2015
ANNUAL REPORT

新银泰
NEW INTIME
INTERNET+

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

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 17 years of development, the Group has established a leading position in Zhejiang province and secured strategic footholds in Hubei province, Shaanxi province, Anhui province, Hebei province and Beijing. As at 31 December 2015, the Group operated and managed a total of 29 department stores and 17 shopping malls with a total gross floor area of 2,895,674 square meters, including 20 department stores and 10 shopping malls located in the principal cities of Zhejiang province, 6 department stores and 1 shopping mall located in Hubei province, 1 department store located in Beijing, 3 shopping malls located in Anhui province, 1 shopping mall located in Hebei province, 1 shopping mall located in Guangxi province, and 2 department stores and 1 shopping mall 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 offering excellent shopping experiences. With increasing sales floor area under management and broadening O2O business, the Group is gradually broadening its range of merchandise and service offerings, as well as providing more comprehensive, richer shopping related amenities and services.

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

CHEN Xiaodong
SHEN Guojun (resigned on 5 June 2015)

Non-Executive Directors:

ZHANG Yong *(Chairman)*
XIN Xiangdong
SUN Xiaoning (resigned on 11 November 2015)
LEE Hon Chiu (resigned on 5 June 2015)

Independent Non-Executive Directors:

YU Ning
CHOW Joseph
SHI Chungui (resigned on 5 June 2015)
CHEN Jiangxu (appointed on 5 June 2015)

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)*
CHEN Jiangxu (appointed on 5 June 2015)
YU Ning
SHI Chungui (resigned on 5 June 2015)

REMUNERATION COMMITTEE

CHEN Jiangxu *(Chairman)*
(appointed on 5 June 2015)
YU Ning
CHOW Joseph
SHI Chungui (resigned on 5 June 2015)

NOMINATION COMMITTEE

YU Ning *(Chairman)*
CHEN Jiangxu (appointed on 5 June 2015)
CHOW Joseph
SHI Chungui (resigned on 5 June 2015)

STRATEGIC DEVELOPMENT COMMITTEE

ZHANG Yong *(Chairman)*
CHEN Xiaodong (appointed on 5 June 2015)
SHEN Guojun (resigned on 5 June 2015)

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				
	2011	2012	2013	2014	**2015**
	Restated	*Restated*	*Restated*		
Same store sales growth	23.1%	9.1%	8.0%	-3.3%	**0.5%**

	Year ended 31 December				
	2011	2012	2013	2014	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
	Restated	*Restated*	*Restated*		
Operating Results					
Revenue	3,117,198	3,907,230	4,510,219	5,250,568	**5,755,453**
Profit before tax	1,266,394	1,514,211	2,356,100	1,805,256	**1,841,616**
Profit for the year	961,189	1,165,715	1,713,858	1,163,782	**1,349,098**
Profit attributable to:					
– Owners of the parent	903,735	1,074,122	1,594,524	1,121,483	**1,317,474**
– Non-controlling interests	57,454	91,593	119,334	42,299	**31,624**
Full year dividends per share (RMB)	0.17	0.19	0.21	0.22	**0.32**
Basic earnings per share (RMB)	0.47	0.54	0.79	0.53	**0.60**
Diluted earnings per share (RMB)	0.46	0.53	0.79	0.50	**0.52**

	31 December				
	2011	2012	2013	2014	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
	Restated	*Restated*	*Restated*		
Assets and Liabilities					
Total assets	17,678,654	21,925,675	23,972,589	27,794,182	**28,278,182**
Total liabilities	(10,081,484)	(13,296,104)	(13,937,400)	(16,013,089)	**(16,253,661)**
Total equity	7,597,170	8,629,571	10,035,189	11,781,093	**12,024,521**
– Owners' equity	6,824,690	7,612,849	8,860,386	10,694,983	**11,037,548**
– Non-controlling interests	772,480	1,016,722	1,174,803	1,086,110	**986,973**

Chairman's Statement

Dear Shareholders,

I would like to take this opportunity, on behalf of everyone at the Group, to express my deepest appreciation to our customers, employees, investors and partners who have believed in us and supported us over the past year.

2015 has been a challenging and inspiring year for the Group. The strengthening of the Group's strategic cooperation with Alibaba Group Holding Limited ("Alibaba") during the year has resulted in further integration of offline and online business, where digital economy combines with physical shops. We have a clear vision of where the Group is and where it is headed. Over the past year we have become healthier, stronger and more confident and have made great progress in our strategic development.

In view of the Group's performance and in recognition of shareholders' support, 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 and a special dividend of RMB0.10 per share already paid, the full year dividend per share for 2015 will amount to RMB0.32 per share if the proposed final dividend is approved at the forthcoming annual general meeting.

China's economy has immense potential as it is transitioning from an export sales-driven economy to a domestic-consumption economy. With increasing wealth and rising consumer sophistication, the retail market in China is undergoing fundamental changes. Most significant is their abiding interest in trading up – more Chinese consumers are willing to pay a premium for higher quality products and services. Chinese consumers today are also becoming accustomed to optimising their shopping experience across different channels, including physical stores, online platforms and social media. The future will lie in our ability to adopt big data and internet technology to stimulate consumer consumption and generate exponential development opportunities. The future of consumer retail will be a combination of both the online and offline experience. The two will not be against each other, rather a complimentary service which helps consumers shop more efficiently and effectively. The Group is committed to the continuous development and integration of both online and offline retail platforms that will satisfy growing customer needs.

On behalf of the Board and staff members, I would also like to thank Mr. Shen Guojun, who had been a chairman and member of the Board since listing of the Company, for his leadership and significant contribution he has made to the Group throughout the years.

Thank you again for investing in us. We are grateful for the trust you have placed in us and what we will accomplish in the future.

Zhang Yong
Chairman

MACROECONOMIC OVERVIEW

In 2015, faced with complicated international environment and increasing downward pressure on the economy, China's economy achieved a moderate but stable and sound development. According to the preliminary estimation, the gross domestic product (GDP) of China was RMB67,670.8 billion in 2015, representing an increase of 6.9%. Retail sales in China maintained a slow but steady growth rate in 2015. The total retail sales of consumer goods grew by 10.7% year-on-year, which is notably slower than the 12.0% increase recorded in 2014. According to the China National Commercial Information Center, the 50 key retail enterprises' sales decreased 0.2% year-on-year in 2015.

China's e-commerce has, however, played a major role in driving up retail sales in China. In 2015, the total online retail sales of goods and services grew by 33.3% year-on-year to RMB3,877.3 billion, among which the online retail sales of physical goods was RMB3,242.4 billion, an increase of 31.6%, and the online retail sales of non-physical goods was RMB634.9 billion, an increase of 42.4%. Online-to-offline (O2O) services have accelerated from a developmental phase to a commercially viable business model across China's largest cities in 2015.

The economy of Zhejiang province, where the Group has achieved a leading market position, achieved a steady GDP growth rate of 8.0% in 2015. The total retail sales of consumer goods in Zhejiang province rose by 10.9% to RMB1,978.5 billion in 2015, which is slower than the 11.7% increase recorded in 2014. The per capita disposable income of urban households in Zhejiang province increased by 8.2% to RMB43,714 in 2015, which is slower than the 8.9% increase recorded in 2014. The slowdown in income growth has dampened the growth in traditional retail industry.

OPERATIONAL OVERVIEW

Amid the overall slowdown in the traditional retail industry, 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 commissions from sale of goods) of RMB16,760.7 million for the year ended 31 December 2015, representing an increase of 6.0% as compared to that of last year. The year-on-year same store sales growth of the Group was 0.5%. For the year ended 31 December 2015, total revenue of the Group increased to RMB5,755.5 million, representing an increase of 9.6% as compared to that of last year. Profit attributable to owners of the parent was RMB1,317.5 million, representing an increase of 17.5% as compared to that of last year.

Expansion of Network

During the year under review, the Group continued to selectively and prudently seek for potential opportunities to expand retail network. In June 2015, Wuhu Intime City, the Group's third shopping mall in Anhui Province, commenced operations. Wuhu is the second largest economy in Anhui Province and one of the key cities alongside Yangtze River. With a gross floor area of approximately 133,000 square meters, Wuhu Intime City is a cultural shopping centre integrating fashion, leisure, dining, entertainment and cultural functions. In August 2015, Ningbo Universal Intime City, the Group's first shopping mall in Ningbo, commenced operations. With a gross floor area of approximately 161,881 square meters, Ningbo Universal Intime City is located in the core district of Yinzhou New City of Ningbo and is a one-stop family mall for shopping, dining, entertainment and leisure.

As at 31 December 2015, the Group operated and managed a total of 29 department stores and 17 shopping malls with a total gross floor area of 2,895,674 square meters, including 20 department stores and 10 shopping malls located in the principal cities of Zhejiang province, 6 department stores and 1 shopping mall located in Hubei province, 1 department store located in Beijing, 3 shopping malls located in Anhui province, 1 shopping mall located in Hebei province, 1 shopping mall located in Guangxi province, and 2 department stores and 1 shopping mall located in Shaanxi province. All of the Group's stores and shopping malls are located in prime shopping locations of their respective cities and aimed to provide the Group's customers with pleasant and perfect shopping experience.

Disposal of Non-Core Assets

On 26 May 2015, Hangzhou Intime North Hill Enterprise Management Co., Ltd. ("Hangzhou North Hill"), an indirect wholly-owned subsidiary of the Company, and Art Capital Holdings Limited ("Art Capital") entered into an equity transfer agreement (the "Equity Transfer Agreement") pursuant to which Hangzhou North Hill agreed to dispose of and Art Capital agreed to acquire the 50% equity interest in Hangzhou Xin Hubin Commercial Development Co., Ltd. ("Hangzhou Xin Hubin") for a consideration of RMB305,369,900. Upon completion of the above transfer, the Company will cease to have any equity interest in Hangzhou Xin Hubin. In addition, the shareholder's loan, being a loan owed by the Hangzhou Xin Hubin to Hangzhou North Hill in the amount of RMB384,000,000, shall be repaid to Hangzhou North Hill by 20 December 2016. Art Capital shall pledge its interest in Hangzhou Xin Hubin to Hangzhou North Hill, as guarantee of the Hangzhou Xin Hubin's payment obligations in connection with the shareholder's loan. As Art Capital is wholly beneficially owned by Mr. Shen Guojun, an executive Director and the chairman of the Company at the time of the transaction, it was a connected person of the Company pursuant to the Listing Rules. Accordingly, the transaction under the Equity Transfer Agreement constituted as a connected transaction under Chapter 14A of the Listing Rules.

Hangzhou Xin Hubin has been operating at a loss since its inception and is not expected to be able to generate profit in the near future given the current operating and economic environment. The investment returns of Hangzhou Xin Hubin have also not met the Board's original expectation. By disposing of the 50% equity interest in Hangzhou Xin Hubin, the Group can be released from the financial burden of Hangzhou Xin Hubin and thus can optimize its assets and liabilities structure and improve its financial performance. The Group's financial and management resources can be better devoted to its other existing business. The net proceeds from the disposal of the 50% equity interest in Hangzhou Xin Hubin will be utilized as general working capital of the Group and, where appropriate, to pursue other potentially more profitable investment opportunities in the future in order to strengthen its core business of operation and management of department stores and shopping malls.

Appointment of New Chairman

At the annual general meeting held on 5 June 2015 (the "Meeting"), Mr. Shen Guojun ("Mr. Shen") did not offer himself for re-election as he would like to focus his time and energy on his other business endeavors, Mr. Shen ceased to be and resigned as an executive Director with effect from the conclusion of the Meeting. Mr. Shen also resigned from his roles as the chairman of the Board and chairman of the strategic development committee of the Company with effect from the conclusion of the Meeting.

Mr. Zhang Yong, a non-executive Director, has been appointed as the chairman of the Board and the chairman of the strategic development committee of the Company, with effect from the conclusion of the Meeting. Mr. Chen Xiaodong, an executive Director and the chief executive officer of the Company, has also been appointed as a member of the strategic development committee of the Company, with effect from the conclusion of the Meeting.

Mr. Zhang Yong has been appointed as the chief executive officer of Alibaba with effect from 10 May 2015. Mr. Zhang Yong is also a director of Alibaba.

Transfer of Shares by the Controlling Shareholder

As disclosed in the announcement of the Company dated 4 May 2015, the Company has been informed by Mr. Shen Guojun that, on 3 May 2015, he agreed to transfer 60,000,000 shares of the Company to Mr. Chen Xiaodong, an executive Director and the chief executive officer of the Company.

As disclosed in the announcement of the Company dated 19 July 2015, the Company has been informed by Mr. Shen Guojun that he agreed to transfer an aggregate of 398,040,000 shares of the Company to two of his close relatives and two other independent third parties of the Company (the "Transfers"). Following the completion of the Transfers on 27 August 2015, Mr. Shen Guojun has ceased to be the controlling shareholder (as defined in the Listing Rules) of the Company.

Consumption Solution Provider Driven by Big Data

The Group aims at becoming a consumption solution provider driven by big data, so that customers could spend more time and have their needs fulfilled at any one of our newly designed department stores, shopping malls, online stores and online-to-offline (O2O) channels. Since last year's strategic cooperation with Alibaba, the Group has accelerated its omni-channel strategies and has rolled out O2O initiatives such as Miaojie (喵街), Miaohuo (喵貨), Choice (西選), I Choice (意選) and Miaoke (喵客). These initiatives, combined with the online platform Yintai.com, Intime store on Tmall and 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 the omni-channel construction and better the customers shopping experience.

"Offering good product at inexpensive price" is the basic fundamental of the retail industry. During the year 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 made continuous efforts to reduce layers of suppliers, to achieve greater operating synergy and economies of scale in daily retail operations, to enhance the integration of new stores 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 for our customers' needs and are committed to providing shopping solutions that are relevant and rewarding for customers both in stores and online.

During the year, the Group achieved further integration with Alibaba's platform. On one hand, the Group has supported online brands on Alibaba's platforms to sell at Intime's physical stores. On the other hand, the Group has stepped up efforts to encourage Intime's offline brands to sell on Alibaba's platforms. At present, about 46 Tao brands from online have been selling at the Group's physical stores. The Group also plans to collaborate with more Tao brands for selling at its physical stores in 2016. Currently, approximately 580 offline brands of Intime are already selling online.

OUTLOOK

To succeed in today's highly competitive marketplace, we need to take into account 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 needs to learn and apply new technologies to our business. We will be more proactive to meet the needs of our customers and to adapt to the continuous changing market conditions. We believe enterprises which understand their customers, leverage technology to evolve the customer experience and seek to differentiate themselves, such as the Group, have an opportunity to thrive in the market. We will step up effort to ensure that all channels complement one another and provide accurate, consistent and current information. We will add value and meaning to physical stores, turning the space into an environment for new experiences and social activities. In addition, the Group will adopt light-asset business strategy in its future development.

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 consumption solution provider driven by big data. The Group plans to comprehensively cooperate with Alibaba on O2O services. In this new digital world, it is crucial for retail operators to leverage data and analytics to track customers' shopping preferences and to turn the data into actionable insight. We believe customer loyalty and consumption will increase with the further integration of online and offline products. With the strategic cooperation with Alibaba, we believe that the Group is well positioned to benefit in the "Internet+" era.

With the launching of the 13th Five-Year Plan in 2016, China is dedicated to establishing an economy driven mainly by innovation and consumption. We believe that the Chinese government will maintain the continuity and stability of macro-economic policies in order to keep a reasonable and sustainable economic growth in the next few years. Coupled with the rollout of the "two child policy", new urbanization policy and growing purchasing power of the Chinese middle class, we believe that the retail market will continue to provide promising opportunities in the upcoming years. The Group is confident about its future development and will strive to create more value for its shareholders through persistent efforts.

Chen Xiaodong
Chief Executive Officer

TOTAL GROSS SALES PROCEEDS AND REVENUE

For the year ended 31 December 2015, 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 commissions from sale of goods) was RMB16,760.7 million, representing an increase of 6.0% from RMB15,814.3 million in 2014. The growth was mainly attributable to the same store sales growth of approximately 0.5%, the inclusion of the sales performances of the new stores and shopping malls opened in the year of 2014 and the significant increase in rental income.

Among the total gross sales proceeds of the Group, total sales proceeds from concessionaire sales accounted for 83.5% (2014: 85.8%) and those derived from direct sales accounted for 10.8% (2014: 10.6%). Sales proceeds from concessionaire sales increased by 3.1% to RMB13,987.8 million in the year of 2015. The commission rate of concessionaire sales remained stable at 17.0% for the year of 2015 (2014: 17.2%).

