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

新零售元年

ANNUAL REPORT 2016

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 18 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 2016, the Group operated and managed a total of 29 department stores and 20 shopping malls with a total gross floor area of 3,301,023 square meters, including 20 department stores and 11 shopping malls located in the principal cities of Zhejiang province, 6 department stores and 2 shopping malls located in Hubei province, 1 department store located in Beijing, 4 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

Non-Executive Directors:

ZHANG Yong *(Chairman)*
XIN Xiangdong

Independent Non-Executive Directors:

CHOW Joseph
CHEN Jiangxu
HU Yongmin (appointed on 13 July 2016)
YU Ning (passed away on 1 June 2016)

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
HU Yongmin (appointed on 13 July 2016)
YU Ning (passed away on 1 June 2016)

REMUNERATION COMMITTEE

CHEN Jiangxu *(Chairman)*
CHOW Joseph
HU Yongmin (appointed on 13 July 2016)
YU Ning (passed away on 1 June 2016)

NOMINATION COMMITTEE

HU Yongmin *(Chairman)*
(appointed on 13 July 2016)
CHEN Jiangxu
CHOW Joseph
YU Ning (passed away on 1 June 2016)

STRATEGIC DEVELOPMENT COMMITTEE

ZHANG Yong *(Chairman)*
CHEN Xiaodong

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

Bank of China
China Construction Bank
China Merchants Bank
Hongkong and Shanghai Banking Corporation
Industrial and Commercial Bank of China
Ping An Bank
Standard Chartered Bank
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				
	2012	2013	2014	2015	**2016**
	Restated	*Restated*			
Same store sales growth	9.1%	8.0%	-3.3%	0.5%	**0.3%**

	Year ended 31 December				
	2012	2013	2014	2015	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
	Restated	*Restated*			
Operating Results					
Revenue	3,907,230	4,510,219	5,250,568	5,755,453	**5,984,262**
Profit before tax	1,514,211	2,356,100	1,805,256	1,841,616	**1,986,019**
Profit for the year	1,165,715	1,713,858	1,163,782	1,349,098	**1,415,844**
Profit attributable to:					
– Owners of the parent	1,074,122	1,594,524	1,121,483	1,317,474	**1,319,687**
– Non-controlling interests	91,593	119,334	42,299	31,624	**96,157**
Full year dividends per share (RMB)	0.19	0.21	0.22	0.32	**0.18**
Basic earnings per share (RMB)	0.54	0.79	0.53	0.60	**0.54**
Diluted earnings per share (RMB)	0.53	0.79	0.50	0.52	**0.50**

	31 December				
	2012	2013	2014	2015	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
	Restated	*Restated*			
Assets and Liabilities					
Total assets	21,925,675	23,972,589	27,794,182	28,278,182	**26,749,270**
Total liabilities	(13,296,104)	(13,937,400)	(16,013,089)	(16,253,661)	**(11,336,276)**
Total equity	8,629,571	10,035,189	11,781,093	12,024,521	**15,412,994**
– Owners' equity	7,612,849	8,860,386	10,694,983	11,037,548	**14,984,683**
– Non-controlling interests	1,016,722	1,174,803	1,086,110	986,973	**428,311**

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.

2016 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 made progress to develop new shopping experience for our customers.

China's economy has immense potential as it is transitioning from an export sales-driven economy to a domestic-consumption economy. Chinese consumers today are 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 new technology to stimulate consumer consumption and generate 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 our customer needs.

Thank you again for investing in us. We are grateful for the trust you have placed in us.

Zhang Yong
Chairman

MACROECONOMIC OVERVIEW

In 2016, faced with the complicated international environment and increased downward economic pressure, the gross domestic product (GDP) annual growth rate of China slowed down to 6.7%, as compared to the annual growth rate of 6.9% recorded in 2015. China's retail sales growth rate continued to slow down. The total retail sales of consumer goods in 2016 grew by 10.4% year-on-year, which was lower than the growth rate of 10.7% recorded in 2015. The annual growth rate of national per capita disposable income of China also slowed to approximately 8.4% in 2016, as compared to approximately 8.9% in 2015.

According to the China National Commercial Information Center, retail sales of 100 key large-scale retail enterprises dropped by 0.5% year-on-year in 2016. China's e-commerce has continued to play a major role in supporting the growth of retail sales in China. In 2016, the total online retail sales grew by 26.2% year-on-year.

Zhejiang province achieved a steady GDP growth rate of 7.5% in 2016, which was lower than the growth rate of 8.0% recorded in 2015. The total retail sales of consumer goods in Zhejiang province rose by 11.0% to RMB2,197.1 billion in 2016. The per capita disposable income of urban households in Zhejiang province increased by 8.1% to RMB47,237 in 2016.

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 income) of RMB17,214.4 million for the year ended 31 December 2016, representing an increase of 2.7% as compared to that of last year. The year-on-year same store sales growth of the Group was 0.3%. For the year ended 31 December 2016, total revenue of the Group increased to RMB5,984.3 million, representing an increase of 4.0% as compared to that of last year. Profit attributable to owners of the parent was RMB1,319.7 million, representing an increase of 0.2% as compared to that of last year.

Expansion of Network

During the year under review, the Group continued to expand its retail network. In January 2016, the Group opened its first factory outlet in Xiasha of Hangzhou with a gross floor area of approximately of 65,000 square meters. In September 2016, Jingmen Intime City, with a gross floor area of approximately of 97,326 square meters, was opened in Hubei. In December 2016, Wenzhou Intime City, with a gross floor area of approximately of 138,414 square meters, was opened in Zhejiang. In addition, in December 2016, Bengbu Intime City, with a gross floor area of approximately of 162,719 square meters, was opened in Anhui.

CEO's Statement

As at 31 December 2016, the Group operated and managed a total of 29 department stores and 20 shopping malls with a total gross floor area of 3,301,023 square meters, including 20 department stores and 11 shopping malls located in the principal cities of Zhejiang province, 6 department stores and 2 shopping malls located in Hubei province, 1 department store located in Beijing, 4 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.

Offering Good Products at Reasonable Price

Offering good products at reasonable price is the basic fundamental of the retail industry. During the year under review, the Group focused on enhancing operational efficiency and improving the merchandise mix and brand mix in order to stay ahead of the market competition. The Group has strengthened its efforts to monitor store sales activities and shopping preference in order to provide better shopping choices to its customers. In addition, the Group has continued with its strategy to reduce layers of supplies and to improve the efficiency of the supply chain in order to provide competitive merchandise to customers.

Online to Offline Integration

During the year under review, the Group cooperated with Alibaba Group Holding Limited ("Alibaba") on developing the online-to-offline ("O2O") initiatives and providing better consumption solution to the market. We have benefited not only from the information technology and big data expertise of Alibaba, but also from the learning of internet thinking and experience from Alibaba. Apart from the O2O initiatives such as Miaojie, Miaohuo, Choice, I Choice and Miaoke, which have been performed reasonably well, the Group has introduced new online-to-offline integration platforms, namely Jihood and InJunior. These initiatives have provided a foundation for the Group to attract new customers, deepen the notion of putting customers' needs first, fasten the omni-channel development and better the customers' shopping experience.

The Group has achieved further integration with Alibaba's platform. On one hand, the Group has supported online brands on Alibaba's platforms to sell at the Company's physical stores. On the other hand, the Group has stepped up efforts to encourage the Company's offline brands to sell on Alibaba's platforms. Focusing on the customers' needs, the Group aims to integrate O2O platforms through unifying the online and offline information about customers, products and services.

Implementation of Asset-Light Strategies

As disclosed in the Company's announcement dated 17 May 2016, the Group entered into a series of agreements pursuant to which the Group agreed to (i) transfer the entire equity interests in Beijing Jingtai Xianghe Asset Management Limited Liability Company ("Jingtai Xianghe") to Harvest Capital Management Co., Ltd. ("Harvest Capital") for a total consideration of RMB325,546,710.17 (the "Equity Transfer Agreement"); (ii) enter into a lease agreement with Jingtai Xianghe for the lease of the Beijing Dahongmen Store (the "Lease Agreement"); (iii) make an investment of RMB330 million into an asset management scheme managed by Minsheng Securities Co., Ltd. ("Minsheng Securities") with China Merchant Bank Co., Ltd. (Shanghai Branch) ("CMB (Shanghai)") as the asset custodian ("Minsheng Asset Management Contract (Intime)"), which will in turn invest in an asset management scheme operated by Harvest Capital ("HCJX Asset Management Scheme"), with Jingtai Xianghe as part of its asset; (iv) (a) acquire the interests under the asset management contract dated 17 May 2016 between China Merchant Bank Co., Ltd. ("CMB"), Minsheng Securities (as asset manager) and CMB (Shanghai) (as asset custodian) pursuant to which CMB agreed to deposit an investment amount of RMB500 million as entrusted assets to a designated account with CMB (Shanghai) ("Minsheng Asset Management Contract (CMB)"), which will in turn also invest in the HCJX Asset Management Scheme; or (b) dispose of its interests under the Minsheng Asset Management Contract (Intime) in accordance with the terms of a right of first refusal agreement between CMB and Zhejiang Intime Department Store Co., Ltd., an indirect wholly-owned subsidiary of the Company ("Zhejiang Intime"), (the "Right of First Refusal Agreement"), pursuant to which CMB grants a right of first refusal to Zhejiang Intime to acquire all the rights/interests of CMB under the Minsheng Asset Management Contract (CMB) (the "Dahongmen Project Asset-Light Arrangement").

The main asset of Jingtai Xianghe is the Beijing Dahongmen Store. The Dahongmen Project Asset-Light Arrangement enables the Group to pursue asset-light strategies and to restructure the way it holds the property interest in Beijing Dahongmen Store. The net proceeds from the disposal of the equity interest of Jingtai Xianghe have been used by the Group to open new shopping malls and for general working capital purpose. In addition, Jingtai Xianghe was indebted to other members of the Group for intra-group loans which amounted to approximately RMB500 million in aggregate (the "Shareholder Loan"). In this respect, the HCJX Asset Management Scheme provided the financial resources for Jingtai Xianghe to settle the Shareholder Loan in May 2016, after the completion of the Equity Transfer Agreement in May 2016.

As its overall strategy, the Group seeks opportunities to enhance its financial flexibility by adopting asset-light strategies. The Dahongmen Project Asset-Light Arrangement represents the Group's plan to transform into an asset-light company and to realize the value in Jingtai Xianghe. In particular, the Dahongmen Project Asset-Light Arrangement, as enabled by the participation of CMB, allows the Company to release the capital previously invested in the Beijing Dahongmen Store, while continuing to conduct the Group's department store business at the Beijing Dahongmen Store through the Lease Agreement.

In addition, the Dahongmen Project Asset-Light Arrangement provides a platform which offers flexibility to the Group as to the manner in which it can liquidize fixed assets. In this respect, the terms of the Minsheng Asset Management Contract (Intime) and the Right of First Refusal Agreement enable the Group to exit its investment under the Minsheng Asset Management Contract (Intime) in several ways, including by way of public offering of REITs. As contemplated under the Right of First Refusal Agreement, subject to compliance with the relevant laws and regulations and the instruction of CMB and the Group, the HCJX Asset Management Scheme will take the form of a REITs for public offering as the preferred exit strategy, through which the Group can exit from its investment under the Minsheng Asset Management Contract (Intime).

Completion of the Issue of Conversion Shares to Alibaba Investment Limited

As disclosed in the Company's announcement dated 29 June 2016, the Company received a conversion notice (the "Conversion Notice") from the Alibaba Investment Limited on 29 June 2016 in relation to the conversion (the "Conversion") of all of the outstanding convertible bonds held by Alibaba Investment Limited at the conversion price of approximately HK$7.1309. Pursuant to the Conversion Notice, a total of 535,185,846 conversion shares were issued and allotted to Alibaba Investment Limited on 30 June 2016 upon full conversion of all of the outstanding convertible bonds held by Alibaba Investment Limited. Immediately after the completion of the Conversion, Alibaba Investment Limited has become the single largest shareholder of the Company.

Proposal for the Privatisation of the Company by the Joint Offerors and Proposed Withdrawal of Listing

Reference is made to the joint announcement issued by the Company, Alibaba Investment Limited and Intime International Holdings Limited (the "Joint Offerors") on 10 January 2017 (the "10 Jan Announcement").

As disclosed in the 10 Jan Announcement, on 28 December 2016, the Joint Offerors requested the Board to put forward the proposal (the "Proposal") to the Scheme Shareholders (as defined in the 10 Jan Announcement) regarding the proposed privatisation of the Company by way of a scheme of arrangement (the "Scheme") under Section 86 of the Companies Law (2016 Revision) of the Cayman Islands, involving the cancellation of the Scheme Shares (as defined in the 10 Jan Announcement) and, in consideration thereof, the payment to the Scheme Shareholders of the cancellation price of HK$10.00 in cash for each Scheme Share, the withdrawal of the listing of the Company's shares on the Stock Exchange, and the option offer (the "Option Offer") to be made by or on behalf of the Joint Offerors to the holders of the outstanding share options of the Company, subject to the fulfillment or waiver (as applicable) of certain conditions. For further details and progress of the Proposal, please refer to the 10 Jan Announcement and the subsequent announcements published by the Company and/or the Joint Offerors, as well as the scheme document which is currently expected to be despatched no later than 31 March 2017 and which will contain, among others, the expected timetable for the Proposal.

Shareholders and potential investors should be aware that the implementation of the Proposal, the Scheme and the Option Offer are subject to certain conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented, the Scheme may or may not become effective and the Option Offer may or may not be implemented. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

OUTLOOK

The future of consumer retail will be a combination of both the online and offline experience. 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 seeks to establish itself as a consumption solution provider driven by big data to meet consumers' expectations. Given the continuing decline of economic growth rate in China, the rise of consumer sophistication and new retail concept, and the growth of e-commerce, the growth prospects of traditional retailers remain challenging. The Group plans to comprehensively cooperate with Alibaba on O2O business integration and development to drive the Group's growth in the future.

Chen Xiaodong
Chief Executive Officer

TOTAL GROSS SALES PROCEEDS AND REVENUE

For the year ended 31 December 2016, 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 income) was RMB17,214.4 million, representing an increase of 2.7% from RMB16,760.7 million in 2015. The growth was mainly attributable to the same store sales growth of approximately 0.3% and the inclusion of the sales performances of the new shopping malls opened in the year of 2016 and 2015.

Among the total gross sales proceeds of the Group, total sales proceeds from concessionaire sales accounted for 81.9% (2015: 83.5%) and those derived from direct sales accounted for 11.6% (2015: 10.8%). Sales proceeds from concessionaire sales increased by 0.8% to RMB14,095.6 million in the year of 2016. The commission rate of concessionaire sales remained stable at approximately 16.9% for the year of 2016 (2015: 17.0%).

In line with the Group's strategy to strengthen direct sales, total sales proceeds from direct sales increased by 10.2% to RMB1,999.6 million for the year of 2016. Direct sales margin was 14.8% for the year of 2016 (2015: 15.5%). Rental income increased by 18.2% to RMB1,078.4 million for the year of 2016. The increase was mainly due to a more efficient use of the rental area and an increase in rentable areas from the shopping malls opened in the year of 2016 and 2015.

The Group's total retail revenue for the year ended 31 December 2016 amounted to RMB5,501.5 million, representing an increase of 6.8% from RMB5,153.2 million in 2015. Including sale of properties, the Group's total revenue for the year ended 31 December 2016 amounted to RMB5,984.3 million, representing an increase of 4.0% from RMB5,755.5 million in 2015. The Group has continued to conduct regular reviews on the performance of the suppliers and concessionaires, with an aim to enhance and strengthen the merchandise mix and to provide better shopping choices to its customers.

OTHER INCOME AND GAINS/(LOSSES)

Other income of the Group, which mainly comprised of advertisement, promotion and administration income, amounted to RMB584.6 million for the year of 2016, representing an increase of 22.5% from RMB477.3 million recorded in the year of 2015.

