)	(416)
Interim 2014 dividend	–	–	–	(223,058)	(223,058)
Proposed final 2014 dividend	–	–	–	(260,503)	(260,503)
At 31 December 2014	2,170,855,880	21,708	10	4,422,632	4,422,642

37. SHARE CAPITAL (CONTINUED)

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 39 to the financial statements.

38. RESERVES

Group

(i) Discretionary reserve fund

Pursuant to the articles of association of certain subsidiaries of the Group established in the PRC, these subsidiaries are required to transfer part of their profit after taxation to the discretionary reserve. The amounts allocated to this reserve are determined by the respective boards of directors.

For the PRC subsidiaries, in accordance with the Company Law of the People's Republic of China (revised), the discretionary reserve fund can be used to offset previous years' losses, if any, and may be converted into capital in proportion to the equity shareholders' existing equity holdings, provided that the balance after the conversion is not less than 25% of the registered capital.

(ii) Statutory reserves

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note 22 to the financial statements are required to transfer no less than 10% of their profit after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

38. RESERVES (CONTINUED)

Company

	Share premium RMB'000	Equity component of convertible bonds RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Retained profits/ (accumulated losses) RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000	Total RMB'000
At 1 January 2013	4,292,022	23,607	4	–	908,303	6,996	31,073	65,371	5,327,376
Total comprehensive income for the year	–	–	–	–	–	(215,515)	92,240	–	(123,275)
Equity-settled share option arrangements (note 39)	–	–	–	–	–	–	–	25,784	25,784
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	–	–	1,336	–	(1,336)	–
Repurchase of shares	(80,298)	–	1	–	–	–	–	–	(80,297)
Dividend on shares issued for employee share options exercised after 31 December 2012	–	–	–	–	–	(2,456)	–	–	(2,456)
Exercise of share options	92,736	–	–	–	–	–	–	(21,910)	70,826
Convertible bonds redeemed	–	(23,607)	–	23,607	–	–	–	–	–
Interim 2013 dividend	(200,261)	–	–	–	–	–	–	–	(200,261)
Proposed final 2013 dividend	(220,675)	–	–	–	–	–	–	–	(220,675)
At 31 December 2013	3,883,524	–	5	23,607	908,303	(209,639)	123,313	67,909	4,797,022
Total comprehensive income for the year	–	–	–	–	–	(122,231)	4,356	–	(117,875)
Issuance of shares (note 37)	1,321,755	–	–	–	–	–	–	–	1,321,755
Issuance of convertible bonds (note 35)	–	126,417	–	–	–	–	–	–	126,417
Equity-settled share option arrangements (note 39)	–	–	–	–	–	–	–	16,429	16,429
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	–	–	10,905	–	(10,905)	–
Repurchase of shares	(340,407)	–	5	–	–	–	–	–	(340,402)
Dividend on shares issued for employee share options exercised after 31 December 2013	(416)	–	–	–	–	–	–	–	(416)
Exercise of share options	41,737	–	–	–	–	–	–	(10,344)	31,393
Interim 2014 dividend	(223,058)	–	–	–	–	–	–	–	(223,058)
Proposed final 2014 dividend	(260,503)	–	–	–	–	–	–	–	(260,503)
At 31 December 2014	4,422,632	126,417	10	23,607	908,303	(320,965)	127,669	63,089	5,350,762

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

39. SHARE OPTION SCHEME

The share option scheme (the "Scheme") was approved pursuant to a resolution passed by the Company's shareholders at an extraordinary general meeting held on 24 February 2007. According to this share option scheme, the directors may invite the Group's employees, senior management, directors and other eligible participants to take up share options of the Company. The amount payable for each share to be subscribed for under an option upon exercise shall be determined and will be determined according to the highest of (i) the average official closing price of the shares on the Stock Exchange for the five trading days immediately preceding the relevant offer date, (ii) the official closing price of the shares on the Stock Exchange on the relevant offer date and (iii) the nominal value of the shares. Options granted become vested after a certain period. An option may be exercised in accordance with the terms of the share option scheme any time during a period to be notified by the board to each grantee or to be resolved by the board of directors at the time of grant.