In line with the Group's strategy to strengthen direct sales and to enhance overall profitability, total sales proceeds from direct sales increased by 8.5% to RMB1,814.3 million for the year of 2015. Direct sales margin also remained stable at approximately 15.5% for the year of 2015 (2014: 15.9%).

Rental income increased by 67.8% to RMB912.1 million for the year of 2015. 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.

The Group's total retail revenue for the year ended 31 December 2015 amounted to RMB5,153.2 million, representing an increase of 12.3% from RMB4,587.8 million in 2014. Including sale of properties, the Group's total revenue for the year ended 31 December 2015 amounted to RMB5,755.5 million, representing an increase of 9.6% from RMB5,250.6 million in 2014. 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.

OTHER INCOME AND GAINS

Other income of the Group, which mainly comprised of advertisement, promotion and administration income, amounted to RMB477.3 million, representing an increase of 6.7% from RMB447.2 million recorded in the year of 2014.

Other gains of the Group amounted to RMB598.4 million for the year of 2015 (2014: RMB419.8 million), which was mainly comprised of the fair value gains on investment properties, the gain on disposal of shares of Wuhan Department Store Group Co. Ltd., the gain on disposal of the entire equity interests in Shenyang Northern Intime Co. Ltd as disclosed in the Company's announcement dated 15 December 2014 and the gain on disposal of the 50% equity interests in Hangzhou Xin Hubin as disclosed in the Company's announcement dated 26 May 2015.

PURCHASES OF GOODS AND CHANGES IN INVENTORIES

The purchases of goods and changes in inventories represent the cost of the direct sales. In line with the growth of direct sales, the Group's purchases of goods and changes in inventories increased to RMB1,533.2 million for the year ended 31 December 2015, representing an increase of 9.1% from RMB1,405.8 million recorded in the year of 2014.

SALE OF PROPERTIES, COST OF PROPERTIES SOLD, PROPERTIES DEVELOPMENT EXPENSES AND FINANCE COSTS OF PROPERTIES DEVELOPMENT

The Group's cost of properties sold, properties development expenses and finance costs of properties development amounted to RMB435.4 million, RMB104.6 million and RMB31.1 million, respectively, which were related to the sale of properties amounted to RMB602.3 million for the year of 2015.

STAFF COSTS

The Group's staff costs increased by 2.6% from RMB759.7 million in 2014 to RMB779.3 million in 2015. Staff costs as a percentage of total revenue of the Group for year of 2015 was 13.5%, which was lower than the ratio of 14.5% recorded in the year of 2014, indicating improvement in staff cost management.

DEPRECIATION AND AMORTISATION

The Group's depreciation and amortisation increased by 8.9% from RMB456.4 million in 2014 to RMB497.0 million in 2015. 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. Depreciation and amortisation as a percentage of total revenue of the Group for year of 2015 was 8.6% (2014: 8.7%).

OTHER EXPENSES

Other expenses, which mainly consisted of utility expenses, store rental expenses, advertising expenses, credit card charges, professional service charges and other tax expenses, increased by 16.0% from RMB1,655.5 million in 2014 to RMB1,920.2 million in 2015. Other expenses as a percentage of total revenue of the Group in 2015 was 33.4%, which was higher than the ratio of 31.5% recorded in 2014.

SHARE OF LOSSES OF A JOINT VENTURE

This is the share of losses in Hangzhou Xin Hubin, a joint venture of the Company. The share of losses of Hangzhou Xin Hubin amounted to RMB18.6 million in 2015, which was lower than the losses of RMB33.9 million recorded in 2014.

SHARE OF PROFITS AND LOSSES OF ASSOCIATES

The share of profits and losses of associates for year ended 31 December 2015 amounted to RMB284.5 million, representing a decrease of 17.1% from RMB343.1 million recorded in 2014. 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 2015, finance income of the Group amounted to RMB219.9 million, representing an increase of 1.3% from RMB217.0 million recorded in 2014.

FINANCE COSTS OF RETAILING

For the year ended 31 December 2015, finance costs of retailing of the Group amounted to RMB174.5 million, representing an increase of 3.1% from RMB169.3 million recorded in 2014.

INCOME TAX EXPENSE

The Group's income tax expenses decreased by 23.2% from RMB641.5 million in 2014 to RMB492.5 million in 2015. The effective tax rate of the Group was 26.7% in 2015, which was lower than the rate of 35.5% recorded in 2014.

PROFIT FOR THE YEAR

As a result of the reasons mentioned above, profit for the year ended 31 December 2015 amounted to RMB1,349.1 million, representing an increase of 15.9% from RMB1,163.8 million in 2014.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Profit attributable to owners of the parent for the year ended 31 December 2015 amounted to RMB1,317.5 million, representing an increase of 17.5% from RMB1,121.5 million in 2014.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and cash equivalents amounted to RMB1,580.5 million as at 31 December 2015, representing a decrease of RMB548.9 million from the balance of RMB2,129.4 million as at 31 December 2014. For the year ended 31 December 2015, the Group's net cash inflow from operating activities amounted to RMB1,322.3 million (2014: RMB1,002.3 million), the Group's net cash used in investing activities amounted to RMB579.0 million (2014: RMB1,278.5 million), and the Group's net cash used in financing activities amounted to RMB1,234.6 million (2014: inflow of RMB620.9 million).

As at 31 December 2015, the Group's borrowings, including bank and other borrowings and convertible bonds amounted to RMB5,979.2 million (31 December 2014: RMB6,175.6 million). The gearing ratio, calculated by the total interest-bearing bank and other borrowings and convertible bonds over the total assets of the Group, decreased to 21.1% as at 31 December 2015 (31 December 2014: 22.2%).

NET CURRENT LIABILITIES AND NET ASSETS

The net current liabilities of the Group as at 31 December 2015 amounted to RMB3,489.2 million, while it was RMB1,077.9 million as at 31 December 2014. Net assets of the Group as at 31 December 2015 amounted to RMB12,024.5 million, representing an increase of 2.1% from RMB11,781.1 million as at 31 December 2014.

PLEDGE OF ASSETS

Certain buildings, investment properties, land use rights, completed properties held for sale and time deposits with a carrying amount of RMB2,740 million have been pledged to the Industrial and Commercial Bank of China, Agricultural Bank of China, Standard Chartered Bank and the Hong Kong and Shanghai Banking Corporation Limited to obtain bank facilities in the aggregate amount of RMB2,046.9 million as at 31 December 2015.

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 did not use any forward contracts, currency borrowings or other means to hedge its foreign currency exposure for the year of 2015. Nevertheless, the Group will from time to time review and adjust the Group's hedging and financing strategies based on the RMB, Hong Kong dollars and United States dollars exchange rate movement.

STAFF AND REMUNERATION POLICY

As at 31 December 2015, the total number of employees of the Group was 7,931. 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 39 to the financial statements.

ACTUAL USE OF PROCEEDS OF SUBSCRIPTION SHARES & CONVERTIBLE BONDS

Reference is made to the announcement of the Company dated 31 March 2014 and the circular of the Company dated 9 June 2014 (the "Circular") in relation to, among other things, the issue of subscription shares and convertible bonds to Alibaba Investment Limited (the "Subscription").

As disclosed in the Circular, the proceeds from the Subscription amounted to approximately HK$5,368 million and the Company had intended to use the proceeds from the Subscription for the following purposes and in the amounts set out below, subject to changes in light of the Company's evolving business needs and changing market conditions:

(i) approximately HK$1,500 million for synergizing the Group's online-to-offline (O2O) business with its omni-channel strategies so as to create a highly convenient and expedient shopping experience;

(ii) approximately HK$700 million for expansion of the Group's retail business network by opening of new stores;

(iii) approximately HK$1,000 million for possible acquisition of high quality assets and/or retail businesses in order to complement the Group's retail business;

(iv) approximately HK$1,100 million for repayment or prepayment of existing debt, and such repayment or prepayment will not be made in respect of indebtedness owed to any shareholders of the Company; and

(v) approximately HK$1,068 million for general working capital.

In light of the Company's evolving business needs and in order to adapt to changing market conditions, the Company has applied and currently intends to apply the proceeds from the Subscription as follows:

(i) as at 31 December 2015, approximately HK$500 million has been used for synergizing the Group's online-to-offline (O2O) business with its omni-channel strategies so as to create a highly convenient and expedient shopping experience;

(ii) as at 31 December 2015, approximately HK$500 million has been used for expansion of the Group's retail business network by opening of new stores;

(iii) as at 31 December 2015, approximately HK$1,000 million has been used for acquisition of high quality retail assets in order to complement the Group's retail business;

(iv) as at 31 December 2015, approximately HK$1,800 million has been used for repayment or prepayment of existing debt, and such repayment or prepayment was not be made in respect of indebtedness owed to any shareholders of the Company;

(v) as at 31 December 2015, approximately HK$800 million has been used for general working capital; and

(vi) the remaining balance of approximately HK$768 million is intended to be used for developing O2O business.

EXECUTIVE DIRECTORS

Mr. Shen Guojun, 53, was appointed as the chairman of the Company (the "Chairman") and executive Director of the Company in November 2006 and resigned as the Chairman and executive Director of the Company in June 2015. Mr. Shen was 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, 47, 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.

NON-EXECUTIVE DIRECTORS

Mr. Xin Xiangdong, 59, 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, 44, was appointed as a non-executive Director of the Company in July 2014 and the Chairman of the Company in June 2015. Mr. Zhang is currently a director and chief executive officer of Alibaba Group Holding Limited, a company listed on the New York Stock Exchange. 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 board of directors of Haier Electronics Group Co., Ltd., 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, a company listed on the NASDAQ Stock Market, since May 2014. Mr. Zhang was a non-executive director of Alibaba Health Information Technology Limited, a company listed on The Stock Exchange of Hong Kong Limited. 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, 54, was appointed as a non-executive Director of the Company in September 2014 and resigned as a non-executive Director of the Company in June 2015. 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, 46, was appointed as a non-executive Director of the Company in November 2014 and resigned as a non-executive Director of the Company in November 2015. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Shi Chungui, 75, was appointed as an independent non-executive Director of the Company in May 2008 and resigned as an independent non-executive Director of the Company in June 2015. 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, 62, 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), a company listed on The Shanghai Stock Exchange. He is also an independent director of Beingmate Baby & Child Food Co. Ltd. (Stock Code: 002570) 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 an independent director of China CSSC Holdings Limited (Stock Code: 600150), a company listed on The Shanghai Stock Exchange. Mr. Yu was also an independent director of United Mechanical and Electrical Co., Ltd. (Stock Code: 000925), a company listed on the Shenzhen Stock Exchange. 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, 52, 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.

Mr. Chen Jiangxu, 63, was appointed as an independent non-executive Director of the Company in June 2015. Mr. Chen has extensive experience serving in financial institutions in the PRC. From 1984 to 1996, Mr. Chen held various positions with the Wuhan Branch of Bank of China, where he served his last office as president of the Wuhan Branch. From 1996 to 1998, Mr. Chen served as the president and party secretary of the Hubei Province Branch of Bank of China. From 1999 to 2012, he served as party member and deputy president of China Orient Asset Management Corporation. From 2010 to March 2015, he served as the chairman of Dongxing Securities Company, a company listed on The Shanghai Stock Exchange (Stock Code: 601198). From 2012 to March 2015, Mr. Chen also served as the chairman of Wuhan Bangxin Microfinance Company Limited. Mr. Chen graduated from Wuhan University (formerly Wuhan College of Hydraulic and Electric) in 1982 with a bachelor degree in philosophy. Mr. Chen obtained his master and doctorate degree, both in economics, from Wuhan University in 1984 and 1995, respectively.

SENIOR MANAGEMENT

Mr. Zou Minggui, 52, 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. Gary Wang, 39, 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, 53, 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. Wei Biao, 53, has been Assistant President of the Group since January 2014 and as General Manager of Ningbo and Ciqi areas from January 2016. Mr. Wei joined our Group in January 2012, and served as the General Manager of Central and South Zhejiang region and Northern Zhejiang region. He was responsible for setting up many stores. Before joining the Group, he was the General Manager of Time Square in Wenzhou. He has 20 years of experience in the department store retail industry. Mr. Wei graduated from the Shanghai University of Engineering Science, majoring in industrial management engineering, and obtained an EMBA from the Renmin University of China.

Mr. Cheng Yongjiang, 41, 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, 43, 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. Jiang Zhixiong, 35 years old, has been Assistant President of the Group since August 2015 while also serving as the general manager of the legal affairs department, responsible for legal affairs. Mr. Jiang has been the Group's general manager of the legal affairs department since January 2013, and had been the vice general manager of the Group's legal affairs department since May 2012, being responsible for the Group's legal affairs. Before joining the Group, he served as the general manager of the legal affairs department of the Beijing C.P. Lotus Corporation. Mr. Jiang has nearly ten years of experience in legal affairs management. He previously served as legal affairs manager of Digital China Co. Ltd. and as a lawyer at Rolmax Law Office Beijing division. Mr. Jiang holds a bachelor's degree in law from Xiamen University and a master's degree in Civil and Commercial Law at the China University of Political Science and Law.

Ms. Xia Zhengyu, 45, has been Assistant President of the Group since 1st January 2016 and also served as general manager of Choice Xixuan since September 2015. Ms. Xia joined our group in April 2009, serving as general manager of the Eastern Zhejiang region, and was responsible for the operation of all the stores in the region. Before joining our Group, Ms. Xia served as general manager of Ningbo City Plaza Development Company Ltd., and possesses nearly 10 years of experience in commercial operation management. Ms. Xia graduated at the Party School of the Central Committee of the C.P.C., majoring in financial accounting.

The Board is pleased to present this Corporate Governance Report in the annual report of the Group for the year ended 31 December 2015.

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 risk management and 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 2015 to 31 December 2015. 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 2015, the Board comprised of six Directors, including one executive Director, namely Mr. Chen Xiaodong; two non-executive Directors, namely Mr. Xin Xiangdong and Mr. Zhang Yong and three independent non-executive Directors, namely Mr. Chen Jiangxu, Mr. Yu Ning and Mr. Chow Joseph. Mr. Zhang Yong is the Chairman of the Board. On 5 June 2015, Mr. Shen Guojun, Mr. Lee Hon Chiu and Mr. Shi Chungui resigned as an executive Director, a non-executive Director and an independent non-executive Director respectively; and Mr. Chen Jiangxu was appointed as an independent non-executive Director. On 11 November 2015, Ms. Sun Xiaoning resigned as a non-executive Director.

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 positions of Chairman and Chief Executive Officer are held by Mr. Zhang Yong and Mr. Chen Xiaodong, respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board and the strategic development of the Group. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

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 more than 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 Director, 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 2015 to 31 December 2015 is as follows:

Name of Director	**Training** (Notes)
Zhang Yong	A,B
Shen Guojun (resigned on 5 June 2015)	A,B
Chen Xiaodong	A,B
Xin Xiangdong	A,B
Lee Hon Chiu (resigned on 5 June 2015)	A,B
Sun Xiaoning (resigned on 11 November 2015)	A,B
Shi Chungui (resigned on 5 June 2015)	A,B
Yu Ning	A,B
Chow Joseph	A,B
Chen Jiangxu (appointed on 5 June 2015)	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.

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 2015.

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. Chen Jiangxu, 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 system, and risk management and internal control systems 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 risk management and internal control systems. The Audit Committee also considered and reviewed the reports prepared by the external auditors relating to accounting, risk management 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. Chen Jiangxu, Mr. Yu Ning and Mr. Chow Joseph, all of whom are independent non-executive Directors. The Committee is chaired by Mr. Chen Jiangxu, 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 2015 are set out in note 9 and note 43 respectively to the financial statements.

Nomination Committee

The Nomination Committee currently comprises of three members, namely Mr. Chen Jiangxu, 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 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 2015, 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. Zhang Yong, a non-executive Director, and Mr. Chen Xiaodong, an executive Director. The Committee is chaired by Mr. Zhang Yong, a non-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 meeting of the Company held during the year ended 31 December 2015 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
Zhang Yong	4/4	–	–	–	1/1
Shen Guojun (resigned on 5 June 2015)	2/2	–	–	–	1/1
Chen Xiaodong	4/4	–	–	–	1/1
Xin Xiangdong	4/4	–	–	–	1/1
Lee Hon Chiu (resigned on 5 June 2015)	2/2	–	–	–	1/1
Sun Xiaoning (resigned on 11 November 2015)	3/3	–	–	–	1/1
Shi Chungui (resigned on 5 June 2015)	2/2	1/1	1/1	1/1	1/1
Yu Ning	4/4	2/2	1/1	1/1	1/1
Chow Joseph	4/4	2/2	1/1	1/1	1/1
Chen Jiangxu (appointed on 5 June 2015)	2/2	1/1	0/0	0/0	0/0

Note 1: Number of Meetings held during the year ended 31 December 2015 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 2015.