Other gains of the Group amounted to RMB600.0 million for the year of 2016 (2015: RMB598.4 million), which mainly comprised of the gain on the disposals of the equity interests in Wenling Taiyue Real Estate Development Limited, Wenling Intime Hotel Development Limited and Wenling Intime Properties Limited as disclosed in the Company's announcement dated 10 January 2013.

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 RMB1,703.8 million for the year ended 31 December 2016, representing an increase of 11.1% from RMB1,533.2 million recorded in the year of 2015.

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

The Group's cost of properties sold, property development expenses and finance costs of property development amounted to RMB340.4 million, RMB77.2 million and RMB19.5 million, respectively, which were related to the sale of properties amounted to RMB482.8 million for the year of 2016.

STAFF COSTS

The Group's staff costs decreased to RMB769.6 million in 2016, representing a decrease of 1.2% from RMB779.3 million in 2015. Staff costs as a percentage of total revenue of the Group for year of 2016 was 12.9%, which was lower than the ratio of 13.5% recorded in the year of 2015.

DEPRECIATION AND AMORTISATION

The Group's depreciation and amortisation increased by 4.3% from RMB497.0 million in 2015 to RMB518.3 million in 2016. The increase was primarily due to the inclusion of depreciation and amortisation costs for the renovation and modernization work for stores. Depreciation and amortisation as a percentage of total revenue of the Group for year of 2016 was 8.7% (2015: 8.6%), which remained relatively stable.

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 9.0% from RMB1,920.2 million in 2015 to RMB2,093.3 million in 2016. Other expenses as a percentage of total revenue of the Group in 2016 was 35.0%, which was slightly higher than the ratio of 33.4% recorded in 2015.

SHARE OF PROFITS AND LOSSES OF ASSOCIATES

The share of profits and losses of associates for year ended 31 December 2016 amounted to RMB342.6 million, representing an increase of 20.4% from RMB284.5 million recorded in 2015. 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 2016, finance income of the Group amounted to RMB200.4 million, representing a decrease of 8.9% from RMB219.9 million recorded in 2015.

FINANCE COSTS OF RETAILING

For the year ended 31 December 2016, finance costs of retailing of the Group amounted to RMB203.6 million, representing an increase of 16.7% from RMB174.5 million recorded in 2015.

INCOME TAX EXPENSE

The Group's income tax expenses increased by 15.8% from RMB492.5 million in 2015 to RMB570.2 million in 2016. The effective tax rate of the Group was 28.7% in 2016, which was higher than the rate of 26.7% recorded in 2015.

PROFIT FOR THE YEAR

As a result of the reasons mentioned above, profit for the year ended 31 December 2016 amounted to RMB1,415.8 million, representing an increase of 4.9% from RMB1,349.1 million in 2015.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Profit attributable to owners of the parent for the year ended 31 December 2016 amounted to RMB1,319.7 million, representing an increase of 0.2% from RMB1,317.5 million in 2015.

SEGMENT REVIEW

Adjusted profit before interest and tax from the department store segment for the year of 2016 amounted to RMB878.6 million, representing a decrease of 6.1% from RMB935.2 million in 2015. The decrease was only due to the continuous competition from electronic commerce and online retailing. On the other hand, adjusted profit before interest and tax from the shopping mall segment for the year of 2016 amounted to RMB219.5 million, representing an increase of 211.3% from RMB70.5 million in 2015. The increase was mainly due to the opening of numbers of shopping malls in recent years.

Adjusted profit before interest and tax from the property development segment for the year of 2016 amounted to RMB62.2 million, representing a slight increase of 2.3% from RMB60.8 million in 2015.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and cash equivalents amounted to RMB1,700.5 million as at 31 December 2016, representing an increase of RMB120.0 million from the balance of RMB1,580.5 million as at 31 December 2015. For the year ended 31 December 2016, the Group's net cash inflow from operating activities amounted to RMB628.6 million (2015: RMB1,322.3 million), the Group's net cash used in investing activities amounted to RMB804.7 million (2015: RMB579.0 million), and the Group's net cash from financing activities amounted to RMB219.8 million (2015: outflow of RMB1,234.6 million).

As at 31 December 2016, the Group's borrowings, including interest-bearing bank and other borrowings amounted to RMB3,733.8 million (31 December 2015: the total of interest-bearing bank and other borrowings and convertible bonds amounted to RMB5,979.2 million). All the outstanding convertible bonds were converted into ordinary shares of the Company on 30 June 2016. The gearing ratio, calculated by the total interest-bearing bank and other borrowings and convertible bonds (if any) over the total assets of the Group, decreased to 14.0% as at 31 December 2016 (31 December 2015: 22.1%).

NET CURRENT LIABILITIES AND NET ASSETS

The net current liabilities of the Group as at 31 December 2016 amounted to RMB1,583.0 million, while it was RMB3,489.2 million as at 31 December 2015. Net assets of the Group as at 31 December 2016 amounted to RMB15,413.0 million, representing an increase of 28.2% from RMB12,024.5 million as at 31 December 2015.

PLEDGE OF ASSETS

Certain buildings and land use rights with a carrying amount of RMB2,234.4 million have been pledged to the Industrial and Commercial Bank of China, Standard Chartered Bank and the Hong Kong and Shanghai Banking Corporation Limited to obtain bank facilities in the aggregate amount of RMB2,360.6 million as at 31 December 2016.

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. 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. During the year under review, the Group applied forward currency contracts to hedge against exchange risk resulting from a dual-currency term loan facility denominated in Hong Kong dollars and United States dollars. There was no hedging instrument outstanding as at 31 December 2016. 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. It is the policy of the Group not to enter into any derivative products for speculative activities.

STAFF AND REMUNERATION POLICY

As at 31 December 2016, the total number of employees of the Group was 7,130. 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.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chen Xiaodong, 48, 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, 60, 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, 45, 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 National Association of Securities Dealers Automated Quotation ("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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Joseph, 53, 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, 64, 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.

Mr. Hu Yongmin, 46, was appointed as an independent non-executive Director of the Company in July 2016. Mr. Hu is a co-founder and managing director of FountainVest Partners, a China focused private equity firm. Prior to the founding of FountainVest Partners, Mr. Hu was a managing director of Temasek Holdings Pte Ltd. Mr. Hu was also a member of Temasek's global investment committee and head of its real estate investment. Previously as an investment banker, Mr. Hu was a director at Credit Suisse First Boston (HK) Limited where he was responsible for its technology, media and telecommunications investment banking efforts in China. Before joining Credit Suisse, Mr. Hu worked for a number of years at Bear Stearns Asia Limited where he last served as a vice president of investment banking and the chief representative of its Shanghai office. Mr. Hu was an independent director of Homeinns Hotel Group (formerly known as "Home Inns & Hotels Management Inc."), a company previously listed on National Association of Securities Dealers Automated Quotations (NASDAQ). Mr. Hu was a non-executive director of Central China Real Estate Limited (Stock Code: 0832) and L.K. Technology Holdings Limited (Stock Code: 558), both companies listed on The Stock Exchange of Hong Kong Limited. Mr. Hu is currently a director of Shanghai Kehua Bio-Engineering Co., Ltd. (Stock Code: 002022) and Focus Media Information Technology Co., Ltd. (Stock Code: 002027), both companies listed on the Shenzhen Stock Exchange. Mr. Hu received a bachelor's degree in English language and literature from Fudan University in China.

SENIOR MANAGEMENT

Mr. Gary Wang, 41, 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.

Ms. Wang Fuqin, 47, joined the Group as Vice President in June 2016. She has served as the Chief Operating Officer of the Group since January 2017, in charge of the operational management department, group purchasing department, executive office, and engineering and property department of the Group. Before joining the Group, Ms. Wang served as the vice president of Maoye International Holdings Limited. Ms. Wang graduated from China Europe International Business School with a master's degree in business administration.

Mr. Wei Biao, 55, 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, 43, 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, 45, 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, 37 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, 47, 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.

Mr. Yuan Xingfu, 43, has served as the Assistant to President and general manager of Hangzhou region of the Group since August 2016. Mr. Yuan joined the Group in December 2009, and served as the deputy general manager of Central and South Zhejiang region and Northern Zhejiang region. Before joining the Group, Mr. Yuan served as the general manager of Shenzhen Maoye Department Store Co., Ltd.. He has nearly 10 years of experience in commercial operation management. Mr. Yuan graduated from Xiamen University with an EMBA.

Mr. Deng Zhaojun, 39, has served as the Assistant to President and general manager of Taizhou and Wenzhou regions since August 2016. Mr. Deng joined the Group in April 2010, and served as the deputy general manager of Central and South Zhejiang region and the commodity department of Northern region. Before joining the Group, Mr. Deng served as the general manager of Zhuhai Store of Shenzhen Maoye. He has nearly 10 years of experience in commercial operation management. Mr. Deng graduated from Xiamen University with a master's degree in economic management.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the annual report of the Group for the year ended 31 December 2016.

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 2016 to 31 December 2016. 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 2016, 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. Hu Yongmin and Mr. Chow Joseph. Mr. Zhang Yong is the Chairman of the Board. Mr. Yu Ning, an independent non-executive director, passed away on 1 June 2016. On 13 July 2016, Mr. Hu Yongmin was appointed as an independent non-executive Director.

Biographical details of the Directors are set out on pages 17 to 19 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 2016 to 31 December 2016 is as follows:

Name of Director	**Training** (Notes)
Zhang Yong	A,B
Chen Xiaodong	A,B
Xin Xiangdong	A,B
Yu Ning (passed away on 1 June 2016)	A,B
Chow Joseph	A,B
Hu Yongmin (appointed on 13 July 2016)	A,B
Chen Jiangxu	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 2016.

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. Hu Yongmin 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. Hu Yongmin 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 2016 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. Hu Yongmin and Mr. Chow Joseph, all of whom are independent non-executive Directors. The Committee is chaired by Mr. Hu Yongmin, 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 2016, 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 meetings of the Company held during the year ended 31 December 2016 is set out in the table below:

	Attendance/Number of Meetings (Note 1)					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting
Zhang Yong	4/4	–	–	–	1/1	1/1
Chen Xiaodong	4/4	–	–	–	1/1	1/1
Xin Xiangdong	4/4	–	–	–	1/1	1/1
Hu Yongmin (appointed on 13 July 2016)	1/1	1/1	–	–	–	–
Yu Ning (passed away on 1 June 2016)	2/2	1/1	1/1	1/1	–	1/1
Chow Joseph	4/4	2/2	1/1	1/1	1/1	1/1
Chen Jiangxu	4/4	2/2	1/1	1/1	1/1	1/1

Note 1: Number of Meetings held during the year ended 31 December 2016 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 2016.

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 Auditor's Report on pages 83 to 87.

For the year ended 31 December 2016, 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 RMB237,000 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.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its responsibility for the effectiveness of risk management and internal control systems of the Group. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. Internal control and risk management systems are reviewed annually to ensure its continuous effectiveness. The Company has established written policies and procedures applicable to all operating units to ensure the effectiveness of internal controls and risk management. The Group constantly allocates resources to internal control and risk management systems, reasonably (but not absolutely) guarantees that no material misstatement or loss will be incurred, and manages (but not eliminates) the risks of failing to achieve business objectives. The Group has in place a risk management framework which has the following five components: risk identification, risk assessment, risk treatment, reporting and monitoring. This framework is subject to continuous improvement and was in place throughout 2016 and up to the date of this report. The day-to-day operation is entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Company.

The Company has established internal audit function and regularly carries out reviews on the effectiveness of the internal control in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

During the year under review, the Board has conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management. Such review and assessment covered the financial, compliance and operational controls as well as risk management mechanisms. The Board believes that the existing risk management and internal control system is adequate and effective.

The Company has adopted an inside information policy and provided trainings to employees and directors related to inside information in order to ensure the company is compliance with regulatory requirements.

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 auditor's 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 Group sees sustainable development as the key for a corporation to develop and therefore, it aims to seek a win-win situation for the Group, society and environment by balancing between the creation of economic value and the impact on the environment. Dedicated to offer comfortable shopping environment and responsible products and services, the Company strives to lessen the layers of supply chain and benefit customer ultimately. The Company integrates environmental friendly concepts into every business section. We save energy and carry out green office measures, introduce suppliers with environmental philosophy, and advocate green travel, green life and green consumption. In addition, the Company adheres to the people first principles by offering employees a creative and dynamic working environment with care and wider stage for career development. Devoting to charities and public welfare, the Company also makes contributions for better communities and society.

In 2016, the Company has always been closely communicating with its stakeholders including customers, suppliers, employees, government and investors. We carried out ESG materiality analysis, initially established a company-wide ESG indicator system, and set quantitative indicators in core areas including products and services, environment, employees, and community, as a basis of further ESG management improvement. Unless otherwise stated, the disclosure period for this report is from 1 January 2016 to 31 December 2016. In the future, the Company will gradually improve the ESG management system, and further enhance the pertinence and comprehensiveness of ESG management.

RESPONSIBILITY MANAGEMENT

Operation Motto

"Silly, Sillier yet charming"

In 2015, CEO of the Group Chen Xiaodong initiated the concept of "silly, sillier yet charming."

– Intime will become silly for the interests of customers.

  For customers' interests, the Group will enhance the service quality to meet their overall needs.

– Intime will become sillier for the interests of employees.

  The Group promises to raise every employee's wage by 10% every year, whether or not the corporate performance is good.

– Intime will become charming for the interests of the industry.

  The Group will strive to keep up with the service standards of internationally well-known retailers to lead domestic industrial development.

Compliance Operation

Honesty and trustworthiness, as well as observing laws and disciplines, are the foundation of the Group. Compliance operation is an important part of our management. The Group established related regulations and a whole system of compliance operations to reduce risks in this regard. In order to enhance the awareness of internal monitoring, the Group developed a self-assessment system (CSA) which began online usage in 2011. The audit department identifies and makes a list of key risk areas and all retail stores are required to do self-assessments through the system. The final results will be incorporated into the annual evaluation of all stores and departments, as well as making a reference in areas for next year's audit.