The maximum number of shares in respect of which options may be granted under the share option scheme when aggregated with the maximum number of shares in respect of which options over shares or other securities may be granted by the Group under any other scheme shall not exceed 10% of the issued share capital as at the date of listing of the shares of the Company (representing 180,000,000 shares). Options lapsed in accordance with the terms of the option scheme shall not be counted for the purpose of calculating the 10% limit. Any further grant of share options in excess of this limit is subject to the approval of the Company's shareholders.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	2014		2013	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HK$ per share	***'000***	*HK$ per share*	*'000*
At 1 January	**8.02**	**61,641**	7.23	72,308
Granted during the year	**6.85**	**6,522**	9.27	7,698
Forfeited during the year	**8.27**	**(2,112)**	8.77	(1,281)
Exercised during the year	**5.14**	**(7,605)**	5.17	(17,084)
Expired during the year	**10.77**	**(3,760)**	–	–
At 31 December	**8.08**	**54,686**	8.02	61,641

The weighted average share price at the date of exercise for share options exercised during the year was HK$7.52 per share (2013: HK$9.69 per share).

39. SHARE OPTION SCHEME (CONTINUED)

The exercise prices and exercise periods of the share options outstanding as at the reporting date are as follows:

2014

Number of options	Exercise price	Exercise period
'000	*HK$ per share*	
300	5.64	12 April 2009 to 11 April 2015
1,928	1.88	5 March 2010 to 4 March 2015
2,250	6.63	29 August 2010 to 28 August 2015
250	5.50	21 October 2010 to 20 October 2015
7,644	6.49	27 May 2011 to 26 May 2016
1,200	9.00	27 August 2011 to 26 August 2016
10,943	10.77	2 April 2012 to 1 April 2017
16,760	7.56	23 June 2013 to 22 June 2018
6,889	9.27	11 April 2014 to 10 April 2019
6,522	6.85	26 June 2015 to 25 June 2020
54,686		

2013

Number of options	Exercise price	Exercise period
'000	*HK$ per share*	
1,200	3.56	19 September 2009 to 18 September 2014
1,215	5.64	12 April 2009 to 11 April 2014
3,245	1.88	5 March 2010 to 4 March 2015
4,500	6.63	29 August 2010 to 28 August 2015
500	5.50	21 October 2010 to 20 October 2015
9,474	6.49	27 May 2011 to 26 May 2016
1,200	9.00	27 August 2011 to 26 August 2016
15,213	10.77	2 April 2012 to 1 April 2017
17,640	7.56	23 June 2013 to 22 June 2018
7,454	9.27	11 April 2014 to 10 April 2019
61,641		

39. SHARE OPTION SCHEME (CONTINUED)

The fair value of the options granted during the year was approximately RMB9,169,000 (2013: RMB17,017,000), of which the Group recognised a share option expense of RMB1,878,000 (2013: RMB4,889,000) during the year ended 31 December 2014. The Group recognised a total share option expense of RMB16,429,000 (2013: RMB25,784,000) for the year ended 31 December 2014 (note 6).

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2014	2013
Dividend yield (%)	3.88%	2.54%
Expected volatility (%)	41.135%~45.335%	44.51% – 48.20%
Risk-free interest rate (%)	0.822%~1.562%	0.201% – 0.535%
Expected life of options (year)	3-6	3-6
Weighted average exercise price (HK$)	6.85	9.27

The volatility measured at the standard deviation of expected share price returns is based on statistical analyses of comparable listed companies in the same industry.

In September 2008, the Company cancelled certain options previously granted to certain senior management with an exercise price significantly higher than the current fair market value, and concurrently re-granted the same number of options at the current fair market value. The vesting of the replacement option started from the date of re-grant, and all other terms remain the same as the original option. The cancellation and re-grant are intended to provide incentives for these senior management. In accordance with HKFRS 2 *Share-based Payment*, cancellation of an award accompanied by the concurrent grant of a replacement award shall be accounted for as a modification of the terms of the cancelled award. Therefore, incremental compensation cost shall be measured as the excess of the fair value of the replacement award over the fair value of the cancelled award at the cancellation date.

The total compensation cost measured at the date of cancellation and replacement shall be the portion of the grant-date fair value of the original award for which the requisite service is expected to be rendered (or has already been rendered) at that date plus the incremental cost resulting from the cancellation and replacement. The Company will continue to recognise an expense for the original grant date fair value of the modified award over its original vesting period and recognise an expense for the incremental cost over its modified vesting period.

39. SHARE OPTION SCHEME (CONTINUED)

The 7,604,500 share options exercised during the year resulted in the issue of 7,604,500 ordinary shares of the Company and new share capital of RMB468 and share premium of RMB41,737,000 (before issue expenses), as further detailed in note 37 to the financial statements.