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.

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 60 to 61.

For the year ended 31 December 2015, the remuneration paid by the Company to the external auditors for the performance of audit services and non-audit services were approximately RMB3,400,000 and RMB421,000 respectively. The main non-audit services provided by the external auditors include tax services and other advisory 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.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year ended 31 December 2015, the Board complied with the code provisions on risk management and internal control as set out in the CG code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. This includes the Audit Committee receiving reports from the Company's internal audit function on the results of their work. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board has overseen the Company's risk management and internal control systems on an ongoing basis, with the support of the Audit Committee. A year end review of the effectiveness of the Company's and its subsidiaries risk management and internal control systems has been conducted annually and the systems are considered to be effective and adequate. The Board also reviewed the adequacy of resources, staff qualifications and experience, training programme and budget of the Company's accounting, internal audit and financial reporting function. The Company also has an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

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.

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.

The Directors have pleasure in submitting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

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 71 to 80 and pages 142 to 146 of this annual report.

BUSINESS REVIEW

A review of the business of the Group during 2015 and a discussion on the Group's future business development are set out in the Chairman's Statement, CEO's Statement and Management Discussion and Analysis on pages 6 to 18 of this annual Report. Certain financial key performance indicators are provided in the section of Financial Highlights. No important event affecting the Group has occurred since the end of the financial year under review.

RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not known to the Group or which may not be material now but could turn out to be material in the future. Besides, this annual Report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company. Investors are advised to make their own judgement or consult professionals before making any investment in the securities of the Company.

1. Economic risks are mainly attributable to the domestic and overseas macro-economies. Our results of operations are sensitive to changes in overall economic and political conditions that impact consumer spending, including consumer discretionary spending in the PRC.

2. Operation risks are mainly attributable to the supervision and control procedures of each business segments involved in the daily operation and management process of the Company. If we cannot find suitable locations for our stores and malls and on commercially acceptable terms, our results of operation may be affected. Our business relies on the proper performance of our information systems and any malfunction for extended period could affect our ability to operate.

3. Human resources risks are mainly attributable to our ability to attract and retain qualified administrative, customer services, supervisory and management personnel to manage our existing operations and future growth.

4. Legal risks are mainly attributable to the domestic and overseas policies and the changing regulations and the internal contract management capability of the Company. If we fail to obtain or renew the relevant regulatory licences and approvals, our operations may be affected.

5. Market risks are mainly attributable to the business workflow including marketing management of the Group, pricing strategies, consumer demands and preferences, and relationship with concessionaires and direct sales suppliers. The retail industry in China is highly competitive. We face competition from local, regional, national and international retail operators.

6. Foreign exchange risk refers to the risk created by the fluctuation in the value of Renminbi. Substantially all of our revenue is denominated in Renminbi and must be converted to pay dividends or other payments in freely convertible currencies.

KEY RELATIONSHIP

In the year of 2015, the Group was awarded the "Employees' Most Favoured Company" by China Chain Store and Franchise Association.

Employees are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. The Group provides training and development opportunities to its employees. The training programs cover areas such as managerial skills, sales planning and training of other areas relevant to the industry. In addition, the Group offers competitive remuneration packages to its employees.

The Group has developed long-standing and good relationships with our suppliers and taken great care to ensure that they can share our commitment to product quality and customer satisfaction. We carefully select our suppliers and require them to satisfy certain assessment criteria including track record, experience, customer preference, reputation, and ability to provide high-quality products.

The Group's business is built on a customer-oriented culture, and is focused on establishing good relationships with all customers. The Group values the views and opinions of all customers through various means and channels, including usage of big data to understand customer trends and needs and regular analysis on customer feedback.

ENVIRONMENTAL PROTECTION

As a socially responsible enterprise, the Group has endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental measures to ensure that the conducting of the Group's business meets the applicable local standards and ethics in respect of environmental protection. The Group puts great emphasis in environmental protection and sustainable development.

Several measures have been implemented in order to reduce carbon emissions and increase energy efficiency, such as the installation of light-emitting diode ("LED") lighting in the Group's stores and shopping malls; reducing electricity consumption and keeping indoor temperature at reasonable level; frequent and regular maintenance of ventilation system; reminding employees to practice photocopying wisely and to use both sides of paper.

Further, the Group has actively promoted material-saving and environmentally friendly working environment so as to protect the environment and improve air quality within the community.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

As far as the Company is aware of, the Group has complied with all relevant rules and regulations promulgated by the relevant regulatory bodies to which the Group operates its business in and holds relevant required licences for provision of its services. The Group's management must ensure that the conduct of business is in conformity with the applicable laws and regulations.

In particular, the Group complies with the requirements under the Companies Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Securities and Futures Ordinance (the "SFO") for the disclosure of information and corporate governance. The Group also complies with the requirements of applicable labour laws and ordinances relating to occupational safety for the interest of employees of the Group.

RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss on page 62 of this annual report.

PROPOSED FINAL DIVIDEND

During the year ended 31 December 2015, an interim dividend of RMB0.10 per share and a special dividend of RMB0.10 per share were 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 2015, 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 14 June 2016.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital during the year are set out in note 35 to the financial statements.

RESERVES

As at 31 December 2015, the Company has reserves of RMB3,572,723,000 in total available for distribution (2014: RMB4,362,170,000), of which RMB261,606,000 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 47 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 RMB738,070 (2014: RMB2,651,000).

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 2015, the Company repurchased a total of 9,810,500 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$)*	Lowest price paid per share *(HK$)*	Aggregate Consideration Paid *(HK$)*
March 2015	125,000	5.10	5.10	637,500
July 2015	7,685,500	8.50	6.65	59,293,300
August 2015	2,000,000	7.55	7.31	14,865,260
Total	9,810,500	8.50	5.10	74,796,060

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 2015.

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 2015 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 (resigned on 5 June 2015)
Mr. Chen Xiaodong

Non-executive Directors:

Mr. Zhang Yong *(Chairman)*
Mr. Xin Xiangdong
Mr. Lee Hon Chiu (resigned on 5 June 2015)
Ms. Sun Xiaoning (resigned on 11 November 2015)

Independent Non-executive Directors:

Mr. Shi Chungui (resigned on 5 June 2015)
Mr. Yu Ning
Mr. Chow Joseph
Mr. Chen Jiangxu (appointed on 5 June 2015)

Mr. Shen Guojun, Mr. Lee Hon Chiu and Ms. Sun Xiaoning resigned as Directors of the Company in order to devote more time on their other business commitments; and Mr. Shi Chungui resigned as Director of the Company due to the reach of the age of retirement during the year under review.

Pursuant to Article 130 of the Company's Articles of Association, Mr. Chow Joseph and Mr. Yu Ning shall retire from office at the AGM. Being eligible, Mr. Chow Joseph and Mr. Yu Ning will offer themselves for re-election at the AGM.

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.

INDEMNITY AND INSURANCE PROVISIONS

The Articles of Association of the Company provides that every Director and other officer of the Company shall be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. The Company has arranged appropriate directors and officers liability insurance in respect of legal action against Directors.

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 TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Connected Transactions and Continuing Connected Transactions" below and in note 43 to the financial statements, no transactions, arrangements or contracts of significance in relation to the Company's business to which the Company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year 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 43 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 2015.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2015, none of the Directors or their respective close 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

Connected Transaction disclosed in accordance with the Listing Rules is as follows:

Disposal of Equity Interest in Hangzhou Xin Hubin and Financial Assistance to Connected Person

On 26 May 2015, Hangzhou Intime North Hill Enterprise Management Co., Ltd. ("Hangzhou North Hill"), an indirect wholly-owned subsidiary of the Company, and Art Capital Holdings Limited ("Art Capital") entered into an equity transfer agreement (the "Equity Transfer Agreement") pursuant to which Hangzhou North Hill agreed to dispose of and Art Capital agreed to acquire the 50% equity interest in Hangzhou Xin Hubin Commercial Development Co., Ltd. ("Hangzhou Xin Hubin") for a consideration of RMB305,369,900. Upon completion of the above transfer, the Company will cease to have any equity interest in Hangzhou Xin Hubin. In addition, the shareholder's loan, being a loan owed by the Hangzhou Xin Hubin to Hangzhou North Hill in the amount of RMB384,000,000 (the "Shareholder's Loan"), shall be repaid to Hangzhou North Hill by 20 December 2016. Art Capital shall pledge its interest in Hangzhou Xin Hubin to Hangzhou North Hill, as guarantee of the Hangzhou Xin Hubin's payment obligations in connection with the Shareholder's Loan. As Art Capital is wholly beneficially owned by Mr. Shen Guojun, an executive Director and the chairman of the Company at the time of the transaction, it was a connected person of the Company pursuant to the Listing Rules. Accordingly, the transaction under the Equity Transfer Agreement constituted as a connected transaction under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the Equity Transfer Agreement is less than 5%, the transaction under the Equity Transfer Agreement is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

Upon completion of the Equity Transfer Agreement, the Company will cease to have any equity interest in Hangzhou Xin Hubin and the Shareholder's Loan will constitute a financial assistance from the Group to a connected person. As each of the applicable percentage ratios in respect of the Shareholder's Loan is less than 5%, the Shareholder's Loan is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

Each of the applicable percentage ratios in respect of the Equity Transfer Agreement and the provision of the Shareholder's Loan, in aggregate, is also less than 5%, thus the transaction thereunder is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

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

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

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 Properties Co., Ltd. ("Zhejiang Fuqiang") and Hangzhou Intime Shopping Centre Co., Ltd. ("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. Mr. Shen Guojun owns the entire equity interest of Beijing Guojun Investment Co., Ltd. ("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 at the time of the transaction, pursuant to the Listing Rules, Zhejiang Fuqiang and Hangzhou Intime are connected persons of the Company. Accordingly, the transaction under the Chengxi Lease constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. 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. For the year ended 31 December 2015, the total rental paid by Intime Sanjang was RMB4,873,113.11. The annual cap for the year ended 31 December 2015 was RMB10,000,000.

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

On 25 February 2013, Zhejiang Intime Investment Co., Ltd. ("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 at the time of the transaction, 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 31 December 2015, the total rental paid by Zhejiang Intime Investment was RMB30,000,000. The annual cap for the year ended 31 December 2015 was RMB40,000,000.

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 at the time of the transaction, 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. For the year ended 31 December 2015, the total rental paid by Zhejiang Intime Investment was RMB1,906,206.93. As the applicable percentage ratios for the transaction was less than 5% and the annual rent was less than HK$3 million, the transaction constitutes de minimis continuing connected transaction under Rule 14A.76 of the Listing Rules, and the Fenghua Intime City Lease is fully exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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 Group, 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, 25 February 2013 and 15 July 2013. The Fenghua Intime City Lease is fully exempted from the reporting , annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Related Party Transactions

Details of the related party transactions undertaken in the normal course of business are provided under note 43 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 2015, 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. Chen Xiaodong	Beneficial owner[2]	L52,200,000	2.39%

Notes:

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

(2) Mr. Chen Xiaodong, an executive director and the Chief Executive Officer of the Company, is the beneficial owner of 42,250,000 shares of the Company. He also holds options in respect of a total of 9,950,000 shares of the Company as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, 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 2015, 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
Mr. Shen Guojun	Interest of controlled corporation [2]	L262,974,015	12.06%
Fortune Achieve Group Ltd.	Interest of controlled corporation [2]	L258,774,015	11.87%
Glory Bless Limited	Interest of controlled corporation [2]	L258,774,015	11.87%
Intime International Holdings Limited	Beneficial Owner [2]	L258,774,015	11.87%
Alibaba Investment Limited	Beneficial Interest [3]	L710,142,614	32.57%
Alibaba Group Holding Limited	Interest in controlled corporation [3]	L711,967,614	32.66%

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 258,774,015 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. 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) 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 2015, 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. As at the date of this report, the remaining life of the Scheme is approximately 11 months. 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.

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. Unless the Directors determine otherwise, there is no minimum period for which an option must be held before it can be exercised under the Scheme. Participants of the Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before 30 days after the offer date. 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 total number of shares available for issue under the Scheme is 62,914,000, representing 2.89% of the issued shares of the Company as at the date of this annual report.

The movements in share options granted under the share option scheme adopted by the Company for the year ended 31 December 2015 are shown below:

Name or category of participant	Date of Grant	Exercise Price per share HK$	Number of share options: As at 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31 December 2015	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	7.11
	4/3/2009	1.88	450,000	–	450,000	–	–	–	5/3/2010-4/3/2015	1.83	5.38
	28/8/2009	6.63	2,250,000	–	2,250,000	–	–	–	29/8/2010-28/8/2015	5.15	12.86
	26/5/2010	6.49	2,250,000	–	1,800,000	–	–	450,000	27/5/2011-26/5/2016	6.24	9.44
	1/4/2011	10.77	1,500,000	–	–	500,000	–	1,000,000	2/4/2012-1/4/2017	10.56	–
	22/6/2012	7.56	1,800,000	–	900,000	–	–	900,000	23/6/2013-22/6/2018	7.35	8.81
	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	–
	27/3/2015	4.85	–	3,000,000	–	–	–	3,000,000	28/3/2016-27/3/2021	4.95	–
Other employees in aggregate	4/3/2009	1.88	1,478,000	–	1,308,000	170,000	–	–	5/3/2010-4/3/2015	1.83	4.56
	20/10/2009	5.50	250,000	–	250,000	–	–	–	21/10/2010-20/10/2015	5.35	13.76
	26/5/2010	6.49	5,394,000	–	4,280,000	–	220,000	894,000	27/5/2011-26/5/2016	6.24	10.21
	26/8/2010	9.00	1,200,000	–	585,000	–	–	615,000	27/8/2011-26/8/2016	8.93	11.92
	1/4/2011	10.77	9,443,000	–	924,000	390,000	3,254,000	4,875,000	2/4/2012-1/4/2017	10.56	13.48
	22/6/2012	7.56	14,959,500	–	5,355,000	–	1,222,000	8,382,500	23/6/2013-22/6/2018	7.35	10.19
	10/4/2013	9.27	5,089,000	–	605,000	–	1,783,000	2,701,000	11/4/2014-10/4/2019	9.05	12.15
	25/6/2014	6.85	3,722,000	–	–	–	542,000	3,180,000	26/6/2015-25/6/2020	6.80	–
	27/3/2015	4.85	–	16,598,000	–	–	2,450,000	14,148,000	28/3/2016-27/3/2021	4.95	–
Total			54,685,500	19,598,000	19,007,000	1,060,000	9,471,000	44,745,500			

Note:

(1) Share options granted under the Scheme shall vest in the grantees in accordance with the timetable below (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Options to vest
First anniversary of the Date of Grant	25% of the total number of options granted
Second anniversary of the Date of Grant	25% of the total number of options granted
Third anniversary of the Date of Grant	25% of the total number of options granted
Fourth anniversary of the Date of Grant	25% of the total number of options granted

BANK AND OTHER BORROWINGS

Bank and other borrowings of the Group as at 31 December 2015 amounted to RMB2,877.7 million (31 December 2014: RMB3,340.7 million). Particulars of the borrowings are set out in note 33 to the financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds of the Company are set out in note 34 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, 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.

CORPORATE GOVERNANCE REPORT

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

WORKPLACE QUALITY

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. The Group has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behavior, employees' rights and benefits. The Group establishes and implements policies that promote a harmony and respectful workplace. Employee satisfaction survey is carried out annually in order to provide management with the knowledge and tools to build positive employee relations and a positive work environment.

The Group also organised charitable and staff-friendly activities for employees, such as outings, outward bound training and sport competitions to provide communication opportunities among staff, which are vital to promote staff relationship and physical fitness.

HEALTH AND SAFETY

The Group prides itself on providing a safe, effective and congenial work environment. Adequate arrangements, training and guidelines are implemented to ensure the working environment is healthy and safe. The Group provided health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues.

TRAINING AND DEVELOPMENT

The Group is committed to the professional and personal development and growth of all employees and considers training and development a continual process. Many on- and off-the-job training courses and programs are provided to help employees develop and maintain consistency, proficiency and professionalism. Structured training programmes including courses, seminars and workshops are offered to staff at all levels with the objective of grooming and unleashing their full potential, supporting, organizational development and facilitating team synergies. Employees are encouraged to take advantage of these programmes in order to equip themselves with the skills and knowledge for expanded career opportunities within the Group.