Integrity Risk Prevention System

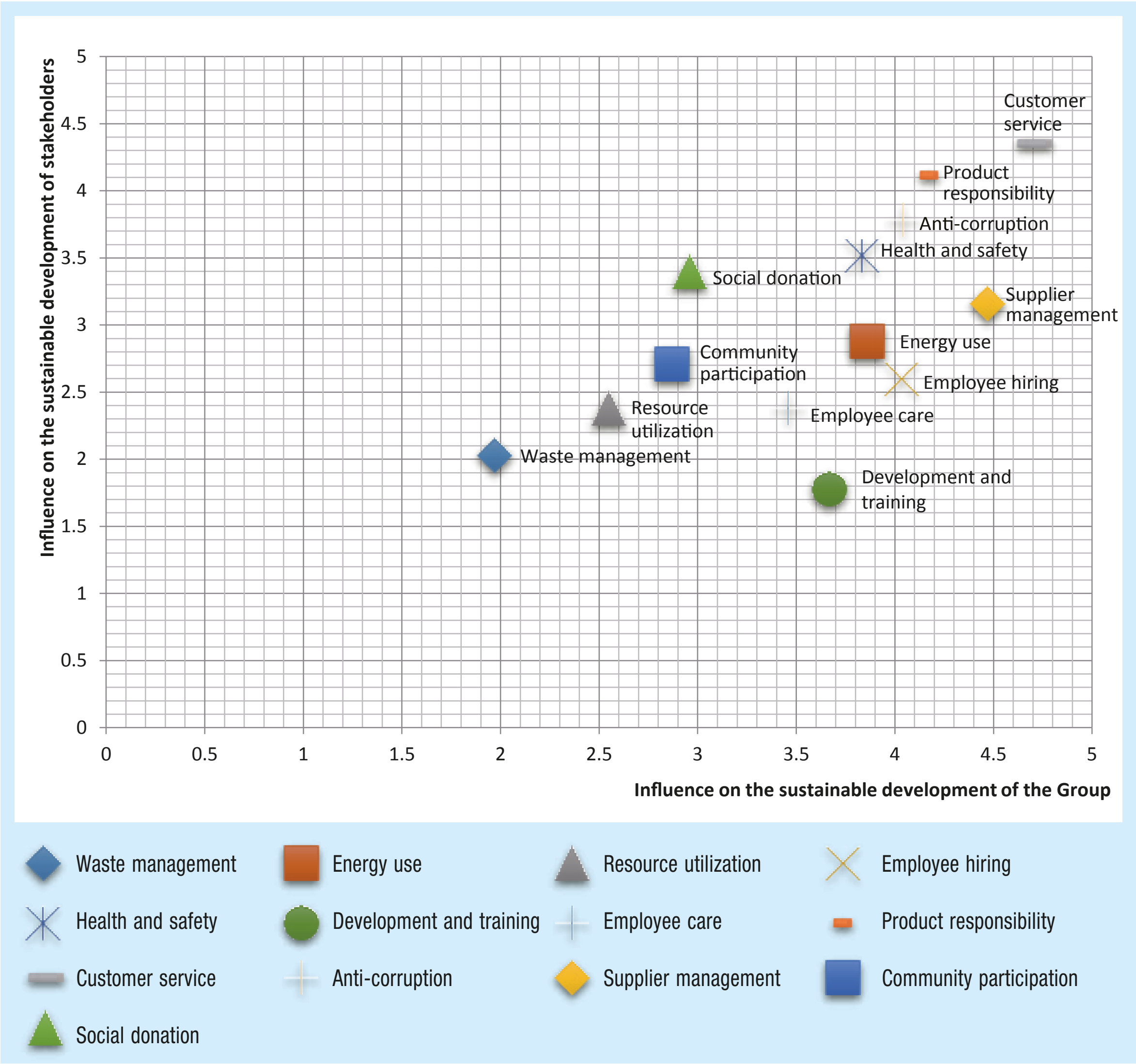
In order to strengthen the construction of an integrity risk prevention system, and to manifest the standardization, sustainability, and fairness of integrity construction, the Group formulated the 'Integrity Risk Prevention System'. The system can reduce the risk of staff abuse and clout to seek personal gain, thus creating a positive internal monitoring environment. The system explicitly bans the act of employees from seeking unjust profits for themselves, families and other employees. It bans them from taking advantage of their power guaranteed by their posts, violating proper management of funds, as well as preventing fraud and other acts which can damage the interests of the Group. Meanwhile, the Group takes various measures to strengthen work integrity and risk prevention, like reporting potential conflicts of interests, reviewing the integrity risk of posts, and organizing training on a regular basis.

Reporting System

The Group created the reporting system based on the *Basic Norms of Internal Control* and *Internal Audit Charter*. It also includes general conditions for management contracts with suppliers to counter anti-commercial bribery. It encourages every unit or individual to report to the audit department any act that violates the Group's code of ethics or other acts damaging the Group's interests. Reporting can be in the form of public or an anonymous letter, e-mail, phone call or on-site. When the audit department receives a report, they will investigate and handle the report according to regulations.

Deciding Major Topics

The Group regards the communications with stakeholders as an effective way to evaluate its internal and external influence and to understand the substantial problems in the operation. The Group builds a multi dimensional mechanism for communications to ensure that stakeholders can take part in the sustainable management of the Group. It also promotes the Group to adjust the direction toward enhancing efficiency and performing social responsibilities. In 2016, the Group maintained close communications with stakeholders to guarantee that their feedback and comments could be incorporated into the policies for sustainable development. The Group decided the major ESG topics in 2016 according to expert scoring. The results are as follows:



WE AND THE CUSTOMER

The Group always considers the shopping experience and feelings of customers as primary considerations. It endeavors to provide quality products, meticulous service as well as a safe and comfortable shopping environment in order to meet the customer's demands to the utmost.

Quality Product

Brand Entering

In order to ensure the quality of products and services of all brands entering the department stores and shopping malls of the Group, vendors must observe the *Assessment Measures for Brands Entering the Branches (Stores) of Intime Group* and *Procedures for Brand Entering of Intime Group*. To all vendors of new brands applying to cooperate with the Group, the latter will follow and conduct investigations on the brands before the evaluation and appraisal procedures.

Brands in Intime Group

Number of brands according to regions	Domestic brands	4,136
	Imported brands	243
Number of brands according to business types	Cosmetic brands	199
	Clothing brands	3,260
	Catering brands	40
	Experiencing and supporting brands	107
	Watches, jewelry, accessories	756
	Anchor stores	17

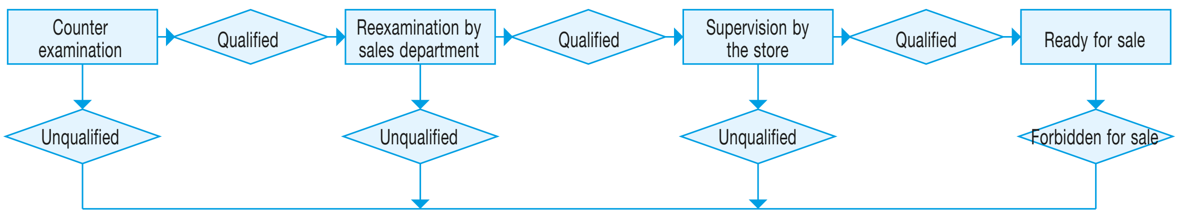
New Counters

In order to regulate the management of price, quality and measurement, reduce operation risks, as well as maintain credit and image of the Group, the Group formulated the *Regulations for New Counter and New Product Examination of Intime Group. Before opening new counters*, the Group will conduct a compliance examination for the qualification licenses of products. It requires the products to fulfill all the compulsory standards or gains the permits of the industry, and provides documentary evidences from a qualified third-party. In addition, the quality management department of stores will do the final examination of products of newly opening counters and the supervision of rectification.

New Products

The Group requests that all new products to go through a three-level examination before entering the counter to ensure the quality of every product: the primacy examination is performed by the counter; reexamination by the sales department; and supervision by the store. The counter examines the appearance, quantity, specification, type and labeling of the products. After the reexamination by the sales department, the store will do selective examinations.

Examination procedures of products entering the counter



Graded Management of Suppliers for Price, Quality and Measurement

According to the number of quality complaints and results of various selective examinations from the previous year, the stores will establish a graded management of supplier's products for price and quality. The management will identify different grades and do examinations for the products. All the products will go through the examination procedures before entering the counter.

Focus of supplier management for price, quality and measures

Grades of suppliers in terms of price, quality and measures	Identification	Examination rate by counters	Re-examination rate by sales department	Supervision rate by stores
Grade-one suppliers	Suppliers that did not receive customer complaints about product quality in the previous year, and presented no quality problems in the examination by the store and functional department will qualify. Note: If there is a quality problem in the current year, then the qualification of will be cancelled.	Every product	Over and equal to 30% products	Over and equal to 10% products
Grade-two suppliers	Suppliers other than those classified as Grade-one and Grade-three.	Every product	Over and equal to 70% products	Over and equal to 30% products
Grade-three suppliers	Suppliers which received major complaints about product quality, or which presented two or more quality problems in the examination by the store and functional department.	Every product	Every product	Over and equal to 50% products

Case: Fostering environmental friendly brands

With the increasing trend of a low-carbon lifestyle, more and more customers tend to choose environmental friendly products. The group also especially welcomes those products and brands that use environmentally friendly materials under the concept of protecting the environment. One clothing brand in Shanghai applies this concept to every group of their product and uses raw materials for fabric, lining, auxiliary materials and fillers that are mostly friendly to the environment. The group will give priority to these kinds of brands to enter the counter and the stores will be given more opportunities for growth.

Satisfactory Service

Customer first and providing services for customer needs are the principle of customer service at our stores. The Group formulates the Guidance for Customer and Membership Service Item Management, to effectively enhance the management of customer service items in stores as well as the overall service level. It also helps to form the concentrated and optimized management of service items in stores.

Stores must provide 17 service items that include changing or refunding among different stores and they must provide nursery, rest and reading, emergency supplies, emergency medicine, free ironing, coin exchange, baby chair and wheelchair renting, sewing kits, cell phone charging, etc. For VIP customers, stores should also provide Extra-service items including; reserved parking, free parking of limited time, green cashier channel, and free delivery.

Services listed in the Guidance for Customer and Membership Service Item Management

Category	Ordinary items		Special services for VIP customers	
	Department stores	Shopping malls	Department stores	Shopping malls
Mandatory items	17	15	9	9
Optional items	7		4	

Note: Optional items include but are not limited to items listed in the guidance.

Publicity board of services

Since 2014, for products which are capable for secondary sales, the period of validity for changing or refunding has been 30 days from purchase. At the same time, the Group's Procedure for Exchanging or Refunding in Different Stores stipulates that customers can request exchanges or refunds of qualified goods in nearby stores no matter which stores the goods were purchased; this rule further meets customers' demands for after sales service. Then on March15 in 2016, namely the International Day for Protecting Consumers' Rights, the Group upgraded the service at the main store in Wulin, as a pilot store to a "one-stop capricious refunding," which not only extended the valid period to 60 days, but also simplified the procedure for refunds. In addition, during the 520 Fans Festival of the Group, the Wulin store also launched the "capricious delivery" and "capricious reimbursement" services. Customers enjoyed free delivery and reimbursement for train tickets to Hangzhou from other locations in Hangzhou.

Satisfaction and Complains by Customers

The Group established the work guidelines for the First-inquiring Responsibility System for Services, regulating how to handle different types of inquires, striving for the realization of “The group serves stores, leaders serve employees, and all employees serve customers.”

In order to enhance the customers’ shopping experience, we formulated the Intime Group Customer Complaint Quick Response Procedure (the CCQR procedure), Grouping the limits of authority of shopping guides, managers of the sales departments, and customer service personnel handling customer complaints. It also stipulates the reception process, standard languages, and focuses attention during the procedure. It is important to handle complaints quickly and effectively, as well as reducing unnecessary delays or the shifting of responsibility to others. As for goods requiring quality examination or maintenance, the group established the “CCQR Fund” to be implemented based on the CCQR Fund Management Method.

As of Dec. 31, 2016, there were 8.3 million customers that owned membership at the Group, increased 19.9% from that of the previous year. The degree of activeness of members was 21.5%.

Since 2015, the Group has repositioned its customer service department. The department used to serve customers on behalf of the Group, but now their efforts strive for more interests from the Group for and on behalf of customers. For recorded complaints or those handed over from the sales department, the customer service department follows the principles of “first giving refund to customers and then looking into responsibilities” and “protecting customer interests as much as possible” to handle them within 24 hours.

Safe and Comfort Shopping Environment

Shopping Environment

In order to create a good shopping environment for customers, the Group puts emphasis on decoration of stores. The Group formulated the Engineering Management Manual and Decoration Manual, regulating the materials and techniques used in the whole process from design and construction to inspection. The documents require the use of green and safe materials which are in compliance with the national regulations with the goal to provide a safe environment at shopping malls and to protect the health of customers and employees. The Group also does regular detection of the indoor formaldehyde level. Those stores and counters which do not reach the standards will be asked to rectify them before they can be opened again, to ensure a fresh and safe shopping environment for customers.

In the daily operations, based on the Intime Group Store Operating Manual, the managers will examine the counters, fitting rooms, customer rest areas, and on-sale floats, as well as the squares and public environment outside stores for comfort and tidiness. They especially check the counter appearance, product display, hygiene, store decoration, lighting and sound, and other public facilities. For a good shopping environment which is also the foundation of fostering a brand, the Group launched the visual identity system (the VI system) for a regulated management of office supplies, office environment, operational environment, work clothing, transportation, and promotional items.

Emergency Response

Intime department stores and shopping malls are all populated places. In the daily operations, we place priority on the personal safety of customers and employees. Based on the Intime Group Store Operating Manual, we will check for potential risks of accidents, fire, water, gas leakage, water leakage, power failure, earthquake, thunderstorm/windy weather, and interviews from media, which may damage endanger the personal and operating safety. It also sets up management flow and emergency response measures for each type of event to ensure minimum loss in case of any incident.

In order to enhance fire fighting abilities, we organize at least two trainings of fire fighting and fire drills before opening a store and during the operation of a store, there are fire drills each quarter. We request all the stores nationwide to set up a post for crowd evacuation on every floor and all employees receive training of fire fighting skills before service and before transfer of posts. All the responsible persons and managers for fire safety as well as every employee must be familiar with the evacuation escape routes, procedures to guide the evacuation, methods to use the facilities for escape, as well as basic knowledge of fire escape.

WE AND THE ENVIRONMENT

The Group stresses the mission of protecting the environment. It endeavors to implement the concept to every operational link by optimizing the work flow to reduce emission and energy consumption to the utmost.

Waste and Emission

Carbon Dioxide Emission

The Group's carbon dioxide emissions mainly come from the power consumption by headquarters and stores as well as official vehicles. The Group issues a number of systems to encourage stores and counters to save energy and reduce emission. We also make improvements at some store facilities to reduce power consumption. During the reporting period, the total CO_2 emission was 394 thousand tons.

CO_2 emission of Intime Group in 2016

Scope 1 CO_2 emission (tons)	262
Scope 2 CO_2 emission (tons)	393,898

Waste Discharge Systems and Data

In terms of waste disposal, the Group sorts wastes into kitchen waste, household garbage, construction waste, and recyclable garbage. It invites the sanitation department or the unit designated by the department to conduct professional disposal of these wastes. Solid waste produced by headquarters and stores are mainly construction waste, kitchen waste, and electronic waste. Other waste includes paint buckets from construction which is a main hazardous waste. We observe the 3R principle in waste disposal; namely reduce, reuse and recycle, to properly handle solid wastes produced in construction, decoration and daily operations. The Group has clear and specific measures for waste disposal. For example; for the construction waste produced in the decoration of headquarters and stores, we firstly classifies them as recyclable waste and non-recyclable waste, and then lets the third party do recovery and disposal. In addition, we also request the contractors to timely and properly dispose the wastes at the construction sites and that which is produced in daily operations.

In terms of the kitchen waste and other wastes produced in daily operations, the property management department will hand them over to a third party for proper treatment.

Waste disposal of Intime Group in 2016

	Headquarters	Stores
Construction waste (tons)	7500	
Kitchen garbage (tons)	2.25	9,305
Electronic trash (tons)	0.13	2.25
Other waste (tons)	21.82	9,751

Resource and Energy Consumption

The major resources consumed in the Group's business operations are power, water, paper and gasoline. As a retailing enterprise, the most direct way to reduce greenhouse gas emissions is to reduce energy consumption and enhance energy efficiency. To this end, we formulate a number of management systems and implement various measures to reduce the energy consumption during the overall business operations and guides energy conservation and emissions reduction work at the headquarters and outlets.

The Engineering Management Manual sets up quantitative controlling measures for the system of post responsibility for major power and water consuming departments of shopping malls, to ensure every indicator is under control and can finally reach the year's objective. It also establishes the reward and penalty system for rational use of energy and water to prevent wasted resources. Our leading group of energy conservation is led by the engineering department, which is responsible for examining the overall energy consumption of stores and establishing corresponding measures for conservation. It also organizes publicity and education activities for all employees to save energy and reduce consumption of resources.

Energy consumption of Intime Group in 2016

	Headquarters	Stores
Power consumption (KWH)	140 thousand	467 million
Petrol use (litre)	117 thousand	

Water consumption of Intime Group in 2016

	Headquarters	Stores
Water consumption (tons)	4,303	5,249,452

The Group encourages green office, for example, to use second-hand printing papers, recycle papers and reduce use of paper bags. During the reporting period, the group reduced 0.82 tons of paper use.