At the end of the reporting period, the Company had 54,686,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 54,686,000 additional ordinary shares of the Company and additional share capital of approximately RMB3,346 and share premium of approximately RMB343,245,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 51,481,000 share options outstanding under the Scheme, which represented approximately 2.37% of the Company's shares in issue as at that date.

40. DISPOSAL OF A SUBSIDIARY

	Note	2014 *RMB'000*
Net assets disposed of:		
Property, plant and equipment		200
Investment properties		625,000
Deposits, prepayments and other receivables		29,830
Trade receivables		2,101
Cash and cash equivalents		10,021
Other payables and accruals		(13,700)
Deferred tax liabilities		(64,637)
Non-controlling interests		(235,526)
		353,289
Gain on disposal of a subsidiary	5	9,200
Satisfied by cash		362,489

40. DISPOSAL OF A SUBSIDIARY (CONTINUED)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2014
	RMB'000
Cash consideration received in 2013	72,498
Cash consideration received in 2014	289,991
Cash and cash equivalents disposed of	(10,021)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	352,468

41. CONTINGENT LIABILITIES

(1) The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's pre-sale properties amounting to RMB581,129,000 (2013: RMB342,541,000). Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates of grant of the relevant mortgage loans and end after the execution of individual purchasers' collateral agreements.

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

41. CONTINGENT LIABILITIES (CONTINUED)

(2) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Guarantees given to banks in connection with facilities granted to associates	**872,000**	648,000
Guarantees given to banks and other financial institutions in connection with borrowings to a joint venture	**285,000**	722,500

42. PLEDGE OF ASSETS

Details of the Group's bank loans and facilities, which are secured by the assets of the Group, are included in notes 15, 16, 17, 18 and 34.

43. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16) and subleases its leased assets under operating lease arrangements for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2014	2013
	RMB'000	*RMB'000*
Within one year	**650,398**	277,604
In the second to fifth years, inclusive	**1,732,484**	805,550
After five years	**1,065,519**	617,957
	3,448,401	1,701,111

43. OPERATING LEASE ARRANGEMENTS (CONTINUED)

(a) As lessor (continued)

The amounts above include future minimum sublease payments expected to be received under non-cancellable subleases amounting to RMB1,280,978,000 (2013: RMB486,491,000) as at 31 December 2014.

(b) As lessee

The Group leases certain of its stores and office premises under non-cancellable operating lease agreements.

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2014 ***RMB'000***	2013 *RMB'000*
Within one year	**661,142**	533,636
In the second to fifth years, inclusive	**3,237,757**	2,738,850
After five years	**10,301,438**	8,914,718
	14,200,337	12,187,204

44. COMMITMENTS

In addition to the operating lease commitments detailed in note 43(b) above, the Group had the following capital commitments at the reporting date:

	2014 *RMB'000*	2013 *RMB'000*
Contracted, but not provided for:		
Land and buildings	**47,755**	1,324,331
Leasehold improvements	**121,400**	168,738
	169,155	1,493,069
Authorised, but not contracted for:		
Land and buildings	**20,268**	330,808
Leasehold improvements	**52,620**	57,618
	72,888	388,426
	242,043	1,881,495

In addition, the Group's share of the joint venture's own capital commitments, which are not included in the above, is as follows:

	2014 *RMB'000*	2013 *RMB'000*
Contracted, but not provided for	**47,880**	88,646

45. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship
Mr. Shen Guojun	Shareholder of the Company
Intime International	Shareholder of the Company
Beijing Yintai Property Co., Ltd. ("Beijing Yintai")	Controlled by Mr. Shen Guojun
China Yintai Holdings Co., Ltd. ("China Yintai")	Controlled by Mr. Shen Guojun
Beijing Guojun Investment Co., Ltd. (Beijing Guojun")	Controlled by Mr. Shen Guojun
Metro Land Corporation Ltd. ("Metro Land")	24.83% of its shares were held by China Yintai
Zhongda Shengma	Associate of the Group
Anhui Hualun	Associate of the Group
Zhejiang Intime Electronic Commerce	Associate of the Group
Beijing Youyi Lufthansa	Associate of the Group
Bozhou Hualun	Associate of the Group
Hefei Hualun	Associate of the Group
Xin Hubin	Joint venture
Beijing Intime Lotte Department Store Co., Ltd. ("Intime Lotte")	Joint venture of China Yintai
Hangzhou Hubin International Commercial Development Co., Ltd. ("Hangzhou Hubin International")	Mr. Shen Guojun is the chairman
Beijing Metro Land Property Co., Ltd. ("Beijing Metro Land Property")	Subsidiary of Metro Land
Ningbo Hualian Property Development Co., Ltd. ("Ningbo Hualian Property")	Subsidiary of Metro Land
Ningbo Yintai Property Management Co., Ltd. ("Ningbo Yintai Property Management")	Subsidiary of Metro Land
Hangzhou Intime	Subsidiary of China Yintai
Zhejiang Fuqiang Properties Co., Ltd. ("Zhejiang Fuqiang")	Subsidiary of China Yintai
Beijing New Yansha Holding (Group) Co., Ltd. ("Beijing New Yansha")	Controlling shareholder of an associate
Fenghua Yintai Properties Co., Ltd. ("Fenghua Yintai")	49% of the voting rights are controlled by Mr. Shen Guojun
Huzhou Jialefu Mall Co., Ltd. ("Huzhou Jialefu")	50% of the voting rights are controlled by Mr. Shen Guojun
Hangzhou Longxiang Commercial Development Co., Ltd. (" Longxiang Commercial")	Associate of Beijing Guojun
Ningbo Economic Technology Development Area Taiyue Properties Co. Ltd. ("Ningbo Taiyue")	Subsidiary of China Yintai

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

The following transactions were carried out with related parties:

	2014 RMB'000	2013 RMB'000
Rental expense and management fee expenses:		
Metro Land	2,253	2,316
Beijing Metro Land Property	–	44,508
Huzhou Jialefu (note (i))	33,584	8,396
	35,837	55,220
Advances to related parties:		
Anhui Hualun (note (ii))	37,200	–
Xin Hubin	–	100,612
Bozhou Hualun (note (iii))	38,000	72,500
Hefei Hualun (note (iv))	238,688	–
Zhongda Shengma (note (v))	239,688	–
	553,576	173,112
Repayment of advances from related parties:		
Xin Hubin	25,000	–
Anhui Hualun	–	27,477
	25,000	27,477
Loans and receivables made to related parties:		
Zhejiang Intime Electronic Commerce	221,080	70,000
Zhongda Shengma	–	60,000
	221,080	130,000
Repayment of loans and receivables from related parties:		
Hangzhou Intime	152,654	80,563
Zhongda Shengma	340,793	49,718
	493,447	130,281
Management fees from a related party:		
Beijing New Yansha	4,343	5,087

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

	2014 *RMB'000*	2013 *RMB'000*
Interest income from related parties:		
Xin Hubin	**18,934**	18,753
Hangzhou Intime	**1,967**	30,333
Zhongda Shengma	**52,351**	50,790
Zhejiang Intime Electronic Commerce	**25,224**	16,677
Anhui Hualun	**21,467**	21,955
Bozhou Hualun	**14,340**	10,849
	134,283	149,357
Customer (receipts from)/payments to related parties by the Group's prepaid cards (netting off the payments made by related parties' prepaid cards used):		
Zhejiang Intime Electronic Commerce	**295**	1,562
Intime Lotte	**(9,608)**	(1,192)
Xin Hubin	**(2,324)**	(530)
Hangzhou Hubin International	**10,122**	61,189
Ningbo Taiyue	**(1,069)**	–
Longxiang Commercial	**102**	–
	(2,482)	61,029
Payments of rental deposits:		
Hangzhou Intime	**–**	5,000
Metro Land	**–**	700
Fenghua Yintai	**–**	5,000
Huzhou Jialefu	**–**	2,500
	–	13,200
Advances from a related party:		
Beijing Metro Land Property	**59,473**	–
Repayment of advances from related parties:		
Metro Land	**25,523**	–
Beijing Metro Land Property	**126,687**	–
	152,210	–

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

	2014 *RMB'000*	2013 *RMB'000*
Commissions from a related party:		
Zhejiang Intime Electronic Commerce (note (vi))	**15,097**	–
Sales of goods to a related party:		
Zhejiang Intime Electronic Commerce	**–**	214,580
Guarantees provided by a related party:		
Intime International	**–**	150,687
Guarantees provided to related parties:		
Zhongda Shengma (note (vii))	**504,000**	264,000
Anhui Hualun (note (viii))	**600,000**	600,000
Xin Hubin (note (ix))	**285,000**	722,500
	1,389,000	1,586,500
Acquisition of a subsidiary from a related party:		
Metro Land (note (x))	**255,267**	–

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

Notes:

(i) Pursuant to an agreement between Huzhou Jialefu and Zhejiang Intime Investment, Zhejiang Intime Investment leased a building for its operation for a period from 28 June 2013 to 27 June 2033. With the establishment of Huzhou Yinjia subsequently in May 2013, the lease agreement was transferred to Huzhou Yinjia by Zhejiang Intime Investment.