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
Zhang Yong
Chairman

21 March 2016

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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 set out on pages 62 to 194, which comprise the consolidated statement of financial position as at 31 December 2015, 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.

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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

21 March 2016

Consolidated Statement of Profit or Loss

Year ended 31 December 2015

	Notes	2015 *RMB'000*	2014 *RMB'000*
Retail revenue		**5,153,198**	4,587,830
Sale of properties		**602,255**	662,738
Total revenue	5	**5,755,453**	5,250,568
Other income and gains	5	**1,075,672**	867,016
Purchases of goods and changes in inventories	6	**(1,533,209)**	(1,405,750)
Cost of properties sold	6	**(435,373)**	(279,574)
Properties development expenses	6	**(104,601)**	(112,406)
Staff costs	6	**(779,268)**	(759,658)
Depreciation and amortisation	6	**(497,032)**	(456,386)
Other expenses		**(1,920,226)**	(1,655,465)
Share of profits and losses of:			
A joint venture		**(18,648)**	(33,883)
Associates		**284,502**	343,086
Finance income	7	**219,874**	216,999
Finance costs of retailing	7	**(174,471)**	(169,291)
Finance costs of properties development	7	**(31,057)**	–
Profit before tax		**1,841,616**	1,805,256
Income tax expense	8	**(492,518)**	(641,474)
Profit for the year		**1,349,098**	1,163,782
Attributable to:			
Owners of the parent		**1,317,474**	1,121,483
Non-controlling interests		**31,624**	42,299
		1,349,098	1,163,782
Earnings per share attributable to ordinary equity holders of the parent (expressed in RMB per share)	12		
Basic			
– For profit for the year		**0.60**	0.53
Diluted			
– For profit for the year		**0.52**	0.50

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Profit for the year		**1,349,098**	1,163,782
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates		**716**	120
Reclassification of translation reserve from other comprehensive income to statement of profit or loss		**(3,122)**	–
Exchange differences on translation of foreign operations		**(323,938)**	1,542
Other comprehensive income/(loss) for the year, net of tax		**(326,344)**	1,662
Total comprehensive income for the year		**1,022,754**	1,165,444
Attributable to:			
Owners of the parent		**991,130**	1,123,145
Non-controlling interests		**31,624**	42,299
		1,022,754	1,165,444

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 *RMB'000*	2014 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	14	**5,975,499**	5,994,300
Investment properties	15	**7,249,000**	5,699,000
Prepaid land lease payments	16	**1,545,106**	1,603,314
Prepayments, deposits and other receivables	26	**90,000**	825,485
Goodwill	18	**535,609**	535,609
Other intangible assets	19	**47,550**	53,065
Prepaid rental	20	**118,075**	56,428
Investment in a joint venture	21	**–**	190,605
Investments in associates	22	**2,480,903**	2,617,218
Loans and receivables – third parties	27	**98,543**	275,654
Loans and receivables – related parties	27	**1,276,453**	558,190
Available-for-sale investment	23	**40,253**	–
Deferred tax assets	24	**314,475**	265,919
Total non-current assets		**19,771,466**	18,674,787
CURRENT ASSETS			
Inventories	25	**523,480**	495,026
Completed properties held for sale	17	**1,567,721**	1,151,768
Properties under development	17	**–**	550,335
Prepayments, deposits and other receivables	26	**865,443**	903,332
Loans and receivables – third parties	27	**158,893**	33,813
Loans and receivables – related parties	27	**707,149**	240,258
Due from related parties	43(c)	**1,411,149**	1,801,406
Trade receivables	28	**33,795**	36,021
Cash in transit	29	**88,263**	91,691
Pledged deposits	30	**67,000**	67,000
Restricted bank balances	30	**46,777**	106,133
Cash and cash equivalents	30	**1,580,529**	2,129,429
		7,050,199	7,606,212
Assets of a disposal group classified as held for sale	13	**1,456,517**	1,513,183
Total current assets		**8,506,716**	9,119,395
CURRENT LIABILITIES			
Trade and bills payables	31	**2,621,636**	2,080,461
Other payables and accruals	32	**5,504,251**	6,110,722
Interest-bearing bank and other borrowings	33	**2,564,721**	1,120,911
Due to related parties	43(e)	**27,556**	12,482
Tax payable		**488,221**	535,187
		11,206,385	9,859,763
Liabilities directly associated with the assets classified as held for sale	13	**789,481**	337,512
Total current liabilities		**11,995,866**	10,197,275
NET CURRENT LIABILITIES		**(3,489,150)**	(1,077,880)
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,282,316**	17,596,907

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 *RMB'000*	2014 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	**313,000**	2,219,804
Deferred tax liabilities	24	**796,842**	713,354
Deferred subsidy income		**46,444**	47,778
Convertible bonds	34	**3,101,509**	2,834,878
Total non-current liabilities		**4,257,795**	5,815,814
NET ASSETS		**12,024,521**	11,781,093
EQUITY			
Equity attributable to owners of the parent			
Share capital	35	**163**	163
Equity component of convertible bonds	34	**126,417**	126,417
Reserves	36	**10,910,968**	10,568,403
		11,037,548	10,694,983
Non-controlling interests		**986,973**	1,086,110
Total equity		**12,024,521**	11,781,093

Zhang Yong
Chairman

Chen Xiaodong
Executive Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Notes	Attributable to owners of the parent														
		Share capital RMB'000 (note 35)	Share premium RMB'000 (note 35)	Capital redemption reserve RMB'000 (note 35)	Capital reserve RMB'000	Reserve for fair value changes of available-for-sale investments RMB'000	Discretionary reserve fund RMB'000 (note 36)	Statutory reserves RMB'000 (note 36)	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Equity component of convertible bonds RMB'000 (note 34)	Share option reserve RMB'000 (note 37)	Proposed final dividend RMB'000 (note 11)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014		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	37	-	-	-	-	-	-	-	-	-	-	16,429	-	16,429	-	16,429
Exercise of share options	37	-	41,737	-	-	-	-	-	-	-	-	(10,344)	-	31,393	-	31,393
Final 2013 dividend declared	11	-	-	-	-	-	-	-	-	-	-	-	(220,675)	(220,675)	-	(220,675)
Issuance of shares	35	14	1,321,755	-	-	-	-	-	-	-	-	-	-	1,321,769	-	1,321,769
Issuance of convertible bonds	34	-	-	-	-	-	-	-	-	-	126,417	-	-	126,417	-	126,417
Repurchase of shares	35	(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	11	-	(223,058)	-	-	-	-	-	-	-	-	-	-	(223,058)	-	(223,058)
Proposed final 2014 dividend	11	-	(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

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Notes	Attributable to owners of the parent														
		Share capital RMB'000 (note 35)	Share premium RMB'000 (note 35)	Capital redemption reserve RMB'000 (note 35)	Capital reserve RMB'000	Reserve for fair value changes of available-for-sale investments RMB'000	Discretionary reserve fund RMB'000 (note 36)	Statutory reserves RMB'000 (note 36)	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Equity component of convertible bonds RMB'000 (note 34)	Share option reserve RMB'000 (note 37)	Proposed final dividend RMB'000 (note 11)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015		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
Profit for the year		-	-	-	-	-	-	-	1,317,474	-	-	-	-	1,317,474	31,624	1,349,098
Other comprehensive income for the year:																
Share of other comprehensive income of associates		-	-	-	-	136	-	-	-	-	-	-	-	136	-	136
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	(323,938)	-	-		(323,938)	-	(323,938)
Reclassification of translation reserve from other comprehensive income to statement of profit or loss upon liquidation of a subsidiary		-	-	-	-	-	-	-	-	(3,122)	-	-	-	(3,122)	-	(3,122)
Partial disposal of interests in an associate		-	-	-	618	(38)	-	-	-	-	-	-	-	580	-	580
Total comprehensive income for the year		-	-	-	618	98	-	-	1,317,474	(327,060)	-	-	-	991,130	31,624	1,022,754
Transfer of share option reserve upon the forfeiture or expiry of share options		-	-	-	-	-	-	-	18,090	-	-	(18,090)	-	-	-	-
Equity-settled share option arrangements	37	-	-	-	-	-	-	-	-	-	-	13,761	-	13,761	-	13,761
Exercise of share options	37	1	131,393	-	-	-	-	-	-	-	-	(29,473)	-	101,921	-	101,921
Final 2014 dividend declared	11	-	-	-	-	-	-	-	-	-	-	-	(260,503)	(260,503)	-	(260,503)
Repurchase of shares	35	(1)	(59,523)	1	-	-	-	-	-	-	-	-	-	(59,523)	-	(59,523)
Dividend on shares issued for employee share options exercised after 31 December 2014		-	(1,998)	-	-	-	-	-	-	-	-	-	-	(1,998)	-	(1,998)
Interim 2015 and special dividend	11	-	(437,783)	-	-	-	-	-	-	-	-	-	-	(437,783)	-	(437,783)
Contribution by a non-controlling shareholder		-	-	-	-	-	-	-	-	-	-	-	-	-	6,850	6,850
Transfer from retained profits		-	-	-	-	-	-	92,327	(92,327)	-	-	-	-	-	-	-
Dividend distribution to non-controlling interests of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	-	(71,771)	(71,771)
Acquisition of a non-controlling interest		-	-	-	(4,440)	-	-	-	-	-	-	-	-	(4,440)	(65,840)	(70,280)
At 31 December 2015		163	4,054,721#	11#	382,149#	277#	7,032#	687,265#	6,098,228#	(348,002)#	126,417	29,287#	-	11,037,548	986,973	12,024,521

These reserve accounts comprise the consolidated reserves of RMB 10,910,968,000 (2014: RMB10,568,403,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,841,616**	1,805,256
Adjustments for:			
Finance income	7	**(219,874)**	(216,999)
Finance costs of retailing	7	**174,471**	169,291
Finance costs of properties development	7	**31,057**	–
Exchange gain		**(45,089)**	–
Share of losses of a joint venture		**18,648**	33,883
Share of profits and losses of associates		**(284,502)**	(343,086)
Loss on disposal of items of property, plant and equipment		**2,435**	2,994
Gain on disposal of a subsidiary		**(30,744)**	(9,200)
Gain on disposal of held to maturity investments	5	**–**	(1,059)
Gain on partial disposal of interests in an associate	5	**(188,542)**	–
Gain on disposal of a joint venture	5	**(133,413)**	–
Equity-settled share option expense	37	**13,761**	16,429
Depreciation of property, plant and equipment		**428,748**	398,218
Fair value gains on investment properties	5	**(291,970)**	(434,729)
Amortisation of prepaid land lease payments		**55,195**	46,442
Amortisation of other intangible assets	19	**11,252**	7,111
Amortisation of prepaid rental	20	**364,370**	201,986
		1,747,419	1,676,537
Decrease in restricted cash		**59,356**	354,958
Increase in prepayments, deposits and other receivables		**(407,204)**	(217,328)
Decrease in trade receivables		**2,226**	478
Decrease in cash in transit		**3,428**	39,645
Increase in inventories		**(28,454)**	(10,833)
Increase in trade and bills payables		**541,175**	298,313
Increase/(decrease) in advances from customers		**242,927**	(115,120)
Decrease in amounts due from related parties		**153,481**	76,352
Decrease/(increase) in amounts due to related parties		**15,074**	(1,701)
(Increase)/decrease in properties under development		**(649,278)**	239,140
Decrease/(increase) in completed properties held for sale		**435,373**	(1,151,768)
(Decrease)/increase in other payables and accruals		**(89,600)**	507,816
Cash generated from operations		**2,025,923**	1,696,489
Interest paid		**(115,638)**	(226,052)
Income tax paid		**(587,965)**	(468,169)
Net cash flows from operating activities		**1,322,320**	1,002,268

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 *RMB'000*	2014 *RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**164,643**	146,608
Purchases of items of property, plant and equipment and investment properties		**(1,013,412)**	(1,182,160)
Purchase of available-for-sale financial assets	23	**(40,253)**	–
Purchases of other intangible assets	19	**(5,737)**	(30,156)
Acquisition of non-controlling interests		**(70,280)**	–
Acquisition of subsidiaries, net of cash acquired		**–**	(82,523)
Establishment of associates	22	**–**	(68,900)
Acquisition of prepaid land lease payments	16	**(287)**	(32,196)
Disposal of a subsidiary	38	**372,202**	279,970
Disposal of a joint venture		**195,000**	–
Proceeds from disposal of shares of an associate		**391,699**	–
Advance from disposal of subsidiaries		**–**	357,582
Loans to related parties		**(1,325,113)**	(221,080)
Proceeds from disposal of items of property, plant and equipment		**8,679**	9,382
Proceeds from disposal of intangible assets		**–**	29
Advances to third parties		**(22,491)**	(50,459)
Collection on advance to third parties		**45,773**	31,352
Loans and receivables made to third parties		**–**	(170,000)
Advances to related parties		**(4,568)**	(553,576)
Collection on loans and receivables from related parties		**526,850**	436,688
Collection on advances from related parties		**–**	25,000
Dividend received from associates		**198,257**	250,000
Receipt of government grants		**–**	38,344
Repayment from advance to subsidiaries disposed of		**–**	144,160
Repayment from non-controlling shareholders		**–**	106,560
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		**(579,038)**	(1,278,508)

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 *RMB'000*	2014 *RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		**101,921**	31,393
Capital contribution from non-controlling shareholders		**6,850**	79,777
Proceeds from interest-bearing bank and other borrowings		**1,353,897**	1,498,808
Repayments of interest-bearing bank and other borrowings		**(1,927,089)**	(3,361,009)
Repayments of guaranteed bonds due July 2014		**–**	(1,000,000)
Dividends paid		**(722,213)**	(422,106)
Dividends paid to non-controlling shareholders		**(71,771)**	(39,060)
Repurchase of shares		**(59,523)**	(340,407)
Proceeds from issue of convertible bonds	34	**–**	2,944,505
Proceeds from issue of shares		**–**	1,321,769
Advance from a related party		**–**	59,473
Advance from third parties		**83,367**	–
Repayment of advance from related parties		**–**	(152,210)
Net cash flows (used in)/from financing activities		**(1,234,561)**	620,933
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(491,279)**	344,693
Cash and cash equivalents at beginning of year		**2,174,746**	1,814,440
Effect of foreign exchange rate changes, net		**9,802**	15,613
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,693,269**	2,174,746
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**1,580,529**	2,129,429
Cash and cash equivalents as stated in the statement of financial position	30	**1,580,529**	2,129,429
Cash and short term deposits attributable to the disposal group held for sale	13	**112,740**	45,317
Cash and cash equivalents as stated in the statement of cash flows		**1,693,269**	2,174,746

1. CORPORATE AND GROUP 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.

Information about subsidiaries

Particulars of the Company's 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		Principal activities
			Direct	Indirect	
North Hill Holdings Limited	British Virgin Islands ("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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (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
Raffland Pte. Ltd.	Singapore, private limited company	SG$ 33,246,499	–	51%	Investment holding
Hangzhou Intime North Hill Enterprise Management Co., Ltd. ("Hangzhou North Hill")	Mainland China, wholly-foreign-owned enterprise ("WFOE")	US$ 55,000,000	–	100%	Investment holding
Zhejiang Intime Department Store Co., Ltd. ("Zhejiang Intime")	Mainland China, WFOE	RMB 800,000,000	–	100%	Operation and management of department stores and investment holding
Zhejiang Zhelian Investment and Management Co., Ltd. *	Mainland China, limited liability company	RMB 10,000,000	–	50%	Investment holding and property development
Hangzhou Yinxi Intime Department Store Co., Ltd. *	Mainland China, limited liability company	RMB 36,000,000	–	50%	Operation and management of department stores
Ezhou Intime Department Store & Trade Company Limited	Mainland China,limited liability company	RMB 23,000,000	–	100%	Operation and management of department stores
Hubei Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB 90,000,000	–	100%	Operation and management of department stores
Hangzhou Linping Intime Shopping Center Co., Ltd.	Mainland China, limited liability company	RMB 10,000,000	–	100%	Operation and management of department stores

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (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
Jinhua Intime Shopping Center Co., Ltd.	Mainland China, limited liability company	RMB 30,000,000	–	100%	Operation and management of department stores
Xi'an Central Intime Commercial Management Co., Ltd.	Mainland China, limited liability company	RMB 30,000,000	–	60%	Operation and management of department stores
Yiwu Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB 15,000,000	–	52%	Operation and management of department stores
Hubei Intime Xiantao Shangcheng Building Co., Ltd.	Mainland China, limited liability company	RMB 36,925,000	–	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	RMB 1,410,000,000	–	100%	Investment holding
Fuyang Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB 10,000,000	–	100%	Operation and management of department stores