Environmental Protection

The Group actively promotes environmental protection by reducing the impact on the environment through its own business. It formulates rules and regulations as well as action plans to control the negative impact. It also conducts various activities and introduces environmental friendly brands to raise people's awareness of environmental protection while realizing a sustainable development.

The Group incorporates the environmental management into the engineering management in the operation period. It makes annual goals for environmental protection, and specifies these goals to for every department. It identifies the factors influencing environment in shopping malls half a year and also upgrades the list of factors. For major factors, it formulates plans to improve and sets up special funds to support the plans. At the end of each year, it checks, analyzes and rectifies the environmental risks, and then evaluates the effectiveness of these rectification measures. The Group also provides trainings for staff responsible for environmental protection on specialized skills, technology and management. It also facilitates the communication on environmental issues between departments, suppliers, renting units and out-sourcing cooperators. The Group requires out-sourcing projects to set up a charging person for environmental affairs, include environmental protection measures in construction, and properly dispose wastes and control noise in accordance with related national laws and regulations on environmental protection. In addition, the property division of the project establishes strict management flow for treatment of hazardous chemicals, to ensure safe storage and utilization.

The Group also formulated plans for environmental protection for daily operation. The headquarters and stores take various measures to protect environment:

	Measure for protecting environment
Headquarters	• Use leased printers
	• Organize video conference of all stores to participate in the group's daily and quarterly meetings
Stores	• Use e-card instead of paper coupon and raffle ticket
	• Offer payment through QR code to reduce paper use
	• Reduce use of official vehicle and encourage use of public transportation

Case: Intime Retail and Hangzhou Blue Technology create the mode of green transportation and shopping for customers

In 2016, the Group and Hangzhou's cell phone app iblue introduced stations for public rental transportation at stores on Qingchun Road, Xiasha District, and at West Lake as well as Zhongda Intime City. Using the iblue application customers driving rental vehicles can enjoy free parking at these stores. All the cars for rental are Geely electric cars which can be charged at the stations. This form of transportation is environmentally friendly and also convenient for customers.

Case: The Group participates in WWF Earth Hour for the 7th consecutive year

For 7 consecutive years, the Group has taken part in the Earth Hour activity developed by the World Wildlife Fund. In 2016 the theme One Hour for One Bright Future called for energy conservation and haze reduction so as to gain more blue skies. Forty five Intime Group stores took part in the activities. Besides the "lights-out" event, some stores also planned creative activities to invite more customers to join the energy conservation and environmental protection activities as well as raise people's awareness in this regard. These activities included performance art and sand painting, performance themed on desertification and other subjects of environmental protection; giving customers creative energy-saving sticks for switches and succulent plants.

Case: The Group takes part in publicity campaign of Earth Day

April 22 was Earth Day in 2016. The Group organized various activities advocating for environmental protection as well as a green and simple life. Activities held included inviting customers to forward the articles Intime published on WeChat, by giving them succulent plants, reusable shopping bags, glasses and free exchange certificates for coffee. Some stores conducted activities like volunteer blood donations, walking the red carpet for environmental protection, and kids doodle, to raise people's awareness of protecting the planet and our home.

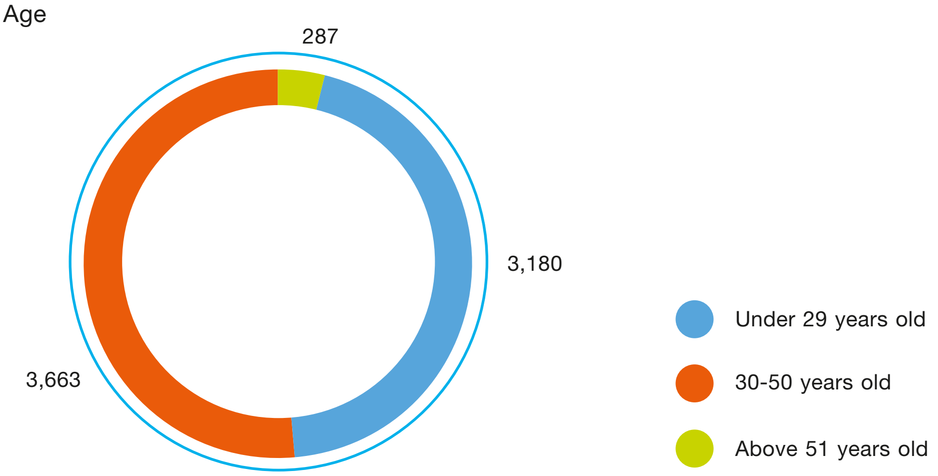
OUR STAFF

Our staff is the impetus and resource for the Group to achieve sustainable development. We establish a positive high-quality staff team and encourage them to grow and develop together with the group. Meanwhile, we also provide a good working environment for our staff, which guarantees them to enjoy various legitimate rights and interests, while sharing the group's development fruits.

By December 31, 2016, the Group had 7,130 employees, among which 4,383 were female, accounting for 61.47% of the total employed. In management, there were 358 female, accounting for 49.86%.

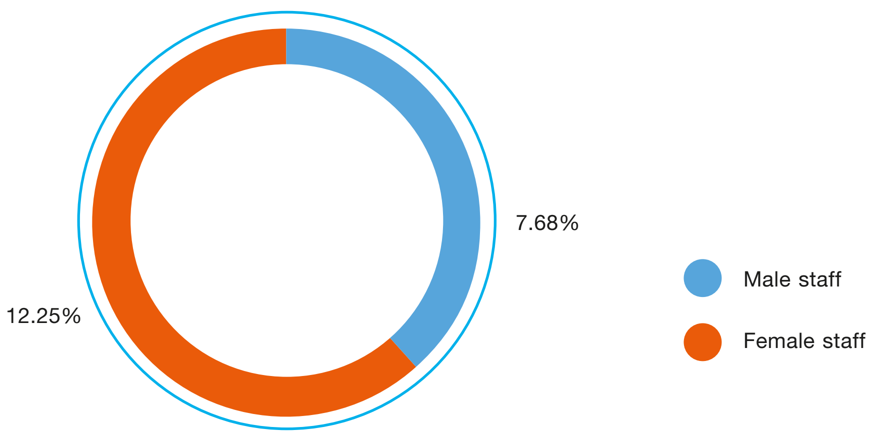
Staff number by ages

Distribution of Age



Staff turnover rate by gender

Employee turnover rate



Employment

The Group positively attracts and keeps its talents through a complete talent introduction policy that ensures its staff's legitimate rights and interests and we delegate ourselves to creating an equal, fair and open working environment as well as an open, progressive and innovative working atmosphere for all staff.

Talent Introduction

Each year, the Group systematically introduces excellent talents from outside to enrich its existing staff team. New staff members bring fresh ideas and thoughts, motivate team dynamics and strengthen the innovative ability of the team. During the period of this report, there are 314 new staff, among which 291 are fresh graduates from universities.

The Group broadens the channel of talent introduction and makes the *Incentive System for Talent Recommendation*; thus, it is able to timely obtain talents who match the group's requirements fast and efficiently, which improves the quality of talent introduction. We also encourage current staff to recommend excellent talents for the group and appreciate their contributions to the recruitment.

The Group recruits and attracts high-quality young talents and has created *A Guideline to University Students Instructional Program*. Through the University Talent Reserve System established by the University Students "Three-year Instruction Plan", a series of instructional plans have been established and implemented as an exclusive system to reserve, instruct, promote and recruit university students. This Plan provides a powerful guarantee for the group's future talent strategic development and constitutes an important part of the Group's instruction of talent echelon work, hence, realizing the talent development vision of "Intime Relay".

Protection of Legitimate Rights and Interests

The Group attaches great importance to the protection of all staff's legitimate rights and interests, strictly follows national laws and regulations such as the *Labor Law of the People's Republic of China, Law of the People's Republic of China on Employment Contracts and Trade Union Law of the People's Republic of China*, and signs employment contracts with all staff. On issues of recruitment, payment, training and promotion, the group eradicates all forms of discrimination like gender, nationality, religion, age, and political position, and ensures all staff's access to equal, fair and open working opportunities, while forbidding the employment of children and compulsory labor forces.

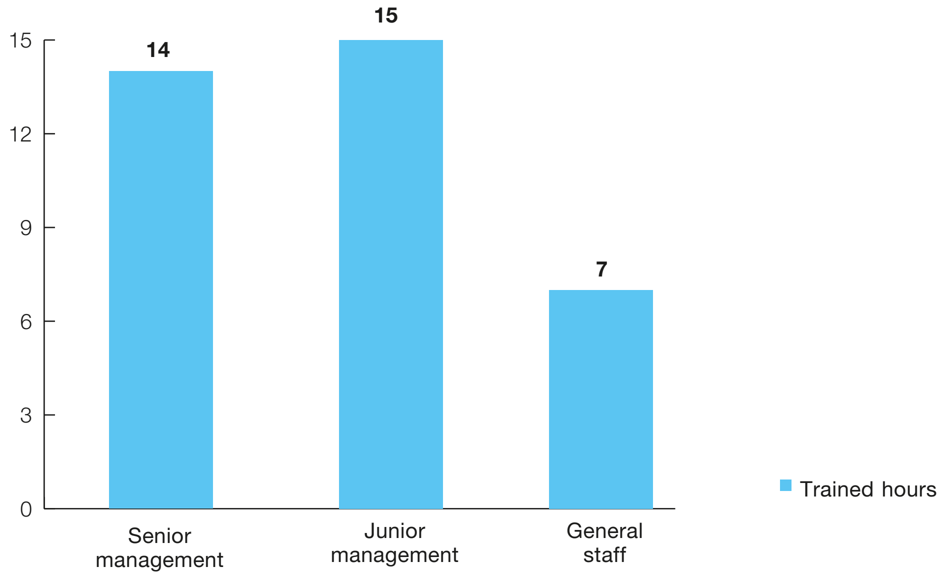
The Group provides competitive payment for its staff. It regularly pays various insurances including endowment insurance, unemployment insurance, medical insurance, employment injury insurance and maternity insurance, as well as housing provident funds, as well as purchases commercial insurance for its staff. In 2016, the coverage rate of social insurance for those staff members directly employed staff was 100%, including the coverage rate of commercial insurance.

Enhancing Professional Ability

The Group establishes a complete training system to help its staff enhance their competence. On the one hand, it encourages internal faculty forces to construct and nourish high-quality internal training teams to enhance the training forces, thus contributing to the accumulation of sharing which increases the internal management experience. On the other hand, by conducting our employees' skills and innovation competitions the group creates a platform for its staff to enhance their working skills and inspire their innovative thinking and practices.

By December 31, 2016, the total number of trained employees in the Group was 24,740, and the training time per person was 7.9 hours.

Training hours of different staff on average



Internal Trainers

Internal trainers at the Group refer to those part-time trainers who assume the work of imparting theories, knowledge and skills to other employees apart from being responsible for their own duties in the group. To achieve standardized management of the internal trainers, the Group established the *Management Measures for Internal Trainers* that strengthens the construction of the training system. Meanwhile, the Group motivates the internal trainers' for improvement of professional qualities and career development.

Based on the principle of "tolerant entry and strict exit, assessment and incentive", the Group performs management and authentication of internal trainers. Junior, intermediate and senior trainers are required to complete courses related to "TTT Internal Trainers Training Camp" offered by the enterprise university. They can only be authorized when they meet the required hours or times during the process of practical teaching. The duration of employment for junior and intermediate trainers is two years, and three years for senior trainers. At the end of such kind of employment, the human resources department will decide whether they will be reemployed in accordance with the accumulative teaching hours and the assessment of the training during this period.

The Group implements standardized management and incentives toward internal trainers. Each year, an activity for "Excellent Internal Trainer" is held to conduct a comprehensive selection towards all internal trainers according to the assessment index (annual teaching hours + evaluation of courses). The selected excellent trainers will be awarded both materially and spiritually.

Internal Trainers system

	Related qualifications and capacities	Trainees	Assessment and authentication
Junior trainers	Employees who have engaged in related work for one year or above (campus recruitment undergraduates who have worked for more than six months), and who can basically teach accredited courses.	Grassroots employment	1. Selected by the human resources department, complete the course "Junior Internal Trainers Training"; 2. With at least 6 accumulative class hours annually.
Intermediate trainers	At least one year for being a junior trainer; capable of sorting out, developing and improving courses in accordance with the development of company's businesses and training demands; obtaining a level of at least "Fine" in the assessment of teaching accredited courses.	Grassroots employment, grassroots managerial personnel	1. Selected by the human resources department, complete the course "Intermediate Internal Trainers Training"; 2. With at least 6 accumulative class hours annually, and the average degree of satisfaction with teaching not lower than 80%.
Senior trainers	At least one year for being an intermediate trainer; capable of conducting profound studies in accordance with the development of company's businesses and training demands; possessing the ability of developing seminars and new courses.	Managerial personnel at the level of directors and new managers	1. Selected by the human resources department, complete the course "Senior Internal Trainers Training"; 2. With at least 4 accumulative class hours annually, and the average degree of satisfaction with teaching not lower than 85%.
Consultant Trainer at the level of general managers	Managerial personnel at the level of assistant to the general manager or above, capable of opening training courses at the level of the group in accordance with the development of the group's businesses and management demands, or assuming the support for teaching training courses for managerial personnel in the enterprise university.	New managers from the enterprise university, intermediate, intermediate and senior managerial personnel and above	Exclusively hired by the human resources department, supporting internal training teaching of the enterprise university, enjoying senior internal trainers or specific treatment.

Employees' Skills Competition

In 2016, the Group held the "Intime Group Employees' Skills Competition" which lasted two months so as to convey the philosophy of "Put Customers First, Put Customers First, Put Customers First". Employees from 45 stores in 11 regions such as Hangzhou, Ningbo, Wenzhou and Jinhua participated in the competition. 56 elites out of over 50,000 employees attended the group finals at Ningbo Global Intime Mall on July 16.

"Combine yourself with customers and feel them with empathy so that you can have the opportunity to feel customers' demands rapidly."

Chen Xiaodong, CEO of the Group

Pictures: Site of the employees' skills competition

Shopping Guides' Skills Competition
guide of the franchised counter/store manager presenting professional skills to "customers"

VMD Skills Competition
VMD candidates presenting works & professional comments from the jury

Customer Service Skills Competition
written test + draw lots + explanations of rules

Operation and Management Teams' Skills Competition
operation personnel talking about management skills

Employees' Innovation Competition

The Group creates and implements the *Safeguard Mechanism and Incentive Mechanism for Innovation* to stimulate all employees' innovative potential creating a positive innovative atmosphere which breaks through conventional rules and traditions. Employees are also encouraged to propose new suggestions and thinkings, and a safeguard mechanism is established to achieve new fruits and allow innovation to play a substantive and effective role. Meanwhile, the nourishment, conclusion, improvement, promotion and application of innovative fruits are also encouraged to enhance the Group's vitality and competiveness.

Innovation organization

Group leader of the Innovation Safeguard Team	CEO
Group leader of a project	Members of the Office Committee in the Group
Working team of the Innovation Safeguard Team	Human resources department

Case: The Group Innovation Voting System

The Group encourages innovation and entrepreneurship. Through logging in the OA system of Intime Group and going to the voting page, employees can vote for their favorite innovative projects.

Smoothing Development Channel

The Group constantly perfects the ways for employees' promotions and conducts more beneficial attempts in the construction of employee's development channel. It aims to help employees achieve personal development and at the same time select and keep excellent talents for the group's long-term development.

Rotational Internship

The Group makes the *Management Measures for Rotational Internship* for employees to practice their abilities and gain experience from multiple perspectives. It broadens employees' career range and cultivates versatile talents.