(ii) The Group provided Anhui Hualun advances amounting to RMB37,200,000 (2013: Nil) at the one-year benchmark interest rate with no fixed repayment terms.

(iii) Anhui Huaqiao Hotel provided advances amounting to RMB38,000,000 (2013: RMB72,500,000) to Bozhou Hualun at the one-year benchmark interest rate with no fixed repayment terms.

(iv) Zhejiang Intime provided advances amounting to RMB238,688,000 (2013: Nil) to Hefei Hualun at the one-year benchmark interest rate with no fixed repayment terms.

(v) Hangzhou Outlets provided advances amounting to RMB239,688,000 (2013: Nil) to Zhongda Shengma, which are interest-free and repayable on demand. The advances had been subsequently repaid in January 2015.

(vi) In 2014, Intime HK and Sin Cheng provided overseas procurements agent service to Zhejiang Intime Electronic Commerce.

(vii) Pursuant to a guarantee agreement among Zhejiang Intime, Zhongda Shengma and certain financial institutions, Zhejiang Intime provided guarantees to Zhongda Shengma with an amount of RMB504,000,000. As at 31 December 2014, the banking facilities granted to Zhongda Shengma by the Group were utilised to the extent of approximately RMB132,000,000 (2013: RMB198,000,000).

(viii) Pursuant to a guarantee agreement among Anhui Huaqiao Hotel, Anhui Hualun and a bank, Anhui Huaqiao Hotel provided a guarantee to Anhui Hualun with an amount of RMB600,000,000 for a period from 20 June 2013 to 20 June 2028. As at 31 December 2014, the banking facilities granted to Anhui Hualun guaranteed by the Group were utilised to the extent of approximately RMB500,000,000 (2013: RMB450,000,000).

(ix) Pursuant to guarantee agreements among Zhejiang Intime, Xin Hubin and certain financial institutions, Zhejiang Intime provided guarantees to Xin Hubin's borrowings with an amount of RMB285,000,000 (2013: RMB722,500,000).

(x) On 11 December 2013, Hangzhou Intime Outlets Commercial Development Co., Ltd. ("Hangzhou Outlets") entered into an equity transfer agreement with Metro Land, to purchase an 80% equity interest in Jingtaixianghe Property Management Co., Ltd. ("Jingtaixianghe") for a total consideration of RMB255,267,000. On the acquisition date, there were no other assets and liabilities carried by Jingtaixianghe other than cash, bank borrowings and investment properties. The transaction was accounted for as an asset acquisition.

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Due from related parties

The Group had the following significant balances due from related parties at the reporting date:

	2014 *RMB'000*	2013 *RMB'000*
Due from related parties:		
Metro Land	**720**	720
Xin Hubin	**391,804**	395,793
Ningbo Hualian Property	**70**	70
Beijing Metro Land Property	**–**	6,000
Anhui Hualun	**446,344**	387,677
Zhejiang Intime Electronic Commerce	**209,271**	281,646
Intime Lotte	**566**	–
Beijing New Yansha	**4,343**	5,087
Bozhou Hualun	**257,287**	204,947
Hangzhou Intime	**5,000**	5,000
Fenghua Yintai	**5,000**	5,000
Huzhou Jialefu	**2,500**	2,500
Zhongda Shengma	**239,688**	–
Ningbo Taiyue	**125**	–
Hefei Hualun	**238,688**	–
	1,801,406	1,294,440

The amounts due from Zhejiang Intime Electronic Commerce are mainly denominated in HK$, which are unsecured, interest-free and repayable on demand.

The amounts due from Xin Hubin, Anhui Hualun and Bozhou Hualun are denominated in RMB, which are unsecured, bear interest at the one-year benchmark interest rate and have no fixed repayment term.