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (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
Anhui Province Huaqiao Hotel Company Limited ("Anhui Huaqiao Hotel")	Mainland China, limited liability company	RMB 260,000,000	–	100%	Property development
Cixi Intime Commercial Management Co., Ltd.	Mainland China, limited liability company	RMB 150,600,000	–	100%	Property development
Hubei Wuluo Innovation Park Development Co., Ltd.	Mainland China, limited liability company	RMB 600,000,000	–	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	RMB 50,000,000	–	100%	Operation and management of department stores
Intime Department Store (Ningbo Jiangdong) Co., Ltd.	Mainland China, limited liability company	RMB 290,000,000	–	100%	Operation and management of department stores
Zhoushan Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB 10,000,000	–	100%	Operation and management of department stores
Hubei New Century Shopping Center Co., Ltd.	Mainland China, limited liability company	RMB 10,000,000	–	85%	Operation and management of department stores

31 December 2015

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (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
Liuzhou New Real Estate Development Company Limited	Mainland China, WFOE	US$ 49,000,000	–	51%	Property development
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	RMB 30,000,000	–	100%	Operation and management of department stores
Dazi Intime Commercial Development Co., Ltd. ("Dazi Intime") (Formerly known as "Hubei Intime Investment Management Co., Ltd.")	Mainland China, limited liability company	RMB 150,000,000	–	100%	Investment holding
Tangshan Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB 10,000,000	–	100%	Operation and management of department stores
Wenling Intime Shopping Mall Development Co., Ltd.	Mainland China, limited liability company	RMB 300,000,000	70%	–	Operation and management of department stores
Haining Intime Property Co., Ltd.	Mainland China, WFOE	US$ 150,000,000	–	100%	Property development

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (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 Qujiang Intime International Shopping Mall Co., Ltd. ("Xi'an Qujiang Intime")	Mainland China, limited liability company	RMB 175,000,000	–	100%	Lease of real estate and equipment; property management
Wenzhou Mingchen Trade Co., Ltd.	Mainland China, limited liability company	RMB 26,290,000	–	51%	Cosmetics trading
Linhai Intime Shopping Mall Development Co., Ltd.	Mainland China, limited liability company	RMB 100,000,000	–	100%	Lease of real estate and equipment; property management
Hangzhou Yinyao Shopping Mall Co., Ltd. *	Mainland China, limited liability company	RMB 20,000,000	–	50%	Operation and management of department stores
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	RMB 50,000,000	–	100%	Operation and management of department stores
Haining Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB 10,000,000	–	100%	Operation and management of department stores

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (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
Linhai Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB 120,000,000	–	100%	Operation and management of department stores
Shaoxing Jindi Intime Shopping Centre Co., Ltd.	Mainland China, limited liability company	RMB 30,000,000	–	51%	Operation and management of department stores
Hefei Intime City Commercial Management Co., Ltd.	Mainland China, limited liability company	RMB 10,000,000	–	100%	Operation and management of department stores
Huzhou Yindong Shopping Centre Co., Ltd.	Mainland China, limited liability company	RMB 20,000,000	–	51%	Operation and management of department stores
Shaoxing Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB 35,000,000	–	100%	Operation and management of department stores
Huzhou Yinjia Department Store Co., Ltd. ("Huzhou Yinjia")	Mainland China, limited liability company	RMB 38,000,000	–	100%	Operation and management of department stores
Zhejiang Intime Trade Co., Ltd.	Mainland China, limited liability company	RMB 25,000,000	–	100%	Cosmetics and apparel trading

31 December 2015

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (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
Beijing Jingtai Xianghe Asset Management Co., Ltd. ("Jingtai Xianghe")	Mainland China, limited liability company	RMB 50,000,000	–	100%	Asset management
Jinhua Mingxiang Trade Co., Ltd.	Mainland China, limited liability company	RMB 1,000,000	–	51%	Cosmetics trading
Ningbo Mingran Cosmetics Co., Ltd.	Mainland China, limited liability company	RMB 10,000,000	–	51%	Cosmetics trading
Hangzhou Zhongda Intime Shopping Center Co., Ltd. ("Hangzhou Zhongda")	Mainland China, limited liability company	RMB 10,000,000	–	51%	Operation and management of department stores
Zhejiang Yueqing Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB 10,000,000	–	100%	Operation and management of department stores
Ningbo Intime Universal Commercial Co., Ltd.	Mainland China, limited liability company	RMB 620,000,000	–	100%	Operation and management of department stores
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	RMB 5,000,000	–	51%	Operation and management of department stores

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (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	
Wuhu Intime City Commercial Management Co., Ltd.	Mainland China, limited liability company	RMB 20,000,000	–	67%	Commercial and property management
Intime Department Store Company Limited ("Shanghai Intime")	Mainland China, WFOE	RMB 300,000,000	–	100%	Operation and management of department stores and investment holding
Zhejiang Wenzhou Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB 30,000,000	–	100%	Operation and management of department stores
Hangzhou Intime Outlets Commercial Development Co., Ltd. ("Hangzhou Outlets")	Mainland China, limited liability company	RMB 20,000,000	–	100%	Investment holding
Zhejiang Intime Department Store (Jinhua) Co., Ltd.	Mainland China, limited liability company	RMB 30,000,000	–	100%	Operation and management of department stores
Intime Department Store (Ningbo Yinzhou) Co., Ltd.	Mainland China, limited liability company	RMB 20,000,000	–	100%	Operation and management of department stores
Ninbo Free Trade Zone Intime Choice Xixuan Import and Export Co., Ltd.	Mainland China, limited liability company	RMB 2,000,000	–	80%	Operation and management of supermarket

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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)
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.

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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties 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 2015, the Group had net current liabilities of approximately RMB3,489,150,000 (2014: RMB1,077,880,000). 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. 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).

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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 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 for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

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

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants1*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 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
4 No mandatory effective date determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (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 is currently assessing the impact 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 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.

HKFRS 15 establishes a new five-step model to account for 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. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

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.

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 *Non-current Assets Held for Sale and Discontinued Operations*.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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 is measured at fair value with changes in fair value recognised in profit or loss. 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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);

(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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

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

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

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).

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

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.

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 and convertible bonds.

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 consolidated 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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) Sales of goods – retail

Sales of goods are recognised when a group entity sells products 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

(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.

(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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

(g) Sale of properties (continued)

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.

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 37 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service 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 their 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 are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of share premium within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting.

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 Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars 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.

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:

Associates

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 are classified by management as investments 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 is any substantial or majority ownership by other investors which can significantly impair the Group's ability to exercise its influence over these companies.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Associate (continued)

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.

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 2015 was RMB535,609,000 (2014: RMB535,609,000). More details are given in note 18 to the financial statements.

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 2015 was RMB7,249,000,000 (2014: RMB5,699,000,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 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 loss of a joint venture, finance income, finance costs, equity-settled share option expense, 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 2015	Department store RMB'000	Shopping mall RMB'000	Property development RMB'000	Others RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	3,618,997	1,365,487	602,255	168,714	5,755,453
Intersegment sales	–	–	–	80,436	80,436
	3,618,997	1,365,487	602,255	249,150	5,835,889
Reconciliation:					
Elimination of intersegment sales					(80,436)
Revenue					5,755,453
Segment results	935,170	70,548	60,823	20,797	1,087,338
Reconciliation:					
Share of profits and losses of:					
A joint venture					(18,648)
Associates					284,502
Finance income					219,874
Finance costs					(205,528)
Equity-settled share option expense					(13,761)
Fair value gains on investment properties					291,970
Unallocated gains and losses, net					306,409
Corporate and other unallocated expenses					(110,540)
Profit before tax					1,841,616
Other segment information:					
Depreciation and amortisation	253,919	237,634	1,458	4,021	497,032
Capital expenditure (a)	242,087	770,382	640	6,327	1,019,436

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 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	256,116	1,714,149	–	439	1,970,704

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 2015 and 2014. 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

	2015 RMB'000	2014 RMB'000
Sale of goods – direct sales	**1,814,296**	1,671,654
Commissions from concessionaire sales	**2,380,301**	2,334,953
Rental income	**912,122**	543,576
Rental income from investment properties and owner-occupied properties	**495,228**	343,215
Sublease rental income	**359,253**	167,236
Contingent rental income	**57,641**	33,125
Management fee income from operation of department stores	**36,959**	22,550
Commissions from sale of goods	**9,520**	15,097
Retail revenue	**5,153,198**	4,587,830
Sale of properties	**602,255**	662,738
	5,755,453	5,250,568

The commissions from concessionaire sales are analysed as follows:

	2015 RMB'000	2014 RMB'000
Gross revenue from concessionaire sales	**13,987,837**	13,561,449
Commissions from concessionaire sales	**2,380,301**	2,334,953

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.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	2015	2014
	RMB'000	*RMB'000*
Other income		
Advertisement, promotion and administration income	**407,653**	362,530
Supplementary income	**13,660**	26,911
Subsidy income	**24,077**	22,046
Others	**31,903**	35,720
	477,293	447,207
Gains/(losses)		
Loss on disposal of items of property, plant and equipment	**(2,435)**	(2,994)
Gain on partial disposal of interests in an associate	**188,542**	–
Gain on disposal of a subsidiary (note 38)	**30,744**	9,200
Gain on disposal of held to maturity investments	**–**	1,059
Fair value gains on investment properties	**291,970**	434,729
Gain on disposal of a joint venture	**133,413**	–
Others	**(43,855)**	(22,185)
	598,379	419,809
	1,075,672	867,016

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2015	2014
	RMB'000	*RMB'000*
Purchases of goods and changes in inventories	**1,533,209**	1,405,750
Cost of properties sold	**435,373**	279,574
Depreciation and amortisation	**497,032**	456,386
Staff costs (including directors' and chief executive's remuneration (note 9)):	**779,268**	759,658
Wages, salaries and bonuses	**583,707**	566,738
Pension costs – defined contribution schemes (note (a))	**112,747**	109,488
Welfare, medical and other benefits	**69,053**	67,003
Equity-settled share option expense (note 37)	**13,761**	16,429
Utility expenses	**395,139**	306,008
Store rental expenses	**744,832**	563,170
Credit card charges	**86,805**	85,432
Advertising expenses	**240,548**	296,407
Properties development expenses	**104,601**	112,406
Auditors' remuneration	**3,400**	3,000
Professional service charges	**23,706**	17,588
Other tax expenses	**98,226**	91,857
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**99,476**	82,056

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

	2015 *RMB'000*	2014 *RMB'000*
Interest income from bank deposits	**29,978**	28,596
Interest income from loans and receivables	**118,643**	88,953
Interest income from a joint venture	**20,458**	18,934
Interest income from associates	**26,964**	21,735
Other interest income	**23,831**	58,781
	219,874	216,999

Finance costs

	2015 *RMB'000*	2014 *RMB'000*
Interest on bank loans and other loans (including convertible bonds)	**221,704**	245,074
Less: interest capitalised	**(16,176)**	(75,783)
	205,528	169,291
The finance costs are analysed as follows:		
Finance costs of retailing	**174,471**	169,291
Finance costs of properties development	**31,057**	–
	205,528	169,291

8. INCOME TAX

	2015	2014
	RMB'000	*RMB'000*
Current income tax – Mainland China	449,970	455,433
Current – PRC LAT for the year	(242)	135,423
Deferred taxation	42,790	50,618
	492,518	641,474

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 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 is to be provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

The subsidiaries incorporated in Singapore are subject to Singapore income tax at the rate of 17% (2014: 17%).

For the year ended 31 December 2015, the subsidiaries established in Mainland China are subject to corporate income tax ("CIT") at the rate of 25%, except for Dazi Intime that is entitled to 15% CIT rate under the policy of Western Region Development, out of which 40% portion are further exempt by local municipal government in the place of incorporation in Tibet Autonomous Region. While all the subsidiaries established in Mainland China are subject to CIT at the rate of 25% for the year 2014.

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:

	2015 *RMB'000*	2014 *RMB'000*
Profit before tax	**1,841,616**	1,805,256
Tax at the statutory tax rate of 25% (2014: 25%)	**460,404**	451,314
Lower tax rates for specific provinces or enacted by local authorities	**(10,082)**	(872)
Tax losses utilised from previous periods	**(22,594)**	(10,817)
Profits and losses attributable to associates and a joint venture	**(66,464)**	(77,301)
Effect of withholding tax at 10% on the distributable profits of an associate	**11,747**	15,958
Adjustments in respect of current tax of previous periods	**18,530**	31,160
Tax losses not recognised	**95,853**	93,012
Expenses not deductible for tax	**5,305**	37,453
Provision for LAT	**(242)**	135,423
Tax effect on LAT	**61**	(33,856)
Tax charge at the Group's effective rate	**492,518**	641,474
Tax payable in the consolidated statement of financial position represents:		
PRC corporate income tax	**384,076**	420,193
PRC LAT	**104,145**	114,994
	488,221	535,187

The share of tax attributable to associates and a joint venture amounting to RMB116,981,000 (2014: RMB124,136,000) 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, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 *RMB'000*	2014 *RMB'000*
Fees	497	480
Other emoluments:		
Salaries, allowances and benefits in kind	7,028	6,436
Equity-settled share option expense	2,962	3,355
	9,990	9,791
	10,487	10,271

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 37 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:

	2015 *RMB'000*	2014 *RMB'000*
Mr. YU Ning	161	160
Mr. CHOW Joseph	161	160
Mr. CHEN Jiangxu (note (i))	94	–
Mr. SHI Chungui (note (i))	81	160
	497	480

There were no other emoluments payable to the independent non-executive directors during the year (2014: 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*
2015			
Executive director:			
Mr. SHEN Guojun (note (ii))	1,305	–	1,305
Executive director and chief executive:			
Mr. CHEN Xiaodong	5,320	2,962	8,282
Non-executive directors:			
Mr. XIN Xiangdong	403	–	403
Mr. ZHANG Yong	–	–	–
Mr. LEE Hon Chiu (note (iii))	–	–	–
Ms. SUN Xiaoning (note (iv))	–	–	–
	403	–	403
	7,028	2,962	9,990

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

(b) Executive directors and non-executive directors (continued)

	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	348	–	348
Mr. XIN Xiangdong	400	–	400
Mr. WONG Luen Cheung Andrew	300	–	300
Ms. SUN Xiaoning	–	–	–
Mr. LEE Hon Chiu	–	–	–
Mr. ZHANG Yong	–	–	–
	1,048	–	1,048
	6,436	3,355	9,791

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. SHI Chungui resigned as non-executive director with effect from 5 June 2015, and Mr. CHEN Jiangxu has been appointed as a non-executive director of the Company with effect from 5 June 2015 to fill casual vacancy of the Board as a result of the resignation of Mr. SHI Chungui.

(ii) Mr. SHEN Guojun resigned as executive director with effect from 5 June 2015.

(iii) Mr. LEE Hon Chiu resigned as non-executive director with effect from 5 June 2015.

(iv) Ms. SUN Xiaoning resigned as non-executive director with effect from 11 November 2015.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors and the chief executive (2014: 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 (2014: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2015	2014
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**1,675**	1,956
Discretionary bonuses	**1,658**	1,534
Contributions to retirement benefit plans	**307**	331
Equity-settled share option expense	**1,608**	1,623
	5,248	5,444

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	
	2015	2014
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**–**	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 37 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. DIVIDENDS

	2015 *RMB'000*	2014 *RMB'000*
Interim and special – RMB0.20 (2014: RMB0.10) per ordinary share	**437,783**	223,058
Proposed final – RMB0.12 (2014: RMB0.12) per ordinary share	**261,606**	260,503
	699,389	483,561

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 2014 totalling RMB260,503,000 and the interim and special dividend of RMB437,669,000 had been paid prior to 31 December 2015.

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

The calculation of the basic earnings per share amount 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 2,181,187,164 (2014: 2,101,812,145) 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.

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

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

	2015 *RMB'000*	2014 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**1,317,474**	1,121,483
Interest on convertible bonds	**87,311**	40,624
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**1,404,785**	1,162,107

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,181,187,164**	2,101,812,145
Effect of dilution – weighted average number of ordinary shares:		
Share options	**5,331,821**	2,640,113
Convertible bonds	**519,564,433**	230,138,974
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**2,706,083,418**	2,334,591,232

13. 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 2015, the transactions were in progress and Wenling Taiyue, Wenling Intime Properties and Wenling Intime Hotel were classified as a disposal group held for sale.