Chart: Examination and approval of rotational internship

Types of rotational internship		Suitable personnel	Stores/various functional departments	Human resources department	Office Committee of the Group
University students' rotational internship		Fresh graduates	Implement	Assign interns	
In-job rotational internship/off-job rotational internship	Individuals take initiative in filing an application	Those who at least have two years working experience in the current position and the annual assessment is excellent.	Implement	Push forward/ assign interns	
	The group presents specific demands.	All staff	Implement	Assign interns	Discussions (limited to personnel at the level of assistant to general managers and above)
	Personal at the higher level puts forward demands.	Vice general managers, assistant to general managers, personnel at the level of managers and under	Push forward/ implement	Put on files	

Storage and Selection of Medium and Senior Management Personnel

The Group makes the *Procedure for the Storage and Selection of Medium and Senior Management Personnel*, which provides directions and channels for general staff promotions for medium and senior management personnel. Employees can register through various ways such as self-recommendation, or by recommendation from regional stores or other functional departments.

Procedure for the storage and selection of medium and senior management personnel

Step one: Filtering by fundamental qualifications

Step two: Evaluation

- Session 1: written test
- Session 2: interview
- Session 3: interview from all perspectives (360 degrees)
- Session 4: work performance

Step three: Integrating the results of a written test, interview, interview from all perspectives and work performance and submitting them to the Office Committee of the Group for discussion. The group will appoint a regional chairman from the human resources department to discuss the interview features and suggestions with the candidate. The human resources department is also responsible for the interview with the candidate from all perspectives and conditions. After the discussions, the Office Committee of the Group confirms the list of people who enter the high-level reservation pool. After the confirmation, these candidates will be listed in the high-level reserved management personnel base and be cultivated through training camps.

When vacancy of positions occurs, direct promotion and appointment from the high-level reservation pool takes priority.	When a special position is vacant and there is no suitable candidate for it, the Office Committee of the Group will conduct uniform allocation or appointment according to the practical situations.

Procedure of competitive employment and selection	**Procedure of promotion and selection**
Apart from the fact that the Office Committee of the Group will play the role of interviewing and evaluation during the competitive employment period, the principle is applied for all assistants to general managers or above who are going to be promoted (including employees at the level of managers being promoted to the level of assistants to general managers)	Assistants to general managers or above being promoted (including employees at the level of managers being promoted to the level of assistants to general managers)

Multi-dimensional Care for Staff

The Group promotes the *Management System of Staff Welfare* to enhance a sense of belonging and identity as well as team cohesiveness, forge excellent teams and maintain internal balance. In 2016, the staff's degree of satisfaction with the Group was 74.8%.

Part of Staff Welfare

Sentiments holiday	Management personnel at and above the level of assistants who self-identify themselves as unable to work for any reason can apply for a paid "Sentiments Holiday" (during the holiday, the payment and welfare they enjoy are identical to annual leave).
Staff discount	Contract employees who are hired by the Group and become official may purchase from the Group, with proper ID, no more than ten discount coupons each year. The discount for internal purchase corresponds to that displayed in the stores. Moreover, no employee is permitted discounts lower than that for general customers.
Staff Family Day	The Group and stores hold various "Staff Family Day" activities regularly to provide favorable measures by inviting employees and their families to enjoy shopping discounts. Families can be together so as to reinforce the communication and understanding among employees, employee's families and colleagues in the Group.
Group purchase platform	Each year, the Group signs commercial insurance programs with insurance companies at a price lower than the market. All staff can enjoy the preferential and priority of the insurance programs signed with insurance companies. Meanwhile, the Group irregularly opens group purchase platforms for products related to food, clothing, housing and transport. Employees can enjoy this privilege by making full use of the group's resources.
Priority for female staff's second-time employment	Female employees who have worked in the Group for three consecutive years or longer, but couldn't go back to work and resigned because of childbearing and the need to take care of infants, can submit a second time employment application while submitting a resignation application. If they wish to go back to work for the Group, after overcoming family difficulties, the Group will give them employment priority when vacant positions occur.

Case: Panda Plan

The Group actively responds to the nation's two-child policy and correspondingly takes good care of pregnant employees through making and implementing the "Panda Plan". Female employees pregnant with their second baby can apply for a long-time leave. The Group will make a leave of absence decision in accordance to various practical situations and arrange for other colleagues to assume their jobs temporarily who receive corresponding payments. After the long-time leave, female employees can return to their original positions and enjoy identical payment and welfare as before their pregnancy.

Case: Yintian Academy

In 2015, the Group established the Yintian Academy, aiming to solve the situation that employees have no time to take care of their children because of work. During the winter holidays in Hangzhou the Academy provides free services like trusteeship and education for their children. The construction of the academy cares for employees as its fundamental starting point and realized the improvement of employees' sense of belonging and happiness. In the meantime, it receives wide support from all circles of life like Tianshui Street, Aikang Guobin, Zhaohui Experimental Elementary School and assistance from volunteers in different fields. By Dec. 31, 2016, the total number of employees' children who attended Yintian Academy reached 800.

The Group also created the *Management Measures for Staff Care and Charitable Donation Funds,* which regulates funds used for staff care to assist internal employees who suffer from serious diseases or have other difficulties. The source of funds includes auction, honest hand-in money, voluntary donations from employees, special funds allocated by the Group, and customers' donations, etc. Through the establishment of the staff care funds, we provide assistance to employees who suffer from serious diseases and who conform to the assisting conditions. By the end of 2016, the Group accumulatively helped 14 employees using those funds.

Balance Between Work and Life

The Group pays attention to employees' physical and mental health. It relieves employees' working pressure, enriches their spare time, and contributes to their balance between work and life through organizing various recreational and sports activities.

Case: "Go Forward, Run for Hangzhou Marathon" sports meeting

The Group advocates company-wide sports. In October 2016, we organized the first 2016 Intime Group Sports Meeting with the theme of "Go Forward, Run for Hangzhou Marathon". 61 teams, 3,461 employees from nationwide stores, various functional departments in the Group, and Xiyou, Xixuan, and Intime.com, jointly challenged the objective to accumulate a total of 11.16 million meters. In the end, the participants together totaled 35.05 million meters within 96 hours, three times that of the original objective, which fully demonstrated employees' "Go Forward" progressive spirit, stimulated the team's fighting capacity and improved the team's cohesiveness.

Our cheering squad-Smiles are full of strength.

Case: Employee representatives of the Group participated in Hangzhou Marathon

Since 2014, the Group has been organizing employees to participate in international marathon competitions. In November 2016, “Intime Running Group” consisting of 20 Intime Group employees and 29 customers recruited in ‘INTIME WeChat Public Number’ online gathered in Hangzhou to challenge the Hangzhou Marathon with a total distance of 42.195 kms.

Our cheering squad-Smiles are full of strength.

WE AND SOCIETY

The Group adheres to the philosophy of contributing to society through actively participating in public activities, making use of its network and resource advantages to promote the development of local economy and communities. The Group promotes public activities as one of the major ways for enterprises to contribute to society. In recent years, volunteer organizations from the Group continue to take action, caring for different groups of people and launching a series of public activities, which has successfully established the public welfare image for the group.

Voluntary Activities

In September 2013, the Group established Intime Retail (Group) Co., Ltd. Volunteers Association with Mr. Chen Xiaodong, CEO of the Group as the director and members from stores in different regions. Hence, it opened a new chapter for the Group’ public activities. The volunteers association led public welfare and charity directions with the concentration on paying attention to children’s education, caring for children’s health and providing voluntary services for children with diseases in poor regions and gradually formed the long-term mechanism of the Group’s public welfare career to actively shoulder enterprise’s social responsibilities.

We vigorously participate in disaster emergency rescue by organizing volunteers to be first responders at earthquake-stricken areas like Ya'an and Tropical Storm Fitow-stricken areas. We transport emergency supplies to these locations and organizes various stores to hold charity sales activities to support and help people at these locations to rebuild homes. In addition, we also organize the "Warm Winter Action" and "Spring Wind Action". Stores donate cotton quilts to the needy seniors in their communities to provide warmth for them. During the spring festival, we donated New Year Packages to children who had to stay in hospitals and couldn't go home and we also organized employees to donate money to them.

Charitable Donations

The Group makes the *Management Measures for Staff Care and Charitable Donation Funds*, which clarifies the management system of public welfare funds and performs regulations and management of public welfare activities. We aggressively devote ourselves to the career of public welfare by organizing employees to participate in activities like voluntary blood donations as well as caring for and comforting children with autism. We also donate materials and help repair poor elementary schools.

Case: "ONE NIGHT FOR KIDS"

Adhering to the philosophy of "A nation strengthens along with its young generation", the Group regards caring for children as one of the most important focal point of the group's public welfare activities. Since 2014, the Group has launched "ONE NIGHT FOR KIDS" public welfare activities with different themes each year, which has successfully aroused wide attention from all circles in the society.

On October 18, 2016, the Group and Ocean Heaven Autism Recovery Foundation jointly held the "ONE NIGHT FOR KIDS" activity with the theme of "Caring for Handicapped Children" in Hangzhou. This activity aimed to awaken society's care and love for children with autism and to help these lonely 'children of the stars' discover hope and love in their world.

People with autism in China account for 1% of the total population, among which children with autism might have been over 10 million (children with autism at and below the age of 14 might have been over 2 million). They're unwilling or it is difficult for them to communicate with others and they bear the loneliness that others are unable to explore. It seems like they live in their own planet, therefore they are called "children of the stars".

As a friendly sponsor, the Group assists Zhou Xun Studio in hosting "ONE NIGHT FOR KIDS" public welfare concert on July 16 each year. Many entertainment stars and artists participate in and give a hand to this public welfare concert and they jointly call for the entire society to care for children with special needs. The ticket revenues from the 2016 "ONE NIGHT FOR KIDS" public welfare concert are used for different missions. The funds will be used for the costs of inclusive education for mentally disabled children, recovery and treatment for orphaned and disabled children, and expenses for palliative care for seriously ill orphans.

Construction of the Spiritual Civilization

Apart from devoting itself to public welfare and charity, the Group also actively fulfills its duties in the construction of the spiritual civilization by responding to the country's requirements. We call on our customers to improve their moral qualities and to jointly create a civilized market atmosphere and social environment. Furthermore, we also devote ourselves to making contributions to educational careers and the promotion of culture by encouraging young designers to innovate and make constant progress by "conveying new life aesthetics" together with the Group.

Case: Assisting in the construction of G20 civilization

In September 2016, in order to better embrace the G20 Hangzhou Summit, the Polite Hangzhou's Action Committee and the Group jointly launched a public welfare activity called, "Embrace G20, Polite Hangzhou's, Intime Queue Day" under the instruction of the Civilization Office of Zhejiang Province. Stores in Hangzhou posted obvious signs reading "Seven Principles for Queue" to call for citizens to act politely and improve civilization.

Case: Intime University graduation exhibition

In June 2016, together with ten universities, the Group held graduation exhibitions that lasted two months in six cities—Jinhua, Hangzhou, Huzhou, Ningbo, Xi'an and Wuhan. Over one thousand pieces of works were exhibited and several designers born in the 1990s were invited to share their creative ideas. The exhibitions attracted more than 600 university teachers and students to participate, which not only provided magnificent visual experiences for our customers, but also provided a demonstration platform for young designers' fantastic creative ideas.

GROUP'S HONORS AND AWARDS

Awards	Awarded by
Golden Wheat Award-the Best Service Platform Award in 2016	Hosted by the People's Government of Hangzhou, Department of Commerce of Zhejiang Province, and Zhejiang Daily Press Group; co-hosted by People's Government of Yuhang District, Hangzhou Municipal Commission of Commerce, and Zhejiang Daily Media Co., Ltd.
"Customers' Favorite Shop" in the Autumn Shopping Festival of Zhejiang Province in 2016	Department of Commerce of Zhejiang Province; Zhejiang Province Economic and Information Commission; Department of Culture of Zhejiang Province; Administration of Press, Publication, Radio, Film and Television of Zhejiang Province; Tourism Bureau of Zhejiang Province
China Chain-Store & Franchise Association "2015 Retail Innovation Award"	China Chain-Store & Franchise Association
TOP 100 Enterprises in the Service Industry of Zhejiang Province in 2016	Zhejiang Enterprise Confederation, Zhejiang Enterprise Directors Association, Zhejiang Federation of Industrial Economics
Management Team "the Most Respectful Company" in the Asia-Pacific Region in 2017 by *Institutional Investor* Magazine	*Institutional Investor* Magazine
"Pioneering, Border-crossing, Innovation" Company of the Year, the Best Management and Innovation Award in the retail industry of China in 2015	China Commerce Association for General Merchandise
TOP 100 Enterprises of Zhejiang Province from 2011 to 2016	Zhejiang Enterprise Confederation, Zhejiang Enterprise Directors Association, Zhejiang Federation of Industrial Economics
TOP 100 Enterprises in the Service Industry of Zhejiang Province from 2011 to 2016	Zhejiang Enterprise Confederation, Zhejiang Enterprise Directors Association, Zhejiang Federation of Industrial Economics

Awards	Awarded by
The Best Case Award in the O2O Channel Innovation Practice in the retail industry of China in 2015	China Business Press, China Commerce and Trade Press, China General Chamber of Commerce
2015 Employees' Favorite Company	China Chain-Store & Franchise Association
TOP 500 Private Enterprises in China in 2011, 2012, 2014 and 2015 (ranking 168, 191, 210 and 233 respectively)	All-China Federation of Industry & Commerce
TOP 100 Private Enterprises in the Service Industry in China in 2012, 2014 and 2015 (ranking 39, 49 and 56 respectively)	All-China Federation of Industry & Commerce
China General Chamber of Commerce "Five Star Service Quality Enterprise"	China General Chamber of Commerce
A Standing Council Organization of the China Chain-Store & Franchise Association from 2013 to 2017	China Chain-Store & Franchise Association
CCFA 2012 the 3rd China Chain-Store Industry Achievement Award	China Chain-Store & Franchise Association
"Jinding" the Most Commercially Valuable Enterprise Award in the General Merchandise Industry in China in 2012	Supported by the Ministry of Commerce, and hosted by China Commerce Association for General Merchandise
Outstanding Domestic Chain-Store & Franchise Enterprise in 2010	China Chain-Store & Franchise Association

The Directors have pleasure in submitting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

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 and associates are shown on pages 97 to 107 and pages 174 to 177 of this annual report.

BUSINESS REVIEW

A review of the business of the Group during 2016 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 16 of this annual Report. Certain financial key performance indicators are provided in the section of Financial Highlights.

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

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.

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 2016 are set out in the consolidated statement of profit or loss on page 88 of this annual report.

PROPOSED FINAL DIVIDEND

During the year ended 31 December 2016, an interim dividend of RMB0.10 per share was paid to shareholders of the Company.

The Board has recommended the payment of a final dividend of RMB0.08 per share for the year ended 31 December 2016, 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 7 July 2017.

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 34 to the financial statements.

RESERVES

As at 31 December 2016, the Company has reserves of RMB6,734,869,000 in total available for distribution (2015: RMB3,572,723,000), of which RMB217,730,000 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 48 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 RMB847,000 (2015: RMB738,070).

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2016.

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 2016 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. Chen Xiaodong

Non-executive Directors:

Mr. Zhang Yong *(Chairman)*
Mr. Xin Xiangdong

Independent Non-executive Directors:

Mr. Yu Ning (passed away on 1 June 2016)
Mr. Chow Joseph
Mr. Chen Jiangxu
Mr. Hu Yongmin (appointed on 13 July 2016)

Pursuant to Article 130 of the Company's Articles of Association, Mr. Chen Jiangxu, Mr. Chow Joseph and Mr. Hu Yongmin shall retire from office at the AGM. Being eligible, Mr. Chen Jiangxu, Mr. Chow Joseph and Mr. Hu Yongmin 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 17 to 21 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 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 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 2016.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2016, 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.

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.