The remaining amounts due from related parties are denominated in RMB, which are unsecured, interest-free and repayable on demand.

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Loans and interest receivable from related parties

	2014 *RMB'000*	2013 *RMB'000*
Hangzhou Intime (note 28)	–	150,687
Zhejiang Intime Electronic Commerce (note 28)	533,865	287,561
Zhongda Shengma (note 28)	264,583	553,025
	798,448	991,273

(e) Due to related parties

The Group had the following significant balances due to related parties:

	2014 *RMB'000*	2013 *RMB'000*
Due to related parties:		
Huzhou Jialefu (note (b)(i))	12,436	1,446
Intime Lotte	–	679
Longxiang Commercial	24	–
Hangzhou Hubin International	22	12,058
	12,482	14,183

All amounts due to related parties are denominated in RMB, which are unsecured, interest-free and payable on demand.

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Commitments with related parties

(i) Pursuant to an agreement between Zhejiang Intime Investment and Fenghua Yintai signed on 21 September 2012, Zhejiang Intime Investment leased certain floors of a building from Fenghua Yintai for its operation for 20 years. Zhejiang Intime Investment was given a rent-free period of three years commencing from the delivery of the property. The annual rental for the remaining years will be calculated as 5% of the net revenue of Fenghua Intime.

(ii) Pursuant to an agreement between Intime Sanjiang and Hangzhou Intime signed on 15 July 2013, Intime Sanjiang leased certain floors of a building from Hangzhou Intime for its operation for 20 years. Intime Sanjiang was given a rent-free period of two years commencing from the delivery of the property. The annual rental for the remaining years will be calculated as 5% of the net revenue of Intime Sanjiang.

(iii) Pursuant to an agreement between Zhejiang Intime Investment and Huzhou Jialefu signed on 25 February 2013, Zhejiang Intime Investment leased certain floors of a building from Huzhou Jialefu for its operation for 20 years. Zhejiang Intime Investment was given a rent-free period of three months commencing from the delivery of the property. The Group expects the total minimum lease payments to be approximately RMB634,179,000 from 1 January 2015 to 27 June 2033.

(iv) Pursuant to an agreement between Hangzhou Zhongda and Zhongda Shengma signed on 1 Dec 2014, Hangzhou Zhongda leased certain floors of a building from Zhongda Shengma for its operation for 20 years. The Group expects total minimum lease payment to be approximately RMB93,836,000 during the first three-year period from 1 January 2015 to 31 Dec 2017. Pursuant to a supplementary agreement between Hangzhou Zhongda and Zhongda Shengma signed on the same date, rental from 1 January 2018 will be subject to renegotiation and contingent upon whether Hangzhou Outlets will acquire additional equity interest in Zhongda Shengma within three years from 1 January 2015.

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Key management compensation

	2014 RMB'000	2013 RMB'000
Salaries, allowances and other benefits	**4,909**	5,270
Discretionary bonuses	**4,080**	2,895
Contributions to a retirement plan	**828**	568
Equity-settled share option expense	**6,212**	7,727
	16,029	16,460

The emoluments of the senior management fell within the following bands:

	Number of employees 2014	Number of employees 2013
HK$1 to HK$500,000	**1**	–
HK$500,001 to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**2**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**–**	1
HK$7,500,001 to HK$8,000,000	**1**	–
HK$8,000,001 to HK$8,500,000	**–**	1
	10	9

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each category of financial instruments as at the reporting date are as follows:

Group

2014

Financial assets

	Loans and receivables *RMB'000*
Financial assets included in prepayments, deposits and other receivables	681,332
Trade receivables	36,021
Loans and receivables	1,107,915
Due from related parties	1,801,406
Cash in transit	91,691
Pledged deposits	67,000
Restricted bank balances	106,133
Cash and cash equivalents	2,129,429
	6,020,927

2014

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade and bills payables	2,080,461
Financial liabilities included in other payables and accruals	2,032,006
Due to related parties	12,482
Interest-bearing bank and other borrowings	3,340,715
Convertible bonds	2,834,878
	10,300,542

46. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each category of financial instruments as at the reporting date are as follows: (continued)

Group (continued)