13. DISPOSAL GROUP HELD FOR SALE (CONTINUED)

The major classes of assets and liabilities of Wenling Intime Properties, Wenling Taiyue, Wenling Intime Hotel (the major classes of assets and liabilities as at 31 December 2014 also included Shenyang North Intime Real Estate Co., Ltd.("Shenyang Intime"), which has been disposed of in 2015) classified as held for sale as at 31 December are as follows:

	Notes	2015 *RMB'000*	2014 *RMB'000*
Assets			
Property, plant and equipment		**60,313**	60,650
Investment properties	15	**–**	570,907
Prepaid land lease payments		**147,482**	148,720
Properties under development		**998,741**	642,637
Deposits, prepayments and other receivables		**137,241**	29,011
Trade receivables		**–**	15,941
Cash and cash equivalents		**112,740**	45,317
Assets classified as held for sale		**1,456,517**	1,513,183
Liabilities			
Other payables and accruals		**789,481**	211,935
Tax payable		**–**	3,024
Deferred tax liabilities	24	**–**	122,553
Liabilities directly associated with the assets classified as held for sale		**789,481**	337,512
Net assets directly associated with the disposal group		**667,036**	1,175,671

There are no amounts due from the disposal group held for sale (2014: RMB77,018,484) and amounts due to the disposal group held for sale is RMB63,201,512 (2014: RMB28,698,915), which were respectively eliminated as at 31 December 2015 and not included in liabilities directly associated with the assets classified as held for sale and assets classified as held for sale.

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 quoted prices (unadjusted) in active markets for identical assets.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Decorations	Machinery	Vehicles	Furniture, fittings and equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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 15)	–	–	–	–	–	–	(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

14. PROPERTY, PLANT AND EQUIPMENT (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 2015								
At 31 December 2014 and at 1 January 2015:								
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
At 1 January 2015, net of accumulated depreciation	4,564,305	393,624	144,186	16,084	72,050	762,770	41,281	5,994,300
Additions	3,646	34,823	18,840	3,392	20,168	180,678	1,371,862	1,633,409
Transfer	15,579	44,465	905	–	–	21,888	(82,837)	–
Depreciation provided during the year	(167,765)	(69,605)	(27,539)	(5,081)	(30,949)	(127,587)	–	(428,526)
Transfer to investment properties (note 15)	–	–	–	–	–	–	(1,212,570)	(1,212,570)
Disposals	–	(1,261)	(1,001)	(3,919)	(2,801)	(2,132)	–	(11,114)
At 31 December 2015, net of accumulated depreciation	4,415,765	402,046	135,391	10,476	58,468	835,617	117,736	5,975,499
At 31 December 2015:								
Cost	5,307,858	662,073	303,010	32,235	175,186	1,480,150	117,736	8,078,248
Accumulated depreciation	(892,093)	(260,027)	(167,619)	(21,759)	(116,718)	(644,533)	–	(2,102,749)
Net carrying amount	4,415,765	402,046	135,391	10,476	58,468	835,617	117,736	5,975,499

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

No amortisation of land lease payments was included in the above additions of construction in progress (2014: RMB16,541,000).

The Group pledged certain of its buildings to secure the Group's banking facilities (note 33(b)). The net carrying amount of these pledged buildings as at 31 December 2015 was approximately RMB1,314,235,000 (2014: RMB1,177,423,000).

15. INVESTMENT PROPERTIES

	2015	2014
	RMB'000	*RMB'000*
Carrying amount at 1 January	**5,699,000**	3,340,907
Additions	**45,460**	265,910
Transfer from property, plant and equipment (note 14)	**1,212,570**	1,859,274
Transfer from prepaid land lease payments	**–**	379,532
Transfer to assets held for sale	**–**	(570,907)
Government grant received	**–**	(10,445)
Fair value gains on investment properties	**291,970**	434,729
Carrying amount at 31 December	**7,249,000**	5,699,000

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

The Group's investment properties consist of eight commercial properties 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 2015 based on valuations performed by Knight Frank Petty Limited, independent professionally qualified valuers, at RMB7,249,000,000. 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.

15. INVESTMENT PROPERTIES (CONTINUED)

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 41(a) to the financial statements.

The Group pledged certain of its investment properties to secure the Group's banking facilities (note 33(b)). The carrying amount of these pledged investment properties as at 31 December 2015 was approximately RMB705,000,000 (2014: RMB285,000,000).

The application for the ownership certificates of certain buildings located in Xi'an City of Shaanxi Province, the PRC, with carrying amount of RMB501,000,000 as at 31 December 2015 (2014: RMB520,000,000) is in progress.

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 2015.

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 2015 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*
Recurring fair value measurement for:				
Commercial properties	–	–	7,249,000	7,249,000
	–	–	7,249,000	7,249,000

15. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (continued)

	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*
Recurring fair value measurement for:				
Commercial properties	–	–	5,699,000	5,699,000
	–	–	5,699,000	5,699,000

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 (2014: Nil).

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**	
			2015	2014
Commercial properties	Income capitalisation method	(1) Capitalisation rate (2) Monthly rent	**(1) 4.5-8.5%** **(2) RMB90-131 sqm/month**	(1) 4.5-8.5% (2) RMB84-127 sqm/month

Income Capitalization 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 capitalized 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 capitalization rate would result in a significant decrease (increase) in the fair value of the investment properties.

16. PREPAID LAND LEASE PAYMENTS

	2015 *RMB'000*	2014 *RMB'000*
Carrying amount at 1 January	**1,603,314**	2,007,143
Additions	**287**	87,796
Transfer to investment properties (note 15)	**–**	(379,532)
Transfer to properties under development (note 17)	**–**	(49,576)
Government grant received	**–**	(2,834)
Amortisation for the year	**(58,495)**	(59,683)
Carrying amount at 31 December	**1,545,106**	1,603,314

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.

No amount included in the amortisation provided during the year was capitalised as part of the construction costs (2014: RMB16,541,000).

The Group pledged its prepaid land lease payments to secure the Group's banking facilities (note 33(b)). The carrying amount of these pledged prepaid land lease payments as at 31 December 2015 was approximately RMB640,493,000 (2014: RMB739,976,000).

17. COMPLETED PROPERTIES HELD FOR SALE AND PROPERTIES UNDER DEVELOPMENT

Completed properties held for sale	**2015**	2014
	RMB'000	*RMB'000*
At beginning of year	**1,151,768**	–
Transfer from properties under development	**851,326**	1,431,342
Transfer to cost of properties sold (note 6)	**(435,373)**	(279,574)
At end of year	**1,567,721**	1,151,768

Properties under development	**2015**	2014
	RMB'000	*RMB'000*
At beginning of year	**550,335**	905,067
Additions	**300,991**	1,050,248
Transfer from prepaid land lease payments (note 16)	**–**	49,576
Transfer to completed properties held for sale	**(851,326)**	(1,431,342)
Government grant received	**–**	(23,214)
At end of year	**–**	550,335

The Group's completed properties held for sale and properties under development are located in Mainland China.

The Group pledged certain of its completed properties held for sale to secure the Group's banking facilities (note 33(b)). The carrying amount of these pledged completed properties held for sale as at 31 December 2015 was RMB12,882,000 (2014: nil). The carrying amount of these pledged properties under development as at 31 December 2015 was nil (2014: RMB18,400,000).

18. GOODWILL

	RMB'000
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	–
At 31 December 2014	535,609
At 1 January 2015	
Cost at 1 January	**650,781**
Accumulated impairment	**(115,172)**
Net carrying amount	**535,609**
Cost at 1 January 2015, net of accumulated impairment	**535,609**
Impairment during the year	**–**
Net carrying amount at 31 December 2015	**535,609**
At 31 December 2015	
Cost	**608,370**
Accumulated impairment	**(72,761)**
Net carrying amount	**535,609**

Note:

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 for a consideration of RMB14,677,000. 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 RMB474,546,000. The disposal was completed in January 2015. The related costs of goodwill and accumulated impairment amounting to RMB42,411,000 and RMB42,411,000, respectively, had been derecognized upon the date of disposal.

18. 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% to 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 the operation of department stores is:

	2015	2014
	RMB'000	*RMB'000*
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 2015. 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 rates used are before tax and reflects specific risks relating to the relevant unit.

19. OTHER INTANGIBLE ASSETS

	Computer software RMB'000	Lease agreement buyout RMB'000	Total RMB'000
31 December 2015			
At 1 January 2015:			
Cost	**46,348**	**28,000**	**74,348**
Accumulated amortisation	**(16,733)**	**(4,550)**	**(21,283)**
Net carrying amount	**29,615**	**23,450**	**53,065**
Cost at 1 January 2015, net of accumulated amortisation			
Additions	**5,737**	**–**	**5,737**
Disposal	**–**	**–**	**–**
Amortisation provided during the year	**(9,852)**	**(1,400)**	**(11,252)**
At 31 December 2015	**25,500**	**22,050**	**47,550**
At 31 December 2015:			
Cost	**50,931**	**28,000**	**78,931**
Accumulated amortisation	**(25,431)**	**(5,950)**	**(31,381)**
Net carrying amount	**25,500**	**22,050**	**47,550**
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

20. PREPAID RENTAL

	RMB'000
31 December 2015	
Carrying amount at 1 January 2015	**74,077**
Addition	**437,596**
Recognised during the year	**(364,370)**
At 31 December 2015	**147,303**
Less: Current portion	**(29,228)**
Non-current portion of prepaid rental	**118,075**
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

21. INVESTMENT IN A JOINT VENTURE

	2015	2014
	RMB'000	*RMB'000*
Share of net assets	–	119,732
Goodwill on acquisition	–	136,519
		256,251
Provision for impairment	–	(65,646)
	–	190,605

The movements of the investment in a joint venture during the years 2015 and 2014 are as follows:

	2015	2014
	RMB'000	*RMB'000*
At 1 January	190,605	224,488
Share of losses	(18,648)	(33,883)
Disposal	(171,957)	–
At 31 December	–	190,605

	2015	2014
	RMB'000	*RMB'000*
Share of the joint venture's loss and total comprehensive loss for the year:	(18,648)	(33,883)

Note:

On 26 May 2015, Hangzhou North Hill entered into an equity transfer agreement with Art Capital Holdings Limited ("Art Capital") to dispose of all of its 50% equity interest in Hangzhou Xin Hubin Commercial Development Co., Ltd. ("Hangzhou Xin Hubin"). The disposal had been completed in November 2015 and Hangzhou Xin Hubin ceased to be a joint venture of the Group since then.

22. INVESTMENTS IN ASSOCIATES

	2015 *RMB'000*	2014 *RMB'000*
Share of net assets	**1,382,471**	1,509,837
Goodwill on acquisition	**1,098,432**	1,107,381
	2,480,903	2,617,218

The movements of the investments in associates during the years 2015 and 2014 are as follows:

	2015 *RMB'000*	2014 *RMB'000*
At 1 January	**2,617,218**	2,378,314
Share of profits and losses	**284,502**	343,086
Establishment of associates	**–**	68,900
Dividends	**(198,257)**	(150,000)
Unrealised profit and loss resulting from the transaction with the Group	**(17,865)**	(14,071)
Partial disposal of interests in an associate	**(202,577)**	–
Share of other comprehensive income of an associate	**136**	120
Exchange realignment	**(2,254)**	(9,131)
At 31 December	**2,480,903**	2,617,218

22. 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")	94,345,547 ordinary shares of RMB1 each	N/A	PRC/ Mainland China	17.84%	Operation and management of supermarkets and department stores
Zhejiang Intime Electronic Commerce Co., Ltd. ("Zhejiang Intime Electronic Commerce")	N/A	RMB 127,890,000	PRC/ Mainland China	26.5%	Operation and management of on-line shopping mall
Anhui Hualun Gangwan Culture Investment Co., Ltd. ("Anhui Hualun")	N/A	RMB 200,000,000	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	RMB 60,000,000	PRC/ Mainland China	50%	Operation and management of department stores
Hangzhou Zhongda Shengma Property Co., Ltd. ("Zhongda Shengma")	N/A	RMB 50,000,000	PRC/ Mainland China	40%	Property development
Bozhou Hualun International Culture Investment Co., Ltd. ("Bozhou Hualun")	N/A	RMB 150,000,000	PRC/ Mainland China	29%	Operation and management of department stores and property development
Hefei Hualun Cultural Investment Co., Ltd. ("Hefei Hualun")	N/A	RMB 100,000,000	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.

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

22. INVESTMENTS IN ASSOCIATES (CONTINUED)

The Group has discontinued the recognition of its share of losses of its 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 RMB74,579,000 (2014: RMB131,686,000) and RMB271,887,000 (2014: RMB 197,308,000), 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 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:

	2015 *RMB'000*	2014 *RMB'000*
Current assets	**1,540,630**	1,828,962
Non-current assets	**136,050**	159,839
Current liabilities	**(1,291,062)**	(1,522,123)
Net assets	**385,618**	466,678
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	**192,809**	233,339
Goodwill on acquisition	**972,791**	972,791
Exchange realignment	**(9,905)**	(7,651)
Carrying amount of the investment	**1,155,695**	1,198,479
Revenue	**1,088,140**	1,235,852
Profit for the year	**234,940**	319,157
Total comprehensive income for the year	**234,940**	319,157
Dividend received/receivable from the associate	**158,000**	150,000

22. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	2015	2014
	RMB'000	*RMB'000*
Share of the associates' profit or loss for the year	**167,032**	183,507
Share of the associates' total comprehensive income	**167,168**	183,627
Dividend received from an associate	**40,257**	–
Aggregate carrying amount of the Group's investments in the associates	**1,325,208**	1,418,739

23. AVAILABLE-FOR-SALE INVESTMENT

	2015	2014
	RMB'000	*RMB'000*
Unlisted equity investment, at cost	**40,253**	–

Note:

The above investment represents the 18% equity interest held by the Group in an unlisted company at investment cost of US$6,300,000.

As at 31 December 2015, the above unlisted equity investment was stated at cost less impairment because the directors are of the opinion that the fair value can not be measured reliably. The Group does not intend to dispose it in the near future.

24. DEFERRED TAX

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 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 and 1 January 2015	49,231	59,154	132,558	24,976	265,919
Recognised in the statement of profit or loss (note 8)	15,411	(12,083)	47,407	(2,179)	48,556
At 31 December 2015	64,642	47,071	179,965	22,797	314,475

The Group has tax losses arising in Mainland China of RMB916,000,000 (2014: RMB909,312,000) 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.

24. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Fair value adjustment arising from acquisition of subsidiaries	Withholding tax at 10% on the distributable profits of Group's PRC associates	Fair value adjustment of investment properties	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 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 and 1 January 2015	291,982	18,510	372,439	30,423	713,354
Transfer to tax payable during the year	–	(7,900)	–	–	(7,900)
Exchange realignment	–	42	–	–	42
Recognised in the statement of profit or loss (note 8)	(10,916)	3,805	94,620	3,837	91,346
At 31 December 2015	281,066	14,457	467,059	34,260	796,842

24. 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 2015, 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 RMB7,167,706,000 at 31 December 2015 (2014: RMB5,851,068,000).

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

25. INVENTORIES

	2015	2014
	RMB'000	*RMB'000*
Store merchandise, at cost or net realisable value	**521,417**	492,213
Low value consumables	**2,063**	2,813
	523,480	495,026

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Current:		
Advance to the subsidiary disposed of	**31,608**	20,223
Rental deposits	**100,345**	94,585
Prepaid rental	**29,228**	17,649
Advances to suppliers	**26,102**	25,259
Advances to third parties	**398,670**	424,927
Prepaid tax	**95,978**	108,316
Prepayments	**44,879**	76,296
Guarantee deposits	**2,303**	20,000
Others	**136,330**	116,077
	865,443	903,332
Non-current:		
Advance to the subsidiary disposed of	**–**	9,293
Prepayment for acquisition of an investment property	**–**	726,192
Prepayment for acquisition of a non-controlling interest of a subsidiary	**90,000**	90,000
	90,000	825,485
	955,443	1,728,817

Note:

(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.