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 2.4 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 2016, 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)]	L53,800,000	1.98%

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 11,550,000 shares of the Company as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, 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 2016, 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	L266,273,015	9.80%
Alibaba Investment Limited	Beneficial Interest (2)	L755,727,738	27.82%
Alibaba Group Holding Limited	Interest in controlled corporation (2)	L755,727,738	27.82%

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) 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 2016, 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 remains 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 Scheme has expired. 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 movements in share options granted under the share option scheme adopted by the Company for the year ended 31 December 2016 are shown below:

Name or category of participant	Date of Grant	Exercise Price per share *HK$*	Number of share options: As at 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31 December 2016	Exercise Period	Closing price immediately before the date of grant *HK$*	Weighted Average closing price immediately before the date of exercise *HK$*
Director and Chief Executive Officer Chen Xiaodong	26/5/2010	6.49	450,000	–	–	450,000	–	–	27/5/2011-26/5/2016	6.24	–
	1/4/2011	10.77	1,000,000	–	–	500,000	–	500,000	2/4/2012-1/4/2017	10.56	–
	22/6/2012	7.56	900,000	–	–	–	–	900,000	23/6/2013-22/6/2018	7.35	–
	10/4/2013	9.27	1,800,000	–	–	450,000	–	1,350,000	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	–
	30/3/2016	6.37	–	3,000,000	–	–	–	3,000,000	31/3/2017-30/3/2022	6.20	–
Other employees in aggregate	26/5/2010	6.49	894,000	–	–	869,000	25,000	–	27/5/2011-26/5/2016	6.24	–
	26/8/2010	9.00	615,000	–	–	615,000	–	–	27/8/2011-26/8/2016	8.93	–
	1/4/2011	10.77	4,875,000	–	–	356,000	2,863,000	1,656,000	2/4/2012-1/4/2017	10.56	–
	22/6/2012	7.56	8,382,500	–	–	1,844,500	876,000	5,662,000	23/6/2013-22/6/2018	7.35	–
	10/4/2013	9.27	2,701,000	–	–	54,500	179,000	2,467,500	11/4/2014-10/4/2019	9.05	–
	25/6/2014	6.85	3,180,000	–	–	–	1,380,000	1,800,000	26/6/2015-25/6/2020	6.80	–
	27/3/2015	4.85	14,148,000	–	776,500	–	2,883,500	10,488,000	28/3/2016-27/3/2021	6.65	6.65
	30/3/2016	6.37	–	14,240,000	–	–	3,070,000	11,170,000	31/3/2017-30/3/2022	6.20	–
Total			44,745,500	17,240,000	776,500	5,139,000	11,276,500	44,793,500			

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 2016 amounted to RMB3,733.8 million (31 December 2015: RMB2,877.7 million). Particulars of the borrowings are set out in note 32 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, 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

22 March 2017

Particulars of Investment Properties and Completed Properties held for Sale

Investment properties	Address	Existing use
Jinhua Intime City	Jiefang East Road, Jinhua, Zhejiang Province	shopping mall
Xi'an Qujiang Intime City	Yanta South Road, Xi'an, Shaanxi Province	shopping mall
Haining Intime City	Haichang South Road, Haining, Zhejiang Province	shopping mall
Linhai Intime City	Dongfang Avenue, Linhai, Zhejiang Province	shopping mall
Wenling Intime City	Zhonghua North Road, Wenling, Zhejiang Province	shopping mall
Liuzhou Intime City	Yufeng Road, Liuzhou, Guangxi Zhuang Autonomous Region	shopping mall
Wuhan Luojia Creativity Experience City	Luoyu Road, Wuhan, Hubei Province	shopping mall
Ningbo Universal Intime City	Tiantong South Road, Ningbo, Zhejiang Province	shopping mall

Completed properties held for sale	Address	Existing use	Site area	Total GFA	Percentage interest in the property
Hefei Yintai Centre	Changjiang Middle Road, Hefei, Anhui Province	offices	8,969	3,094	100%
Haining Intime City	Haichang South Road, Haining, Zhejiang Province	shops, offices, and residential	96,698	88,734	100%
Linhai Intime City	Dongfang Avenue, Linhai, Zhejiang Province	shops, residential	32,038	22,407	100%
Liuzhou Intime City	Yufeng Road, Liuzhou, Guangxi Zhuang Autonomous Region	shops, offices	9,589	14,640	81%

Independent Auditor's Report

Ernst & Young
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To the shareholders of Intime Retail (Group) Company Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Intime Retail (Group) Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 88 to 224, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Measurement of investment properties	
The Group is engaged in operation of shopping mall in Mainland China. The underlying commercial properties were recognised as investment properties and measured at fair value. As at 31 December 2016, the Group's investment properties amounted to approximately RMB7,353,000,000, accounting for 27% of the total assets. Gains arising from changes in the fair value of investment properties of RMB104,000,000 for the current year were recorded in the statement of profit or loss. The management engaged an independent qualified appraiser to assess the fair value. The process of assessing fair value was complex and was highly dependent on a range of estimates made by the management. Further details are set out in note 15 to the financial statements for related disclosures.	Among others, we have considered the objectivity, independence and expertise of the external appraisers. We involved our real estate valuation specialists to assist us in evaluating the valuation techniques and analysing the underlying assumptions, such as lease periods and monthly rents, by a reference to existing leasing contracts, external market rents, historical information of occupancy rates. We also checked the disclosures relating to fair value measurement of investment properties.
Recoverability of loans and receivables	
As at 31 December 2016, the Group has significant loans and receivables balances from both third parties and related parties. The appropriateness of provision made to loans and receivables is a key area of judgement for management. The assessment of recoverability is an inherently uncertain process involving various judgements and factors including the financial condition of the counterparty and expected future cash flows. Further details are set out in note 26 to the financial statements for related disclosures.	Among others, we have reviewed all loans and receivables contracts and assessed the collateral terms contained and value of the collateral that mitigate the Group's credit risks and reviewed the assumptions used in the future cash flows of the counterparty, such as future revenues and results with a reference to historical financial performance and business plan. We also reviewed counterparties' historical payment patterns and any correspondence on expected delay in settlement dates and assessed the financial ability of the counter-parties.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with
HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Cheung.

Ernst & Young
Certified Public Accountants
Hong Kong

22 March 2017

Consolidated Statement of Profit or Loss

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Retail revenue		**5,501,489**	5,153,198
Sale of properties		**482,773**	602,255
Total revenue	5	**5,984,262**	5,755,453
Other income and gains/(losses)	5	**1,184,550**	1,075,672
Purchases of goods and changes in inventories	6	**(1,703,811)**	(1,533,209)
Cost of properties sold	6	**(340,391)**	(435,373)
Property development expenses	6	**(77,169)**	(104,601)
Staff costs	6	**(769,614)**	(779,268)
Depreciation and amortisation	6	**(518,345)**	(497,032)
Other expenses		**(2,093,306)**	(1,920,226)
Share of profits and losses of:			
A joint venture		**–**	(18,648)
Associates		**342,557**	284,502
Finance income	7	**200,412**	219,874
Finance costs of retailing	7	**(203,646)**	(174,471)
Finance costs of property development	7	**(19,480)**	(31,057)
PROFIT BEFORE TAX		**1,986,019**	1,841,616
Income tax expense	8	**(570,175)**	(492,518)
PROFIT FOR THE YEAR		**1,415,844**	1,349,098
Attributable to:			
Owners of the parent		**1,319,687**	1,317,474
Non-controlling interests		**96,157**	31,624
		1,415,844	1,349,098
Earnings per share attributable to ordinary equity holders of the parent (expressed in RMB per share)	12		
Basic			
– For profit for the year		**0.54**	0.60
Diluted			
– For profit for the year		**0.50**	0.52

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	Note	2016 *RMB'000*	2015 *RMB'000*
PROFIT FOR THE YEAR		**1,415,844**	1,349,098
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale investments		**804**	–
Exchange differences:			
Exchange differences on translation of foreign operations		**(118,000)**	(323,938)
Reclassification adjustments for a foreign operation disposed of during the year	38	**69,366**	(3,122)
		(48,634)	(327,060)
Share of other comprehensive income/(loss) of associates		**(277)**	716
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(48,107)**	(326,344)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,367,737**	1,022,754
Attributable to:			
Owners of the parent		**1,271,580**	991,130
Non-controlling interests		**96,157**	31,624
		1,367,737	1,022,754

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**5,260,801**	5,975,499
Investment properties	15	**7,353,000**	7,249,000
Prepaid land lease payments	16	**1,435,171**	1,545,106
Prepayments, deposits and other receivables	25	**351,774**	90,000
Goodwill	18	**507,677**	535,609
Other intangible assets	19	**184,198**	47,550
Prepaid rental	20	**66,554**	118,075
Investments in associates	21	**2,604,040**	2,480,903
Loans and receivables – third parties	26	**243,543**	98,543
Loans and receivables – related parties	26	**707,655**	1,276,453
Available-for-sale investments	22	**589,423**	40,253
Deferred tax assets	23	**335,626**	314,475
Total non-current assets		**19,639,462**	19,771,466
CURRENT ASSETS			
Inventories	24	**540,873**	523,480
Completed properties held for sale	17	**1,224,150**	1,567,721
Prepayments, deposits and other receivables	25	**884,288**	865,443
Loans and receivables – third parties	26	**79,884**	158,893
Loans and receivables – related parties	26	**1,184,684**	707,149
Due from related parties	43(c)	**1,207,569**	1,411,149
Trade receivables	27	**37,647**	33,795
Cash in transit	28	**146,168**	88,263
Pledged deposits	29	**–**	67,000
Restricted bank balances	29	**58,038**	46,777
Cash and cash equivalents	29	**1,700,526**	1,580,529
		7,063,827	7,050,199
Assets of a disposal group classified as held for sale	13	**45,981**	1,456,517
Total current assets		**7,109,808**	8,506,716
CURRENT LIABILITIES			
Trade and bills payables	30	**1,765,601**	2,621,636
Other payables and accruals	31	**4,227,424**	5,504,251
Interest-bearing bank and other borrowings	32	**2,050,060**	2,564,721
Due to related parties	43(e)	**67,542**	27,556
Tax payable		**553,691**	488,221
		8,664,318	11,206,385
Liabilities directly associated with the assets classified as held for sale	13	**28,481**	789,481
Total current liabilities		**8,692,799**	11,995,866
NET CURRENT LIABILITIES		**(1,582,991)**	(3,489,150)
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,056,471**	16,282,316

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 *RMB'000*	2015 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	32	**1,683,749**	313,000
Deferred tax liabilities	23	**867,304**	796,842
Deferred subsidy income		**92,424**	46,444
Convertible bonds	33	**–**	3,101,509
Total non-current liabilities		**2,643,477**	4,257,795
NET ASSETS		**15,412,994**	12,024,521
EQUITY			
Equity attributable to owners of the parent			
Share capital	34	**198**	163
Equity component of convertible bonds	33	**–**	126,417
Reserves	35	**14,984,485**	10,910,968
		14,984,683	11,037,548
Non-controlling interests		**428,311**	986,973
Total equity		**15,412,994**	12,024,521

Zhang Yong
Chairman

Chen Xiaodong
Executive Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Notes	Share capital RMB'000 (note 34)	Share premium RMB'000 (note 34)	Capital redemption reserve RMB'000 (note 34)	Capital reserve RMB'000	Reserve for fair value changes of available-for-sale investments RMB'000	Discretionary reserve fund RMB'000 (note 35)	Statutory reserves RMB'000 (note 35)	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Equity component of convertible bonds RMB'000 (note 33)	Share option reserve RMB'000 (note 36)	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	36	-	-	-	-	-	-	-	-	-	-	13,761	-	13,761	-	13,761
Exercise of share options	36	1	131,393	-	-	-	-	-	-	-	-	(29,473)	-	101,921	-	101,921
Final 2014 dividend declared	11	-	-	-	-	-	-	-	-	-	-	-	(260,503)	(260,503)	-	(260,503)
Repurchase of shares	34	(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

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Notes	Share capital RMB'000 (note 34)	Share premium RMB'000 (note 34)	Capital redemption reserve RMB'000 (note 34)	Capital reserve RMB'000	Reserve for fair value changes of available-for-sale investments RMB'000	Discretionary reserve fund RMB'000 (note 35)	Statutory reserves RMB'000 (note 35)	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Equity component of convertible bonds RMB'000 (note 33)	Share option reserve RMB'000 (note 36)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016		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
Profit for the year		-	-	-	-	-	-	-	1,319,687	-	-	-	1,319,687	96,157	1,415,844
Other comprehensive income for the year:															
Share of other comprehensive income of associates		-	-	-	-	(277)	-	-	-	-	-	-	(277)	-	(277)
Change in fair value of available-for-sale investment, net of tax		-	-	-	-	804	-	-	-	-	-	-	804	-	804
Exchange differences related to foreign operations		-	-	-	-	-	-	-	-	(48,634)	-	-	(48,634)	-	(48,634)
Total comprehensive income for the year		-	-	-	-	527	-	-	1,319,687	(48,634)	-	-	1,271,580	96,157	1,367,737
Transfer of share option reserve upon the forfeiture or expiry of share options		-	-	-	-	-	-	-	23,764	-	-	(23,764)	-	-	-
Equity-settled share option arrangements	36	-	-	-	-	-	-	-	-	-	-	14,736	14,736	-	14,736
Exercise of share options	36	-	3,685	-	-	-	-	-	-	-	-	(420)	3,265	-	3,265
Final 2015 dividend declared	11	-	(261,606)	-	-	-	-	-	-	-	-	-	(261,606)	-	(261,606)
Interim 2016 and special dividend	11	-	(270,500)	-	-	-	-	-	-	-	-	-	(270,500)	-	(270,500)
Conversion of convertible bonds	33	35	3,337,930	-	-	-	-	-	-	-	(126,417)	-	3,211,548	-	3,211,548
Contribution by non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	-	9,133	9,133
Transfer from retained profits		-	-	-	-	-	-	117,535	(117,535)	-	-	-	-	-	-
Dividend distribution to non-controlling interests of subsidiaries		-	-	-	(59,539)	-	-	-	-	-	-	-	(59,539)	(171,039)	(230,578)
Acquisition of non-controlling interests		-	-	-	37,651	-	-	-	-	-	-	-	37,651	(278,871)	(241,220)
Disposal of subsidiaries	38	-	-	-	-	-	-	-	-	-	-	-	-	(214,042)	(214,042)
At 31 December 2016		198	6,864,230#	11#	360,261#	804#	7,032#	804,800#	7,324,144#	(396,636)#	-	19,839#	14,984,683	428,311	15,412,994

These reserve accounts comprise the consolidated reserves of RMB14,984,485,000 (2015:RMB10,910,968,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 *RMB'000*	2015 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,986,019**	1,841,616
Adjustments for:			
Finance income	7	**(200,412)**	(219,874)
Finance costs of retailing	7	**203,646**	174,471
Finance costs of property development	7	**19,480**	31,057
Exchange gain		**(43,021)**	(45,089)
Share of losses of a joint venture		**–**	18,648
Share of profits and losses of associates		**(342,557)**	(284,502)
Loss on disposal of items of property and equipment	5	**949**	2,435
Loss on disposal of intangible assets	5	**216**	–
Gain on disposal of subsidiaries	5	**(492,880)**	(30,744)
Gain on disposal of an associate	5	**(4,828)**	–
Gain on disposal of shares of an associate	5	**–**	(188,542)
Gain on disposal of a joint venture	5	**–**	(133,413)
Gain on deemed partial disposal of an associate	5	**(32,680)**	–
Impairment of goodwill	6	**27,932**	–
Impairment of assets of disposal group classified as held for sale	13	**6,067**	–
Equity-settled share option expense	36	**14,736**	13,761
Depreciation of property and equipment		**452,979**	428,748
Fair value gains on investment properties	5	**(104,000)**	(291,970)
Amortisation of prepaid land lease payments		**53,787**	55,195
Amortisation of other intangible assets	19	**11,579**	11,252
Amortisation of prepaid rental	20	**521,763**	364,370
		2,078,775	1,747,419
Decrease in restricted cash		**55,739**	59,356
Increase in prepayments, deposits and other receivables		**(587,537)**	(407,204)
(Increase)/decrease in trade receivables		**(3,852)**	2,226
(Increase)/decrease in cash in transit		**(58,512)**	3,428
Increase in inventories		**(18,340)**	(28,454)
(Decrease)/increase in trade and bills payables		**(846,079)**	541,175
Increase in advances from customers		**531,949**	242,927
(Increase)/decrease in amounts due from related parties		**(15,818)**	153,481
Decrease in amounts due to related parties		**35,462**	15,074
Increase in properties under development		**(263,034)**	(649,278)
Decrease in completed properties held for sale		**340,391**	435,373
Decrease in other payables and accruals		**(22,653)**	(89,600)
Cash generated from operations		**1,226,491**	2,025,923
Interest paid		**(155,067)**	(115,638)
Income tax paid		**(442,815)**	(587,965)
Net cash flows from operating activities		**628,609**	1,322,320