2013

Financial assets

	Loans and receivables *RMB'000*	Available-for-sale investments *RMB'000*	Total *RMB'000*
Available-for-sale investments	–	12,000	12,000
Financial assets included in prepayments, deposits and other receivables	931,749	–	931,749
Trade receivables	44,628	–	44,628
Loans and receivables	1,127,217	–	1,127,217
Due from related parties	1,294,440	–	1,294,440
Cash in transit	131,336	–	131,336
Pledged deposits	67,000	–	67,000
Restricted bank balances	195,915	–	195,915
Cash and cash equivalents	1,738,513	–	1,738,513
	5,530,798	12,000	5,542,798

2013

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade and bills payables	1,782,148
Financial liabilities included in other payables and accruals	1,127,992
Due to related parties	14,183
Interest-bearing bank and other borrowings	4,754,142
Guaranteed bonds due July 2014	998,374
	8,676,839

46. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each category of financial instruments as at the reporting date are as follows: (continued)

Company

2014

Financial assets

	Loans and receivables *RMB'000*
Financial assets included in prepayments, deposits and other receivables	1,027
Due from subsidiaries	9,462,429
Cash and cash equivalents	121,365
	9,584,821

2014

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in other payables and accruals	26,961
Due to subsidiaries	97,018
Convertible bonds	2,834,878
Interest-bearing bank and other borrowings	2,203,716
	5,162,573

46. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each category of financial instruments as at the reporting date are as follows: (continued)

Company (continued)

2013

Financial assets

	Loans and receivables *RMB'000*
Financial assets included in prepayments, deposits and other receivables	1,024
Due from subsidiaries	6,990,784
Cash and cash equivalents	48,066
	7,039,874

2013

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in other payables and accruals	26,549
Due to subsidiaries	117,699
Convertible bonds	998,374
Guaranteed bonds due July 2014	2,174,942
	3,317,564

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted bank balances, cash in transit, amounts due from related parties, loans and receivables, trade receivables, financial assets included in prepayments, deposits and other receivables, interest-bearing bank and other borrowings, amounts due to related parties, financial liabilities included in other payables and accruals and trade and bills payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the loans to third parties and related parties, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of the liability portion of the convertible bonds due on 7 July 2017 is estimated using an equivalent market interest rate for a similar bond.

The fair values of listed equity investments are based on quoted market prices.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The policies for managing each of these risks are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group has no significant interest-bearing assets other than cash at banks (note 31) and loans and receivables (note 28).

The Group's interest rate risk arises from its borrowings, details of which are set out in note 34. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax (through the impact of floating rate borrowings) during the year.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

Group	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax
		RMB'000
31 December 2014		
RMB	100	(5,170)
RMB	(100)	5,170
US$	50	(8,098)
US$	(50)	8,098
HK$	50	(5,814)
HK$	(50)	5,814
31 December 2013		
RMB	100	(9,950)
RMB	(100)	9,950
US$	50	(8,127)
US$	(50)	8,127
HK$	50	(2,948)
HK$	(50)	2,948

Foreign currency risk

During the years ended 31 December 2014 and 31 December 2013, the Group had cash at banks denominated in foreign currencies, and was exposed to foreign exchange risk arising from various currency exposures, primarily with respect to HK$. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Details of the Group's guaranteed bonds due July 2014 and cash and cash equivalents denominated in foreign currencies as at 31 December 2014 and 2013 are disclosed in note 36 and note 31.

The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK$ exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Group	Increase/ (decrease) in foreign exchange rate	Increase/ (decrease) in profit before tax
	%	*RMB'000*
2014		
If the Hong Kong dollar weakens against the RMB	2	(45)
If the Hong Kong dollar strengthens against the RMB	(2)	45
2013		
If the Hong Kong dollar weakens against the RMB	2	(205)
If the Hong Kong dollar strengthens against the RMB	(2)	205

Credit risk

The Group has no significant concentrations of credit risk of trade receivables. Sales to retail customers are made in cash or via major debit and credit cards. The Group has policies that limit the amount of credit exposure to any financial institution.

The Group has significant concentrations of credit risk of other receivables and loans and receivables, which are mostly amounts due from related parties and third parties with maximum exposure equal to the carrying amounts. Management of the Group is of the view that the recoverability issue for the rest of the amounts due from related parties and third parties is small, because the Group believes that the related parties and third parties have the repayment capability and the Group has agreed with the related parties and third parties about future plans of repayment.

The Group has arranged bank financing for certain purchasers of its properties under development and has provided guarantees to secure the obligations of such purchasers for repayments. Detailed disclosures of these guarantees are made in note 41.