27. LOANS AND RECEIVABLES

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

	2015 *RMB'000*	2014 *RMB'000*
Third parties		
Principal	**234,197**	305,654
Interest receivable	**23,239**	3,813
	257,436	309,467
Less: non-current portion	**(98,543)**	(275,654)
	158,893	33,813
Related parties		
Principal:		
Zhejiang Intime Electronic Commerce (note (ii))	**693,765**	486,190
Hangzhou Xin Hubin (note 43(b) (x))	**384,000**	–
Zhongda Shengma (note (iii))	**786,538**	263,850
	1,864,303	750,040
Interest receivable:		
Zhejiang Intime Electronic Commerce (note (ii))	**106,996**	47,675
Hangzhou Xin Hubin (note 43(b) (x))	**10,986**	–
Zhongda Shengma (note (iii))	**1,317**	733
	119,299	48,408
	1,983,602	798,448
Less: non-current portion	**(1,276,453)**	(558,190)
	707,149	240,258

27. 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 RMB234,197,000 (2014: RMB305,654,000) which bear interest at rates ranging from 5.75% to 6% 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 (2014: RMB132,110,000) to Zhejiang Intime Electronic Commerce for a period of three years. The fair value of the loan was RMB121,110,000 (2014: RMB121,110,000) and the loan was affiliated 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 related party 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 RMB572,655,000 (2014: RMB365,080,000) 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 RMB786,538,000 (2014: RMB263,850,000) for a period of 24 months for the construction and development of the department store property at an annual interest rate of 6.5%.

28. TRADE RECEIVABLES

	2015 *RMB'000*	2014 *RMB'000*
Trade receivables	**33,795**	36,021
Impairment	**–**	–
	33,795	36,021

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:

	2015 *RMB'000*	2014 *RMB'000*
Within 1 month	**18,918**	21,021
1 to 2 months	**6,388**	7,143
2 to 3 months	**4,741**	3,703
Over 3 months	**3,748**	4,154
	33,795	36,021

28. TRADE RECEIVABLES (CONTINUED)

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

	2015	2014
	RMB'000	*RMB'000*
Neither past due nor impaired	**30,047**	31,867
Less than one month past due	**3,748**	4,154
	33,795	36,021

29. CASH IN TRANSIT

	2015	2014
	RMB'000	*RMB'000*
Cash in transit	**88,263**	91,691

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.

30. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

	Note	2015 RMB'000	2014 RMB'000
Cash and bank balances		**1,694,306**	2,302,562
Less: Pledged time deposits	33(a)	**(67,000)**	(67,000)
Restricted bank balances		**(46,777)**	(106,133)
Cash and cash equivalents		**1,580,529**	2,129,429

At 31 December 2015 and 2014, cash at banks and on hand was denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
RMB	**1,604,206**	2,136,447
US$	**56,282**	10,449
EUR	**10,548**	–
HK$	**23,270**	155,666
	1,694,306	2,302,562

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

At the end of the reporting period, the cash and bank balances of the Group denominated in US$, EUR and HK$ amounted to RMB56,282,000, RMB10,548,000 and RMB23,270,000 (2014: RMB10,449,000, nil and RMB155,666,000), 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.

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 2015, there was no such guarantee deposit (2014: RMB36,947,000).

31. TRADE AND BILLS PAYABLES

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:

	2015 *RMB'000*	2014 *RMB'000*
Within 1 month	**2,095,944**	1,709,736
1 to 2 months	**456,989**	306,791
2 to 3 months	**34,731**	32,784
over 3 months	**33,972**	31,150
	2,621,636	2,080,461

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

32. OTHER PAYABLES AND ACCRUALS

	2015 RMB'000	2014 RMB'000
Payables for purchase of property, plant and equipment, investment properties and properties under development	**1,152,421**	1,264,386
Advances from customers	**1,587,503**	1,568,628
Advances from pre-sale of properties under development	**665,847**	1,239,180
Advances from third parties (note (i))	**195,976**	108,481
Other tax payables	**116,253**	153,784
Bonus and welfare payables	**148,246**	146,194
Deposits received from suppliers/concessionaires	**405,023**	402,681
Accruals	**481,118**	384,550
Accrued interest	**4,235**	5,790
Deferred revenue	**81,768**	61,924
Deferred government subsidy	**2,014**	1,600
Advances from disposal of subsidiaries	**559,463**	669,049
Dividend payable	**114**	22,043
Others	**104,270**	82,432
	5,504,251	6,110,722

Note:

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

31 December 2015

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2015			2014		
	Effective/ contractual interest rate *(%)*	Maturity	*RMB'000*	Effective/ contractual interest rate *(%)*	Maturity	*RMB'000*
Current:						
Bank loans – unsecured	2.974-5.880	2016	114,778	5.600-6.000	2015	30,400
Bank loans – secured (a)	1.394-6.375	2016	468,401	2.153-7.000	2015	589,768
Current portion of long term bank loans – secured (a)	6.400-6.600	2016	104,000	6.528-7.590	2015	50,000
Current portion of long term bank loans – unsecured	–	–	–	5.843	2015	10,000
			687,179			680,168
Syndicated loan	LIBOR plus 230 basis points for US$ borrowings and HIBOR plus 230 basis points for HK$ borrowings	2016	1,877,542	LIBOR plus 230 basis points for US$ borrowings and HIBOR plus 230 basis points for HK$ borrowings	2015	440,743
			2,564,721			1,120,911
Non-current:						
Secured bank loans (a)	6.400-6.765	2017-2019	313,000	6.528-7.205	2016-2019	416,831
Unsecured bank loans	–	–	–	5.843	2016	40,000
Syndicated loan	–	–	–	LIBOR plus 230 basis points for US$ borrowings and HIBOR plus 230 basis points for HK$ borrowings	2016	1,762,973
Convertible bonds (note 34)	Weighted average of 2.99	2017	3,101,509	Weighted average of 2.99	2017	2,834,878
			3,414,509			5,054,682
			5,979,230			6,175,593

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

	2015 *RMB'000*	2014 *RMB'000*
Analysed into:		
Within one year or on demand	**2,564,721**	1,120,911
In the second year	**3,222,009**	1,906,804
In the third to fifth years, inclusive	**192,500**	3,147,878
	5,979,230	6,175,593

Notes:

(a) Secured bank and other loans of RMB885,401,000 as at 31 December 2015 were secured by certain of the Group's buildings, investment properties, prepaid land lease payments, completed properties held for sale and time deposits, the total carrying amount of which at 31 December 2015 was RMB2,739,610,000 (2014: RMB2,287,799,000) (notes 14, 15, 16, 17 and 30).

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

	2015 *RMB'000*	2014 *RMB'000*
At floating rate:		
Expiring within 1 year	**864,778**	1,641,434
Expiring within 2 to 4 years, inclusive	**1,099,466**	1,330,003
Expiring after 5 years	**145,000**	148,000
	2,109,244	3,119,437

The Group's banking facilities were secured by certain buildings (note 14), investment properties (note 15), prepaid land lease payments (note 16), completed properties held for sale (note 17) and time deposits (note 30).

34. 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.

Since 10 October 2015, the conversion price was adjusted to HK$7.2922 per share due to the payment of 2014 final dividend and 2015 interim and special dividend (note 11).

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 in 2014 have been split as to the liability and equity components as follows:

	2015 ***RMB'000***	2014 *RMB'000*
Nominal value of convertible bonds issued during year 2014	**2,944,505**	2,944,505
Equity component	**(126,417)**	(126,417)
	2,818,088	2,818,088
Liability component at the issuance date	**2,818,088**	2,818,088
Interest expense	**127,935**	40,624
Exchange realignment	**155,486**	(23,834)
Liability component at 31 December (note 33)	**3,101,509**	2,834,878

35. SHARE CAPITAL

	Authorised		
	Number of shares	*US$*	*RMB*
At 31 December 2015 and 2014	5,000,000,000	50,000	393,500

	Issued and fully paid up		
	Number of shares	*US$*	*RMB'000*
As at 1 January 2014	2,006,131,988	20,061	154
Share options exercised	7,604,500	76	–
Repurchase of shares	(63,422,500)	(634)	(5)
Issuance of shares	220,541,892	2,205	14
As at 31 December 2014 and 1 January 2015	2,170,855,880	21,708	163
Share options exercised	19,007,000	190	1
Repurchase of shares	(9,810,500)	(98)	(1)
As at 31 December 2015	2,180,052,380	21,800	163

35. SHARE CAPITAL (CONTINNUED)

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

	Number of shares	Issued capital	Capital redemption reserve	Share premium without proposed final dividend	Declared final dividend	Total
		US$	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	2,006,131,988	20,061	5	4,104,199	–	4,104,204
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)
Final 2013 dividend declared	–	–	–	–	(220,675)	(220,675)
Interim 2014 dividend	–	–	–	(223,058)	–	(223,058)
At 31 December 2014 and 1 January 2015	2,170,855,880	21,708	10	4,903,810	(220,675)	4,683,145
Share options exercised (i)	19,007,000	190	–	131,393	–	131,393
Repurchase of shares (ii)	(9,810,500)	(98)	1	(59,523)	–	(59,522)
2014 Final dividend	–	–	–	–	(260,503)	(260,503)
Interim 2015 dividend	–	–	–	(437,783)	–	(437,783)
Dividend on shares issued for employee share options exercised after 31 December 2014	–	–	–	(1,998)	–	(1,998)
At 31 December 2015	2,180,052,380	21,800	11	4,535,899	(481,178)	4,054,732

35. SHARE CAPITAL (CONTINUED)

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

(i) The subscription rights attaching to 19,007,000 share options were exercised at subscription prices of HK$5.64, HK$1.88, HK$6.63, HK$5.50, HK$6.49, HK$9.00, HK$10.77, HK$7.56 and HK$9.27 per share (note 37), resulting in the issue of 19,007,000 shares of US$0.00001 each for a total cash consideration, before expenses, of HK$128,861,370 (RMB101,921,000 equivalent). An amount of RMB29,473,000 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 9,810,500 shares of US$0.00001 each of the Company for an aggregate consideration of HK$74,796,000 (RMB59,523,000 equivalent). The repurchased shares were cancelled on 4 May 2015 and 27 October 2015.

Share option

Details of the Company's share option scheme and the share options issued under the scheme are included in note 37 to the financial statements.

36. RESERVES

(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 1 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.

36. RESERVES (CONTINUED)

(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.

37. 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.

37. SHARE OPTION SCHEME (CONTINUED)

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

	2015 Weighted average exercise price *HK$ per share*	Number of options *'000*	2014 Weighted average exercise price *HK$ per share*	Number of options *'000*
At 1 January	**8.08**	**54,686**	8.02	61,641
Granted during the year	**4.85**	**19,598**	6.85	6,522
Forfeited during the year	**8.22**	**(9,471)**	8.27	(2,112)
Exercised during the year	**6.78**	**(19,007)**	5.14	(7,605)
Expired during the year	**9.34**	**(1,060)**	10.77	(3,760)
At 31 December	**7.16**	**44,746**	8.08	54,686

The weighted average share price at the date of exercise for share options exercised during the year was HK$10.66 per share (2014: HK$7.52 per share).

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

2015

Number of options *'000*	Exercise price *HK$ per share*	Exercise period
1,344	**6.49**	**27 May 2011 to 26 May 2016**
615	**9.00**	**27 August 2011 to 26 August 2016**
5,875	**10.77**	**2 April 2012 to 1 April 2017**
9,283	**7.56**	**23 June 2013 to 22 June 2018**
4,501	**9.27**	**11 April 2014 to 10 April 2019**
5,980	**6.85**	**26 June 2015 to 25 June 2020**
17,148	**4.85**	**28 March 2016 to 27 March 2021**
44,746		

37. SHARE OPTION SCHEME (CONTINUED)

2014

Number of options *'000*	Exercise price *HK$ per share*	Exercise period
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		

The fair value of the options granted during the year was approximately RMB16,149,000 (2014: RMB9,169,000), of which the Group recognised a share option expense of RMB4,456,000 (2014: RMB1,878,000) during the year ended 31 December 2015. The Group recognised a total share option expense of RMB13,761,000 (2014: RMB16,429,000) for the year ended 31 December 2015 (note 6).

37. SHARE OPTION SCHEME (CONTINUED)

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:

	2015	2014
Dividend yield *(%)*	**5.73%**	3.88%
Expected volatility *(%)*	**34.85%~42.16%**	41.135%~45.335%
Risk-free interest rate *(%)*	**0.741%~1.229%**	0.822%~1.562%
Expected life of options *(year)*	**3-6**	3-6
Weighted average exercise price *(HK$)*	**4.85**	6.85

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.

The 19,007,000 share options exercised during the year resulted in the issue of 19,007,000 ordinary shares of the Company and new share capital of RMB1,166 and share premium of RMB131,393,000 (before issue expenses), as further detailed in note 35 to the financial statements.

At the end of the reporting period, the Company had 44,746,000 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 44,746,000 additional ordinary shares of the Company and additional share capital of approximately RMB2,906 and share premium of approximately RMB262,693,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 44,454,000 share options outstanding under the Scheme, which represented approximately 2.37% of the Company's shares in issue as at that date.

38. DISPOSAL OF A SUBSIDIARY

	Note	2015 *RMB'000*
Net assets disposed of:		
Investment properties		570,907
Deposits, prepayments and other receivables		5,130
Trade receivables		15,941
Cash and cash equivalents		769
Other payables and accruals		(85,912)
Deferred tax liabilities		(122,553)
Tax payable		(3,023)
		381,259
Gain on disposal of a subsidiary		107,964
Tax implication in relation to the disposal		(77,220)
Net gain on disposal of a subsidiary	5	30,744
Satisfied by:		
Cash received		482,557
Cash not yet received		6,666
		489,223

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

	2015 *RMB'000*
Cash consideration received in 2014	109,586
Cash consideration received in 2015	372,971
Cash and cash equivalents disposed of	(769)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	481,788

39. 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 RMB799,293,000 (2014: RMB581,129,000). Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying 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.

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

	2015 ***RMB'000***	2014 *RMB'000*
Guarantees given to banks in connection with facilities granted to related parties	**970,000**	872,000
Guarantees given to banks and other financial institutions in connection with borrowings to a joint venture	**–**	285,000

40. 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 14, 15, 16, 17 and 30.

41. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) 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 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015	2014
	RMB'000	*RMB'000*
Within one year	**914,368**	650,398
In the second to fifth years, inclusive	**2,136,601**	1,732,484
After five years	**1,657,206**	1,065,519
	4,708,175	3,448,401

The amounts above include future minimum sublease payments expected to be received under non-cancellable subleases amounting to RMB1,449,045,000 (2014: RMB1,280,978,000) as at 31 December 2015.