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 *RMB'000*	2015 *RMB'000*
CASH FLOWS USE IN INVESTING ACTIVITIES			
Interest received		**97,711**	164,643
Purchases of items of property and equipment and investment properties		**(851,125)**	(1,013,412)
Purchase of available-for-sale financial assets		**(510,521)**	(40,253)
Purchases of other intangible assets	19	**(148,443)**	(5,737)
Acquisition of non-controlling interests		**(151,220)**	(70,280)
Acquisition of prepaid land lease payments	16	**(10,807)**	(287)
Disposal of subsidiaries	38	**(1,666)**	372,202
Disposal of a joint venture		**110,370**	195,000
Proceeds from disposal of shares of an associate, net of tax		**–**	391,699
Advance from disposal of a subsidiary		**5,000**	–
Proceeds from disposal of items of property and equipment		**6,367**	8,679
Proceeds from disposal of prepaid land lease payment	16	**12,682**	–
Advances to unrelated parties		**(24,500)**	(22,491)
Repayments from third parties		**43,317**	45,773
Loans and receivables advanced to a third party		**(45,000)**	–
Advances to related parties		**–**	(4,568)
Loans to related parties		**(505,000)**	(1,325,113)
Repayments from related parties on loans and receivables		**661,000**	526,850
Dividend received from associates		**–**	198,257
Receipt of government grants		**5,000**	–
Repayment from a subsidiary being disposed of		**500,000**	–
Repayment from a related party		**2,159**	–
Net cash flows used in investing activities		**(804,676)**	(579,038)

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		**3,265**	101,921
Capital contribution from non-controlling shareholders		**9,133**	6,850
Proceeds from interest-bearing bank and other borrowings		**5,216,630**	1,353,897
Repayments of interest-bearing bank and other borrowings		**(4,389,188)**	(1,927,089)
Dividends paid		**(532,122)**	(722,213)
Dividends paid to non-controlling shareholders		**(41,664)**	(71,771)
Repurchase of shares		**–**	(59,523)
Advance from third parties		**12,450**	83,367
Repayment of advance from third parties		**(58,708)**	–
Net cash flows from/(used in) financing activities		**219,796**	(1,234,561)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**43,729**	(491,279)
Cash and cash equivalents at beginning of year		**1,693,269**	2,174,746
Effect of foreign exchange rate changes, net		**8,506**	9,802
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,745,504**	1,693,269
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**1,700,526**	1,580,529
Cash and cash equivalents as stated in the statement of financial position	29	**1,700,526**	1,580,529
Cash and short term deposits attributable to the disposal group held for sale	13	**44,978**	112,740
Cash and cash equivalents as stated in the statement of cash flows		**1,745,504**	1,693,269

1. CORPORATE AND GROUP INFORMATION

Intime Retail (Group) Company Limited 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.

Information about subsidiaries

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

Name	Place of incorporation/ registration	Issued ordinary/ registered and share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
North Hill Holdings Limited	British Virgin Islands ("BVI")	United States dollars ("US$") 1	100%	–	Investment holding
Sin Cheng Holdings Pte Ltd. ("Sin Cheng")**	Singapore	Singapore dollars ("SG$") 1,200,000	–	100%	Investment and business management
River Three Holdings Limited	BVI	US$1	100%	–	Investment holding and trademark management
Omni Win Limited	Hong Kong	US$1	100%	–	Investment holding
Raffland Pte. Ltd.	Singapore	SG$33,246,499	–	81%	Investment holding
Intime Department Store (Hong Kong) Company Limited**	Hong Kong	HK$1,000,000	100%	–	Investment holding
South Line Holding (HK) Company Limited**	Hong Kong	HK$1,000	100%	–	Investment holding

31 December 2016

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	Issued ordinary/ registered and share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Anhui Intime Commercial Development Limited**	Hong Kong	HK$2	100%	–	Investment holding
Hangzhou Intime North Hill Enterprise Management Co., Ltd. ("Hangzhou North Hill") # (杭州銀泰北山企業管理有限公司)***	Mainland China	US$55,000,000	–	100%	Investment holding
Zhejiang Intime Department Store Co., Ltd. ("Zhejiang Intime") # (浙江銀泰百貨有限公司)***	Mainland China	RMB800,000,000	–	100%	Operation and management of department stores and investment holding
Zhejiang Zhelian Investment and Management Co., Ltd.# (浙江浙聯投資管理有限公司)*	Mainland China	RMB10,000,000	–	50%	Investment holding and property development
Hangzhou Yinxi Intime Department Store Co., Ltd.# (杭州銀西百貨有限公司)*	Mainland China	RMB36,000,000	–	50%	Operation and management of department stores
Hubei Intime Department Store Co., Ltd.# (湖北銀泰百貨有限公司)	Mainland China	RMB90,000,000	–	100%	Operation and management of department stores
Jinhua Intime Sho pping Center Co., Ltd.# (金華銀泰購物中心有限公司)	Mainland China	RMB30,000,000	–	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	Issued ordinary/ registered and share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Xi'an Central Intime Commercial Management Co., Ltd.# (西安中環銀泰商業管理有限公司)	Mainland China	RMB30,000,000	–	60%	Operation and management of department stores
Yiwu Intime Department Store Co., Ltd.# (義烏銀泰百貨有限公司)	Mainland China	RMB15,000,000	–	100%	Operation and management of department stores
Hubei Intime Xiantao Shangcheng Building Co., Ltd.# (湖北銀泰仙桃商城大廈有限公司)	Mainland China	RMB36,925,000	–	65.8%	Operation and management of department stores
Zhejiang Intime Investment Co., Ltd. ("Zhejiang Intime Investment") # (浙江銀泰投資有限公司)***	Mainland China	RMB1,410,000,000	–	100%	Investment holding
Anhui Province Huaqiao Hotel Company Limited ("Anhui Huaqiao Hotel") # (安徽省華僑飯店有限公司)	Mainland China	RMB260,000,000	–	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	Issued ordinary/ registered and share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Cixi Intime Commercial Management Co., Ltd.# (慈溪銀泰商業管理有限公司)	Mainland China	RMB150,600,000	–	100%	Property development
Hubei Wuluo Innovation Park Development Co., Ltd.# (湖北武珞創意園發展有限公司)	Mainland China	RMB600,000,000	–	100%	Property development
Hangzhou Intime Century Department Store Co., Ltd.# (杭州銀泰世紀百貨有限公司)***	Mainland China	US$20,000,000	–	100%	Operation and management of department stores
Intime Department Store (Ningbo Haishu) Co., Ltd.# (銀泰百貨寧波海曙有限公司)	Mainland China	RMB50,000,000	–	100%	Operation and management of department stores
Intime Department Store (Ningbo Jiangdong) Co., Ltd.# (銀泰百貨寧波江東有限公司)	Mainland China	RMB290,000,000		100%	Operation and management of department stores
Zhoushan Intime Department Store Co., Ltd.# (舟山銀泰百貨有限公司)	Mainland China	RMB10,000,000		100%	Operation and management of department stores
Hubei New Century Shopping Center Co., Ltd. ("Hubei New Century") # (湖北銀泰新世紀購物中心有限公司)	Mainland China	RMB10,000,000	–	85%	Operation and management of department stores

31 December 2016

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	Issued ordinary/ registered and share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Liuzhou New Real Estate Development Company Limited# (柳州新銀都房地產開發有限公司)***	Mainland China	US$24,500,000	–	81%	Property development
Xi'an Southline Department Store Co., Ltd.# (西安順時來百貨有限公司)***	Mainland China	HK$91,000,000	–	100%	Lease of property and equipment; property management
Anhui Intime Commercial Co., Ltd.# (安徽銀泰商業有限責任公司)	Mainland China	RMB30,000,000	–	100%	Operation and management of department stores
Dazi Intime Commercial Development Co., Ltd. ("Dazi Intime") # (達孜銀泰商業發展有限公司)	Mainland China	RMB150,000,000	–	100%	Investment holding
Tangshan Intime Department Store Co., Ltd.# (唐山銀泰百貨有限公司)	Mainland China	RMB50,000,000	–	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	Issued ordinary/ registered and share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Wenling Intime Shopping Mall Development Co., Ltd.# (溫嶺銀泰購物中心開發有限公司)***	Mainland China	RMB300,000,000	100%	–	Operation and management of department stores
Haining Intime Property Co., Ltd.# (海寧銀泰置業有限公司)***	Mainland China	US$150,000,000	–	100%	Property development
Xi'an Qujiang Intime International Shopping Mall Co., Ltd. ("Xi'an Qujiang Intime") # (西安曲江銀泰國際購物中心管理有限公司)	Mainland China	RMB175,000,000	–	100%	Lease of property and equipment; property management
Wenzhou Mingchen Trade Co., Ltd.# (溫州市名辰貿易有限公司)	Mainland China	RMB26,290,000	–	51%	Cosmetics trading
Linhai Intime Shopping Mall Development Co., Ltd.# (臨海銀泰購物中心開發有限公司)	Mainland China	RMB100,000,000	–	100%	Lease of property and equipment; property management
Hangzhou Yinyao Shopping Mall Co., Ltd.# (杭州銀耀百貨有限公司)*	Mainland China	RMB20,000,000	–	50%	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	Issued ordinary/ registered and share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hangzhou Intime Sanjiang Commercial Development Co., Ltd. ("Intime Sanjiang") # (杭州銀泰三江商業發展有限公司)***	Mainland China	US$40,000,000	–	100%	Operation and management of department stores
Fenghua Intime Department Store Co., Ltd. ("Fenghua Intime") # (奉化銀泰百貨有限公司)	Mainland China	RMB50,000,000	–	100%	Operation and management of department stores
Shaoxing Jindi Intime Shopping Centre Co., Ltd.# (紹興金帝銀泰購物中心有限公司)	Mainland China	RMB30,000,000	–	51%	Operation and management of department stores
Hefei Intime City Commercial Management Co., Ltd.# (合肥銀泰城商業管理有限責任公司)	Mainland China	RMB10,000,000	–	100%	Operation and management of department stores
Huzhou Yindong Shopping Centre Co., Ltd.# (湖州銀東購物中心有限公司)	Mainland China	RMB20,000,000	–	51%	Operation and management of department stores
Shaoxing Intime Department Store Co., Ltd.# (紹興銀泰百貨有限公司)	Mainland China	RMB35,000,000	–	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	Issued ordinary/ registered and share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Huzhou Yinjia Department Store Co., Ltd. ("Huzhou Yinjia") # (湖州銀佳百貨有限公司)	Mainland China	RMB38,000,000	–	100%	Operation and management of department stores
Zhejiang Intime Trade Co., Ltd.# (浙江銀泰商貿有限公司)	Mainland China	RMB25,000,000	–	100%	Cosmetics and apparel trading
Jinhua Mingxiang Trade Co., Ltd.# (金華市名翔貿易有限公司)	Mainland China	RMB1,000,000	–	51%	Cosmetics trading
Ningbo Mingran Cosmetics Co., Ltd.# (寧波市名然化妝品有限公司)	Mainland China	RMB10,000,000	–	51%	Cosmetics trading
Hangzhou Zhongda Intime Shopping Center Co., Ltd. ("Hangzhou Zhongda") # (杭州中大銀泰城購物中心有限公司)	Mainland China	RMB10,000,000	–	51%	Operation and management of department stores
Ningbo Intime Universal Commercial Co., Ltd.# (寧波銀泰環球城商業有限公司)	Mainland China	RMB620,000,000	–	100%	Operation and management of department stores
Hangzhou Yintao Taitao Technology Co., Ltd.# (杭州銀淘泰淘科技有限公司)***	Mainland China	HK$20,000,000	–	100%	Operation and management of on-line 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	Issued ordinary/ registered and share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Liuzhou Intime Commercial Management Co., Ltd.# (柳州銀泰商業管理有限公司)	Mainland China	RMB5,000,000	–	81%	Operation and management of department stores
Wuhu Intime City Commercial Management Co., Ltd.# (蕪湖銀泰城商業管理有限公司)	Mainland China	RMB20,000,000	–	67%	Commercial and property management
Intime Department Store Company Limited ("Shanghai Intime") # (銀泰百貨有限公司)***	Mainland China	RMB300,000,000	–	100%	Operation and management of department stores and investment holding
Zhejiang Wenzhou Intime Department Store Co., Ltd.# (浙江溫州銀泰百貨有限公司)	Mainland China	RMB30,000,000	–	100%	Operation and management of department stores
Hangzhou Intime Outlets Commercial Development Co., Ltd. ("Hangzhou Outlets") # (杭州銀泰奧特萊斯商業發展有限公司)	Mainland China	RMB20,000,000	–	100%	Investment holding
Zhejiang Intime Department Store (Jinhua) Co., Ltd.# (浙江銀泰百貨(金華)有限公司)	Mainland China	RMB85,000,000	–	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	Issued ordinary/ registered and share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Intime Department Store (Ningbo Yinzhou) Co., Ltd.# (銀泰百貨寧波鄞州有限公司)	Mainland China	RMB20,000,000	–	100%	Operation and management of department stores
Wenzhou Atlantic Intime Shopping Center Co., Ltd.# (溫州大西洋銀泰城購物中心有限公司)	Mainland China	RMB20,000,000	–	100%	Operation and management of department stores
Jingmen Intime Trade Co., Ltd.# (荊門銀泰商貿有限責任公司)	Mainland China	RMB30,000,000	–	70%	Operation and management of department stores
Hangzhou Xiasha Intime Shopping Center Co., Ltd. ("Hangzhou Xiasha") # (杭州下沙銀泰城購物中心有限公司)	Mainland China	RMB100,000,000	–	100%	Operation and management of department stores
Ningbo Free Trade Zone Intime Choice Xixuan Import and Export Co., Ltd.# (寧波保税區銀泰西選進出口有限公司)	Mainland China	RMB2,000,000	–	80%	Operation and management of supermarkets
Yiwu Yuesheng Department Store Co., Ltd. ("Yiwu Yusheng") # (義烏市悦勝日用百貨有限公司)	Mainland China	RMB10,000,000	–	100%	Operation and management of department stores

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

** Other than these subsidiaries were audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network, other subsidiaries were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

*** These companies are registered as wholly-foreign-owned enterprise under PRC law.

\# English translations of names for identification purposes only

During the year, the Group acquired Yiwu Yuesheng from a third party. Further details of this acquisition are included in note 19.

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 and available-for-sale investments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 December 2016, the Group had net current liabilities of approximately RMB1,582,991,000 (2015: RMB3,489,150,000). The directors believe that the Group has sufficient cash flows from the operations and currently available banking facilities to meet its liabilities as and when they fall due. Therefore, the financial statements are prepared on a going concern basis.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The 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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) 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 amendments have had no significant impact on the Group's financial statements.

(b) 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 a 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 and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

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.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
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]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet 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:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

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 previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

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

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 June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

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

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

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

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

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 available-for-sale investments and investment properties 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 and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property 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 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 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 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 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	Over the shorter of the lease term and 10% to 33.33%

Where parts of an item of property 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment and depreciation (continued)

An item of property 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.