The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 41(2) to the financial statements.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

Prudent liquidity risk management implies sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group's treasury function aims to maintain flexibility in funding by keeping committed credit lines available. In addition, the directors believe that the Group has sufficient cash flows from the operations and current available banking facilities to meet its liabilities as and when they fall due.

The maturity profile of the Group's financial liabilities as at the reporting date, based on the contractual undiscounted payments, was as follows:

Group

	2014					
	On demand	Less than 6 months	6 to less than 12 months	1 to 2 years	Over 2 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	902,368	361,899	1,947,953	178,000	3,390,220
Trade and bills payables	–	2,080,461	–	–	–	2,080,461
Other payables and accruals	108,481	365,611	1,557,914	–	–	2,032,006
Due to related parties	–	12,482	–	–	–	12,482
Convertible bonds	–	–	–	–	3,055,167	3,055,167
Guarantees given to banks in connection with mortgage facilities granted to purchasers of the Group's properties under development	–	581,129	–	–	–	581,129
Guarantees given to banks in connection with facilities granted to the Group's associates	–	–	–	–	872,000	872,000
Guarantees given to banks and other financial institutions in connection with borrowings to a joint venture	–	25,000	150,000	110,000	–	285,000
	108,481	3,967,051	2,069,813	2,057,953	4,105,167	12,308,465

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the reporting date, based on the contractual undiscounted payments, was as follows: (continued)

Group

	2013					
	On demand	Less than 6 months	6 to less than 12 months	1 to 2 years	Over 2 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	1,209,829	724,906	908,804	2,226,233	5,069,772
Trade and bills payables	–	1,782,148	–	–	–	1,782,148
Other payables and accruals	123,376	354,041	650,575	–	–	1,127,992
Due to related parties	–	14,183	–	–	–	14,183
Guaranteed bonds due July 2014	–	23,250	1,023,250	–	–	1,046,500
Guarantees given to banks in connection with mortgage facilities granted to purchasers of the Group's properties under development	–	342,541	–	–	–	342,541
Guarantees given to banks in connection with facilities granted to the Group's associates	–	–	–	–	648,000	648,000
Guarantees given to banks and other financial institutions in connection with borrowings to a joint venture	–	–	–	542,500	180,000	722,500
	123,376	3,725,992	2,398,731	1,451,304	3,054,233	10,753,636

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

Company

	2014					
	On demand	Less than 6 months	6 to less than 12 months	1 to 2 years	Over 2 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	248,747	245,953	1,786,203	–	2,280,903
Other payables and accruals	–	586,424	–	–	–	586,424
Due to subsidiaries	–	–	–	97,018	–	97,018
Convertible bonds	–	–	–	–	3,055,167	3,055,167
	–	835,171	245,953	1,883,221	3,055,167	6,019,512

Company

	2013					
	On demand	Less than 6 months	6 to less than 12 months	1 to 2 years	Over 2 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	28,000	28,000	485,311	1,785,366	2,326,677
Other payables and accruals	–	26,549	–	–	–	26,549
Due to subsidiaries	–	–	–	117,699	–	117,699
Guaranteed bonds due July 2014	–	23,250	1,023,250	–	–	1,046,500
	–	77,799	1,051,250	603,010	1,785,366	3,517,425

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

The Group monitors capital using a gearing ratio, which is borrowings divided by the total assets. The borrowings include interest-bearing bank and other borrowings and convertible bonds.

As at 31 December 2014, the Group's borrowings amounted to RMB6,175,593,000 (31 December 2013: RMB5,752,516,000). The gearing ratio was 22.2% as at 31 December 2014 (31 December 2013: 24.0%).

49. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, certain comparative amounts have been adjusted or reclassified as a result of the change in accounting policies.

50. EVENTS AFTER THE REPORTING PERIOD

On 12 December 2014, Shanghai Intime and a third party individual entered into an equity transfer agreement to dispose of 3% of equity interests in Shenyang Intime, a subsidiary of the Group, for a consideration of RMB14,676,706.35. On 15 December 2014, Shanghai Intime and Dashang Group Co., Ltd. entered into another equity transfer agreement to dispose of 97% of equity interests in Shenyang Intime for a consideration of RMB474,546,838.52. The disposal was completed in January 2015.

51. APPROVAL OF THE FINANCIAL STATEMENT

The financial statements were approved and authorised for issue by the board of directors on 24 March 2015.