(b) As lessee

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

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015	2014
	RMB'000	*RMB'000*
Within one year	**883,569**	661,142
In the second to fifth years, inclusive	**3,621,596**	3,237,757
After five years	**10,292,613**	10,301,438
	14,797,778	14,200,337

42. COMMITMENTS

In addition to the operating lease commitments detailed in note 41(b) above, the Group had the following capital commitments at the reporting date:

	2015	2014
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Land and buildings	**14,841**	47,755
Leasehold improvements	**65,723**	121,400
	80,564	169,155

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

	2015	2014
	RMB'000	*RMB'000*
Contracted, but not provided for	**–**	47,880

43. 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
China Yintai Holdings Co., Ltd. ("China Yintai")	Controlled by Mr. Shen Guojun
Beijing Guojun Investment Co., Ltd. ("Beijing Guojun")	Controlled by Mr. Shen Guojun
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
Metro Land Corporation Ltd. ("Metro Land")	Associate of China Yintai
Beijing Intime Jixiang Commercial Co., Ltd. ("Jixiang Commercial") (Formerly known as "Beijing Intime Lotte Department Store Co., Ltd.")	Subsidiary of China Yintai
Beijing Jixiang Mansion Co., Ltd ("Jixiang Mansion")	Subsidiary of China Yintai
Hangzhou Intime Shopping Centre Co., Ltd ("Hangzhou Intime")	Subsidiary of China Yintai
Zhejiang Fuqiang Properties Co., Ltd. ("Zhejiang Fuqiang")	Subsidiary of China Yintai
Ningbo Hualian Property Development Co., Ltd. ("Ningbo Hualian Property")	Subsidiary of Metro Land
Beijing Metro Land Property Co., Ltd. ("Beijing Metro Land Property")	Subsidiary of Metro Land
Beijing New Yansha Holding (Group) Co., Ltd. ("Beijing New Yansha")	Controlling shareholder of an associate
Fenghua Yintai Properties Co., Ltd. ("Fenghua Yintai")	Subsidiary of Beijing Guojun
Ningbo Economic Technology Development Area Taiyue Properties Co. Ltd. ("Ningbo Taiyue")	Subsidiary of Beijing Guojun
Huzhou Jialefu Mall Co., Ltd. ("Huzhou Jialefu")	50% of the voting rights are controlled by Mr. Shen Guojun
Art Capital Holdings Limited ("Art Capital")	100% of the voting rights are controlled by Mr. Shen Guojun
Hangzhou Xin Hubin	Joint venture of Art Capital
Hangzhou Longxiang Commercial Development Co., Ltd. ("Longxiang Commercial")	Associate of Beijing Guojun
Hangzhou Hubin International Commercial Development Co., Ltd. ("Hangzhou Hubin International")	Mr. Shen Guojun is the chairman

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

The following transactions were carried out with related parties:

	2015 *RMB'000*	2014 *RMB'000*
Rental expense and management fee expenses:		
Zhongda Shengma (note (i))	**11,349**	–
Fenghua Yintai	**1,906**	–
Metro Land	**–**	2,253
Hangzhou Intime	**4,873**	–
Huzhou Jialefu (note (ii))	**33,584**	33,584
Anhui Hualun (note (iii))	**12,933**	–
	64,645	35,837
Advances to related parties:		
Anhui Hualun	**–**	37,200
Hangzhou Xin Hubin	**–**	–
Zhejiang Intime Electronic Commerce	**4,568**	–
Bozhou Hualun	**–**	38,000
Hefei Hualun	**–**	238,688
Zhongda Shengma	**–**	239,688
	4,568	553,576
Repayment of advances to related parties:		
Hangzhou Xin Hubin	**–**	25,000
Zhongda Shengma	**239,688**	–
	239,688	25,000
Loans and receivables made to related parties:		
Zhejiang Intime Electronic Commerce (note (iv))	**207,575**	221,080
Zhongda Shengma (note (v))	**974,538**	–
Hangzhou Xin Hubin (note (vi))	**143,000**	–
	1,325,113	221,080

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

	2015 RMB'000	2014 RMB'000
Repayment of loans and receivables from related parties:		
Hangzhou Xin Hubin	75,000	–
Hangzhou Intime	–	152,654
Zhongda Shengma	494,125	340,793
	569,125	493,447
Management fees from a related party:		
Beijing New Yansha	3,611	4,343
Interest income from related parties:		
Hangzhou Xin Hubin	22,496	18,934
Hangzhou Intime	–	1,967
Zhongda Shengma	42,859	52,351
Zhejiang Intime Electronic Commerce	59,321	25,224
Anhui Hualun	33,977	21,467
Bozhou Hualun	14,279	14,340
	172,932	134,283
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	5,300	295
Jixiang Commercial	(224)	(9,608)
Jixiang Mansion	1,331	–
Hangzhou Xin Hubin	(29,475)	(2,324)
Hangzhou Hubin International	122,140	10,122
Ningbo Taiyue	(4,484)	(1,069)
Longxiang Commercial	541	102
	95,129	(2,482)

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

	2015 RMB'000	2014 RMB'000
Payments of rental deposits:		
Zhongda Shengma	**5,000**	–
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
Commissions charged to a related party:		
Zhejiang Intime Electronic Commerce	**9,520**	15,097
Commissions charged by a related party for sales of good:		
Zhejiang Intime Electronic Commerce (note (vii))	**5,112**	–
Guarantees provided to related parties:		
Zhongda Shengma (note (viii))	**240,000**	504,000
Anhui Hualun (note (ix))	**600,000**	600,000
Hangzhou Xin Hubin (note (x))	**180,000**	285,000
	1,020,000	1,389,000

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

	2015 *RMB'000*	2014 *RMB'000*
Acquisition of a subsidiary from a related party:		
Metro Land	–	255,267
Disposal of a joint venture to a related party:		
Art Capital (note (xi))	**305,370**	–
Acquisition of non-controlling interest from a related party:		
Metro Land (note (xii))	**70,280**	–

Notes:

(i) Pursuant to an agreement between Hangzhou Zhongda and Zhongda Shengma signed on 1 December 2014, Hangzhou Zhongda leased certain floors of a building from Zhongda Shengma for its operation for 20 years.

(ii) 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.

(iii) Pursuant to an agreement between Anhui Hualun and Wuhu Intime Commercial Management Co., Ltd. ("Wuhu Intime"), Wuhu Intime leased a building for its operation for a period from 1 July 2014 to 30 June 2034.

(iv) Pursuant to loan agreements between Zhejiang Intime Electronic Commerce and the Group, the Group provided shareholder's loans with a total amount of RMB207,575,000 to Zhejiang Intime Electronic Commerce with no fixed repayment terms with an annual interest rate of 12%.

(v) Pursuant to loan agreements between Zhongda Shengma and the Group, the Group provided loans to Zhongda Shengma with an amount of RMB974,538,000 for a period of 24 months for the construction and development of the department store property with an annual interest of 6.5%.

(vi) Pursuant to loan agreements between Hangzhou Xin Hubin and the Group, the Group provided loans with a total amount of RMB143,000,000 to Hangzhou Xin Hubin at one-year benchmark interest rate.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

(vii) Pursuant to agreements between Zhejiang Intime Electronic Commerce and the Group, Zhejiang Intime Electronic Commerce provide online sales channels to the Group and charge commission fee at 6% of total revenue.

(viii) 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 RMB240,000,000 (2014: RMB504,000,000).

(ix) 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 2015, the banking facilities granted to Anhui Hualun guaranteed by the Group were utilised to the extent of approximately RMB550,000,000 (2014: RMB500,000,000).

(x) Pursuant to guarantee agreements among Zhejiang Intime, Hangzhou Xin Hubin and certain financial institutions, Zhejiang Intime provided guarantees to Hangzhou Xin Hubin's borrowings with an amount of RMB180,000,000 (2014: RMB285,000,000).

(xi) On 26 May 2015, Hangzhou North Hill entered into an equity transfer agreement with Art Capital for a consideration of RMB305,369,900, to dispose of all 50% equity interest in Hangzhou Xin Hubin. In addition, all existing receivables owed by Hangzhou Xin Hubin to the Group of RMB384,000,000 at one-year benchmark interest rate shall be repaid by 20 December 2016. And the equity transfer was completed in November 2015.

(xii) On 8 May 2015, Hangzhou Intime Outlets Commercial Development Co., Ltd. ("Hangzhou Outlets") entered into an equity transfer agreement with Metro Land, to purchase a 20% equity interest in Jingtai Xianghe for a total consideration of RMB70,280,000. As at 31 December 2015, Hangzhou Outlets has paid total consideration of the acquisition.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Due from related parties

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

	2015 *RMB'000*	2014 *RMB'000*
Due from related parties:		
Metro Land	**720**	720
Hangzhou Xin Hubin	**1,490**	391,804
Ningbo Hualian Property	**70**	70
Anhui Hualun	**480,321**	446,344
Zhejiang Intime Electronic Commerce	**285,920**	209,271
Beijing New Yansha	**3,611**	4,343
Bozhou Hualun	**271,566**	257,287
Hangzhou Intime	**5,000**	5,000
Fenghua Yintai	**5,000**	5,000
Huzhou Jialefu	**2,500**	2,500
Zhongda Shengma	**5,000**	239,688
Ningbo Taiyue	**336**	125
Hefei Hualun	**238,688**	238,688
Art Capital	**110,370**	–
Jixiang Commercial	**–**	566
Jixiang Mansion	**557**	–
	1,411,149	1,801,406

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

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

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

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Loans and interest receivable from related parties

	2015 RMB'000	2014 RMB'000
Hangzhou Xin Hubin (note 27)	394,986	–
Zhejiang Intime Electronic Commerce (note 27)	800,761	533,865
Zhongda Shengma (note 27)	787,855	264,583
	1,983,602	798,448

(e) Due to related parties

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

	2015 RMB'000	2014 RMB'000
Due to related parties:		
Huzhou Jialefu	–	12,436
Zhongda Shengma	11,349	–
Hangzhou Intime	718	–
Longxiang Commercial	46	24
Anhui Hualun	12,933	–
Hangzhou Hubin International	2,510	22
	27,556	12,482

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

43. 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 RMB604,179,000 from 1 January 2016 to 27 June 2033.

(iv) Pursuant to an agreement between Hangzhou Zhongda and Zhongda Shengma signed on 1 December 2014, Hangzhou Zhongda leased certain floors of a building from Zhongda Shengma for its operation for 20 years. The Group expects the total minimum lease payments to be approximately RMB62,557,000 from 1 January 2016 to 31 December 2017. Pursuant to a supplementary agreement between Hangzhou Zhongda and Zhongda Shengma signed on the same date, the 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.

(v) Pursuant to an agreement between Anhui Intime and Wuhu Intime signed on 1 July 2014, Anhui Intime leased certain floors of a building from Anhui Hualun for its operation for 20 years. Anhui Intime was given a rent-free period of twelve months commencing from the delivery of the property. The Group expects total minimum lease payments to be approximately RMB415,116,000 from 1 January 2016 to 30 June 2034.

31 December 2015

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Key management compensation

	2015 RMB'000	2014 RMB'000
Salaries, allowances and other benefits	5,365	4,909
Discretionary bonuses	7,243	4,080
Contributions to a retirement plan	1,217	828
Equity-settled share option expense	5,527	6,212
	19,352	16,029

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

	Number of employees 2015	2014
HK$1 to HK$500,000	1	1
HK$500,001 to HK$1,000,000	6	3
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$2,000,000	–	2
HK$2,000,001 to HK$2,500,000	1	1
HK$2,500,001 to HK$3,000,000	1	–
HK$3,000,001 to HK$3,500,000	–	1
HK$7,500,001 to HK$8,000,000	–	1
HK$10,000,001 to HK$10,500,000	1	–
	11	10

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

44. FINANCIAL INSTRUMENTS BY CATEGORY

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

2015

Financial assets

	Loans and receivables *RMB'000*	Available-for-sale investment *RMB'000*	Total *RMB'000*
Available-for-sale investment	–	40,253	40,253
Financial assets included in prepayments, deposits and other receivables	651,445	–	651,445
Trade receivables	33,795	–	33,795
Loans and receivables	2,241,038	–	2,241,038
Due from related parties	1,411,149	–	1,411,149
Cash in transit	88,263	–	88,263
Pledged deposits	67,000	–	67,000
Restricted bank balances	46,777	–	46,777
Cash and cash equivalents	1,580,529	–	1,580,529
	6,119,996	40,253	6,160,249

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade and bills payables	2,621,636
Financial liabilities included in other payables and accruals	2,010,284
Due to related parties	27,556
Interest-bearing bank and other borrowings	2,877,721
Convertible bonds	3,101,509
	10,638,706

44. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

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

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
Guaranteed bonds due July 2014	2,834,878
	10,300,542

45. 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.

46. 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.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

The Group has no significant interest-bearing assets other than cash at banks (note 30) and loans and receivables (note 27).

The Group's interest rate risk arises from its borrowings, details of which are set out in note 33. 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 rates, with all other variables held constant, of the Group's profit before tax (through the impact of floating rate borrowings) during the year.

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax *RMB'000*
31 December 2015		
RMB	**100**	**(4,170)**
RMB	**(100)**	**4,170**
US$	**50**	**(1,061)**
US$	**(50)**	**1,061**
HK$	**50**	**(4,084)**
HK$	**(50)**	**4,084**
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

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

During the years ended 31 December 2015 and 31 December 2014, 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 cash and cash equivalents denominated in foreign currencies as at 31 December 2015 and 2014 are disclosed in note 30.

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

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).

	Increase/(decrease) in foreign exchange rate	Increase/(decrease) in profit before tax
	%	*RMB'000*
2015		
If the Hong Kong dollar weakens against the RMB	2	(142)
If the Hong Kong dollar strengthens against the RMB	(2)	142
2014		
If the Hong Kong dollar weakens against the RMB	2	(45)
If the Hong Kong dollar strengthens against the RMB	(2)	45

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 a 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 39.

The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 39(2) to the financial statements.

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 currently available banking facilities to meet its liabilities as and when they fall due.

46. 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:

	2015					
	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	–	2,426,988	85,266	242,541	208,886	2,963,681
Trade and bills payables	–	2,621,636	–	–	–	2,621,636
Other payables and accruals	195,976	324,917	1,489,391	–	–	2,010,284
Due to related parties	–	27,556	–	–	–	27,556
Convertible bonds	–	–	–	3,244,588	–	3,244,588
Guarantees given to banks in connection with mortgage facilities granted to purchasers of the Group's properties under development	–	799,293	–	–	–	799,293
Guarantees given to banks in connection with facilities granted to the Group's related parties	–	–	–	–	970,000	970,000
	195,976	6,200,390	1,574,657	3,487,129	1,178,886	12,637,038

46. 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)

	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

46. 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 2015 and 2014.

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 2015, the Group's borrowings amounted to RMB5,979,230,000 (31 December 2014: RMB6,175,593,000). The gearing ratio was 22.1% as at 31 December 2015 (31 December 2014: 24.0%).

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 *RMB'000*	2014 *RMB'000*
NON-CURRENT ASSETS		
Prepayments, deposits and other receivables	**90,000**	90,000
Other intangible assets	**220**	325
Investments in subsidiaries	**1,658,318**	1,658,318
Available-for-sale investment	**40,253**	–
Due from subsidiaries	**8,609,734**	9,462,429
Total non-current assets	**10,398,525**	11,211,072
CURRENT ASSETS		
Prepayments, deposits and other receivables	**1,091**	1,027
Cash and cash equivalents	**107,061**	121,365
Total current assets	**108,152**	122,392
CURRENT LIABILITIES		
Other payables and accruals	**563,293**	586,424
Interest-bearing bank and other borrowings	**2,229,409**	440,743
Total current liabilities	**2,792,702**	1,027,167
NET CURRENT LIABILITIES	**(2,684,550)**	(904,775)
TOTAL ASSETS LESS CURRENT LIABILITIES	**7,713,975**	10,306,297

31 December 2015

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Information about the statement of financial position of the Company at the end of the reporting period is as follows: (continued)

	2015 *RMB'000*	2014 *RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**–**	1,762,973
Due to subsidiaries	**108,527**	97,018
Convertible bonds	**3,101,509**	2,834,878
Total non-current liabilities	**3,210,036**	4,694,869
NET ASSETS	**4,503,939**	5,611,428
EQUITY		
Share capital	**163**	163
Equity component of convertible bonds	**126,417**	126,417
Reserves	**4,377,359**	5,484,848
Total equity	**4,503,939**	5,611,428

Zhang Yong
Chairman

Chen Xiaodong
Executive Director

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium	Equity component of convertible bonds	Capital redemption reserve	Capital reserve	Contributed surplus	Accumulated losses	Exchange fluctuation reserve	Share option reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	4,104,199	–	5	23,607	908,303	(209,639)	123,313	67,909	5,017,697
Total comprehensive loss for the year	–	–	–	–	–	(122,231)	4,356	–	(117,875)
Issuance of shares	1,321,755	–	–	–	–	–	–	–	1,321,755
Issuance of convertible bonds	–	126,417	–	–	–	–	–	–	126,417
Equity-settled share option arrangements	–	–	–	–	–	–	–	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
Final 2013 dividend declared	(220,675)	–	–	–	–	–	–	–	(220,675)
Interim 2014 dividend	(223,058)	–	–	–	–	–	–	–	(223,058)

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:(continued)

A summary of the Company's reserves is as follows:(continued)

	Share premium *RMB'000*	Equity component of convertible bonds *RMB'000*	Capital redemption reserve *RMB'000*	Capital reserve *RMB'000*	Contributed surplus *RMB'000*	Accumulated losses *RMB'000*	Exchange fluctuation reserve *RMB'000*	Share option reserve *RMB'000*	Total *RMB'000*
At 31 December 2014	4,683,135	126,417	10	23,607	908,303	(320,965)	127,669	63,089	5,611,265
Total comprehensive loss for the year	–	–	–	–	–	(179,123)	(284,241)	–	(463,364)
Exercise of share options	131,393	–	–	–	–	–	–	–	131,393
Equity-settled share option arrangements	–	–	–	–	–	–	–	13,761	13,761
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	–	–	18,090	–	(18,090)	–
Repurchase of shares	(59,523)	–	1	–	–	–	–	–	(59,522)
Dividend on shares issued for employee share options exercised after 31 December 2014	(1,998)	–	–	–	–	–	–	–	(1,998)
Exercise of share options	–	–	–	–	–	–	–	(29,473)	(29,473)
Final 2014 dividend declared	(260,503)	–	–	–	–	–	–	–	(260,503)
Interim 2015 and special dividend	(437,783)	–	–	–	–	–	–	–	(437,783)
At 31 December 2015	4,054,721	126,417	11	23,607	908,303	(481,998)	(156,572)	29,287	4,503,776

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

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.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 March 2016.