Construction in progress represents a building or machinery 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 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 completed properties held for sale, 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 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 and equipment and depreciation” above.

For a transfer from completed properties held for sale 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.

Assets of a disposal group classified as held for sale

Assets of a disposal group 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, assets of a disposal group classified as held for sale 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 of a disposal group classified as held for sale 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.

Assets of a disposal group (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 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 and equipment.

Lease agreement buyout

The lease agreement buyout represents the Group's payment 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.

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 loans and receivables and available-for-sale financial investments. 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.

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:

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, at which time the cumulative gain or loss is recognised in 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.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Available-for-sale financial investments

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

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

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Convertible bonds (continued)

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

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

Government grants

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

(a) *Sales of goods – retail*

Sales of goods are recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) *Commission revenue*

Commission revenue from concessionaire sales is recognised upon the sale of goods by the relevant concessionaires and the service rendered to the concessionaires.

(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.

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

(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.

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 on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(i) Dividend income

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in note 36 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

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.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 3.51% has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognised as a liability when they are 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

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 currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these companies are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements

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

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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Operating lease commitments – Group as lessee

The Group has entered into commercial property leases for its department stores and shopping malls business. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of relevant properties and so accounts for them as 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.

Consolidation of entities in which the Group holds 50% equity interests

The Group considers that it controls certain subsidiaries even though it owns 50% of their equity interests. This is because the Group is able to control their financial and operating policies through its majority voting rights in the respective board of those subsidiaries.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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 2016 was RMB507,677,000 (2015: RMB535,609,000). More details are given in note 18 to the financial statements.

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 2016 was RMB7,353,000,000 (2015: RMB7,249,000,000). 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 and equipment

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's property and equipment. This estimate is based on the historical experience of the actual useful lives of property 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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.

Net realisable value of completed properties held for sale

The Group's completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for completed properties held for sale. Such provision requires the use of judgements and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the period in which the estimate is changed will be adjusted accordingly.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar asset or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

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 loyalty 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.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2016 was RMB201,879,000 (2015: RMB179,965,000). The amount of unrecognised tax losses at 31 December 2016 was RMB1,211,141,000 (2015: RMB916,000,000). Further details are contained in note 23 to the financial statements.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale investments state at fair value and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. As for available-for-sale investments state at cost, the Group assess periodically whether there has been a significant or prolonged decline in the recoverable amounts of the investments below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry outlook, technological changes as well as operating and financing cash flows. This requires a significant level of management judgment which would affect the amount of impairment losses. As at 31 December 2016, there is no impairment losses have been recognised for available-for-sale investments (2015: Nil).

The carrying amount of available-for-sale investments was RMB589,423,000 (2015: RMB40,253,000).

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 losses 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 2016	Department store RMB'000	Shopping mall RMB'000	Property development RMB'000	Others RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	3,716,484	1,609,773	482,773	175,232	5,984,262
Intersegment sales	–	–	–	64,636	64,636
	3,716,484	1,609,773	482,773	239,868	6,048,898
Reconciliation:					
Elimination of intersegment sales					(64,636)
Revenue					5,984,262
Segment results	878,573	219,534	62,159	35,056	1,195,322
Reconciliation:					
Share of profits and losses of:					
Associates					342,557
Finance income					200,412
Finance costs					(223,126)
Equity-settled share option expense					(14,736)
Fair value gains on investment properties					104,000
Unallocated gains and losses, net					495,963
Corporate and other unallocated expenses					(114,373)
Profit before tax					1,986,019
Other segment information:					
Depreciation and amortisation	259,797	252,800	2,976	2,772	518,345
Capital expenditure (a)	314,163	622,131	150	73,931	1,010,375

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	242,087	770,382	640	6,327	1,019,436

Note:

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

All the Group's operations are carried out in Mainland China. No revenue from operations amounting to 10% or more of the Group's revenue was derived from sales to a single customer for the years ended 31 December 2016 and 2015. All non-current assets (excluding financial instruments) of the Group are located in Mainland China.

5. REVENUE, OTHER INCOME AND GAINS/ (LOSSES)

	2016 *RMB'000*	2015 *RMB'000*
Sale of goods – direct sales	**1,999,558**	1,814,296
Commissions from concessionaire sales	**2,382,692**	2,380,301
Rental income	**1,078,440**	912,122
Rental income from investment properties and owner-occupied properties	**605,286**	495,228
Sublease rental income	**407,734**	359,253
Contingent rental income	**65,420**	57,641
Management fee income from operation of department stores	**22,821**	36,959
Commissions income	**17,978**	9,520
Retail revenue	**5,501,489**	5,153,198
Sale of properties	**482,773**	602,255
	5,984,262	5,755,453

The commissions from concessionaire sales are analysed as follows:

	2016 *RMB'000*	2015 *RMB'000*
Gross revenue from concessionaire sales	**14,095,566**	13,987,837
Commissions from concessionaire sales	**2,382,692**	2,380,301

5. REVENUE, OTHER INCOME AND GAINS/(LOSSES) (CONTINUED)

	2016 *RMB'000*	2015 *RMB'000*
Other income		
Advertisement, promotion and administration income	**461,238**	407,653
Supplementary income	**13,622**	13,660
Subsidy income	**48,476**	24,077
Dividend from available-for-sale investments	**14,126**	–
Others	**47,125**	31,903
	584,587	477,293
Gains/(losses)		
Loss on disposal of items of property and equipment	**(949)**	(2,435)
Loss on disposal of intangible assets	**(216)**	–
Gain on disposal of an associate	**4,828**	–
Gain on disposal of shares of an associate	**–**	188,542
Gain on disposal of subsidiaries (note 38)	**492,880**	30,744
Fair value gains on investment properties	**104,000**	291,970
Gain on disposal of a joint venture	**–**	133,413
Gain on deemed partial disposal of an associate	**32,680**	–
Others	**(33,260)**	(43,855)
	599,963	598,379
	1,184,550	1,075,672

6. PROFIT BEFORE TAX

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

	2016 *RMB'000*	2015 *RMB'000*
Purchases of goods and changes in inventories	**1,703,811**	1,533,209
Cost of properties sold	**340,391**	435,373
Depreciation and amortization	**518,345**	497,032
Staff costs (including directors' and chief executive's remuneration (note 9)):	**769,614**	779,268
Wages, salaries and bonuses	**582,530**	583,707
Pension costs – defined contribution schemes	**106,755**	112,747
Welfare, medical and other benefits	**65,593**	69,053
Equity-settled share option expense (note 36)	**14,736**	13,761
Impairment of goodwill	**27,932**	–
Impairment of assets of disposal group classified as held for sale	**6,067**	–
Exchange gain	**(10,991)**	(908)
Gain on disposal of subsidiaries	**(492,880)**	(30,744)
Fair value gains on investment properties	**(104,000)**	(291,970)
Subsidy income*	**(48,476)**	(24,077)
Utility expenses	**405,514**	395,139
Store rental expenses	**827,702**	744,832
Credit card charges	**80,211**	86,805
Advertising expenses	**301,449**	240,548
Property development expenses	**77,169**	104,601
Auditors' remuneration	**3,400**	3,400
Professional service charges	**17,347**	23,706
Other tax expenses	**100,682**	98,226
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**134,367**	99,476

* The amounts represent subsidies received from PRC government. There are no unfulfilled conditions or contingencies relating to these grants.

7. FINANCE INCOME/FINANCE COSTS

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

Finance income

	2016 *RMB'000*	2015 *RMB'000*
Interest income from bank deposits	**17,397**	29,978
Interest income from loans and receivables	**157,227**	118,643
Interest income from a joint venture	**–**	20,458
Interest income from associates	**17,556**	26,964
Other interest income	**8,232**	23,831
	200,412	219,874

Finance costs

	2016 *RMB'000*	2015 *RMB'000*
Interest on bank loans and other loans (including convertible bonds)	**223,126**	221,704
Less: Interest capitalised	**–**	(16,176)
	223,126	205,528
The finance costs are analyzed as follows:		
Finance costs of retailing	**203,646**	174,471
Finance costs of property development	**19,480**	31,057
	223,126	205,528

8. INCOME TAX

	2016	2015
	RMB'000	*RMB'000*
Current income tax – Mainland China	534,306	449,970
Current – LAT for the year	(13,474)	(242)
Deferred	49,343	42,790
	570,175	492,518

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% (2015: 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% (2015: 17%).

For the year ended 31 December 2016, 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, where 40% of profits of Dazi Intime are exempted from tax by local municipal government in the place of establishment in Tibet Autonomous Region.

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:

	2016 *RMB'000*	2015 *RMB'000*
Profit before tax	**1,986,019**	1,841,616
Tax at the statutory tax rate of 25% (2015: 25%)	**496,505**	460,404
Lower tax rates for specific provinces or enacted by local authorities	**(15,088)**	(10,082)
Tax losses utilised from previous periods	**(12,499)**	(22,594)
Profits and losses attributable to associates and a joint venture	**(85,639)**	(66,464)
Effect of withholding tax at 10% on the distributable profits of an associate	**11,523**	11,747
Adjustments in respect of current tax of previous periods	**12,428**	18,530
Tax losses not recognised	**162,736**	95,853
Expenses not deductible for tax	**10,314**	5,305
Reversal of LAT	**(13,474)**	(242)
Tax effect on LAT	**3,369**	61
Tax charge at the Group's effective rate	**570,175**	492,518
Tax payable in the consolidated statement of financial position represents:		
PRC corporate income tax	**471,345**	384,076
PRC LAT	**82,346**	104,145
	553,691	488,221

The share of tax attributable to associates and a joint venture amounting to RMB110,116,000 (2015: RMB116,981,000) 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 Rules Governing the Listing of Securities on the Stock Exchange ("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:

	2016 *RMB'000*	2015 *RMB'000*
Fees	**599**	497
Other emoluments:		
Salaries, allowances and benefits in kind	**6,090**	7,028
Equity-settled share option expense	**3,203**	2,962
	9,293	9,990
	9,892	10,487

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 36 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.

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

(a) Independent non-executive directors

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

	2016 *RMB'000*	2015 *RMB'000*
Mr. YU Ning (note (i))	171	161
Mr. CHOW Joseph	171	161
Mr. CHEN Jiangxu	171	94
Mr. SHI Chungui	–	81
Mr. HU Yongmin (note (i))	86	–
	599	497

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

(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*
2016			
Executive director and chief executive:			
Mr. CHEN Xiaodong	5,661	3,203	8,864
Non-executive directors:			
Mr. XIN Xiangdong	429	–	429
Mr. ZHANG Yong	–	–	–
	429	–	429
	6,090	3,203	9,293

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*
2015			
Executive director:			
Mr. SHEN Guojun	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	–	–	–
Ms. SUN Xiaoning	–	–	–
	403	–	403
	7,028	2,962	9,990

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

Note:

(i) Mr. YU Ning passed away on 1 June 2016. Mr. HU Yongmin has been appointed as a non-executive director of the Company with effect from 13 July 2016 to fill vacancy of the board due to the passing away of Mr. YU Ning.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director and the chief executive (2015: 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 four (2015: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016	2015
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**2,593**	1,675
Discretionary bonuses	**1,220**	1,658
Contributions to retirement benefit plans	**569**	307
Equity-settled share option expense	**1,923**	1,608
	6,305	5,248

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	
	2016	2015
HK$1,000,001 to HK$1,500,000	**3**	1
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**1**	–
	4	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 36 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

	2016	2015
	RMB'000	*RMB'000*
Interim and special – RMB0.10 (2015: RMB0.20) per ordinary share	**270,500**	437,783
Proposed final – RMB0.08 (2015: RMB0.12) per ordinary share	**217,730**	261,606
	488,230	699,389

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 2015 totalling RMB261,606,000 and the interim dividend of RMB270,402,000 were paid prior to 31 December 2016.

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 2,444,835,622 (2015: 2,181,187,164) 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:

	2016 *RMB'000*	2015 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**1,319,687**	1,317,474
Interest on convertible bonds	**46,674**	87,311
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**1,366,361**	1,404,785

	Number of shares 2016	 2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,444,835,622**	2,181,187,164
Effect of dilution – weighted average number of ordinary shares:		
Share options	**2,382,441**	5,331,821
Convertible bonds	**264,668,410**	519,564,433
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**2,711,886,473**	2,706,083,418

13. DISPOSAL GROUP HELD FOR SALE

On 28 October 2016, the Company entered into an equity transfer agreement with Fenghua Yintai Properties Co., Ltd. ("Fenghua Yintai") (奉化銀泰置業有限公司) to dispose of 100% equity interests in Fenghua Intime Department Store Co., Ltd. ("Fenghua Intime"), a subsidiary of the Company, for a total consideration of RMB17,500,000. As at 31 December 2016, the transaction was in progress and Fenghua Intime was classified as a disposal group held for sale.

13. DISPOSAL GROUP HELD FOR SALE (CONTINUED)

The major classes of assets and liabilities of Fenghua Intime (the major classes of assets and liabilities as at 31 December 2015 were Wenling Intime Properties Limited ("Wenling Intime Properties") # (溫嶺銀泰置業有限公司), Wenling Taiyue Real Estate Development Limited ("Wenling Taiyue") # (溫嶺泰悅房地產開發有限公司) and Wenling Intime Hotel Development Limited ("Wenling Intime Hotel") # (溫嶺銀泰酒店開發有限公司), which were disposed of in 2016) were classified as held for sale as at 31 December are as follows:

	2016 *RMB'000*	2015 *RMB'000*
Assets		
Property, plant and equipment	–	60,313
Prepaid land lease payment	–	147,482
Properties under development	–	998,741
Inventories	396	–
Deposits, prepayments and other receivables	–	137,241
Cash in transit	607	–
Cash and cash equivalents	44,978	112,740
Assets classified as held for sale	45,981	1,456,517
Liabilities		
Trade and bills payables	9,956	–
Other payables and accruals	18,048	789,481
Due to related parties	477	
Liabilities directly associated with the assets classified as held for sale	28,481	789,481
Net assets directly associated with the disposal group	17,500	667,036

13. DISPOSAL GROUP HELD FOR SALE (CONTINUED)

During the year, the amount due from the disposal group held for sale amounting to RMB2,048,000 (2015: Nil) was eliminated as at 31 December 2016 and not included in liabilities directly associated with the assets classified as held for sale.

During the year ended 31 December 2015, an amount due to the disposal group held for sale of RMB63,202,000 was eliminated as at 31 December 2015 and not included in assets classified as held for sale.

In accordance with HKFRS 5, assets held for sale with a carrying amount of RMB23,567,000 consisted of prepayments, deposits and other receivables amounted to RMB512,000, due from a related party amounted to RMB5,004,000, inventories amounted to RMB947,000, cash in transit amounted to RMB607,000, cash and cash equivalent amounted to RMB44,978,000 and total liabilities amounted to RMB28,481,000. Assets held for sale were written down to their fair value of RMB17,500,000, resulting in a loss of RMB6,067,000, which was included in profit or loss for the year.

During the year, Wenling Intime Properties, Wenling Taiyue and Wenling Intime Hotel acquired property and equipment and construction in progress with a cost of RMB65,911,000. The addition of properties under development during the year amounted to RMB263,034,000.

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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 2015								
At 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	159,292	420,839
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)
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)

	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 2016								
At 31 December 2015 and at 1 January 2016:								
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
At 1 January 2016, net of accumulated depreciation	4,415,765	402,046	135,391	10,476	58,468	835,617	117,736	5,975,499
Additions	11,397	39,036	57,564	5,626	19,517	210,794	180,879	524,813
Transfer	5,338	22,264	–	–	–	162,113	(189,715)	–
Depreciation provided during the year	(123,083)	(64,471)	(45,920)	(6,332)	(35,803)	(177,370)	–	(452,979)
Disposals	–	(2,130)	(60)	(514)	(2,433)	(2,179)	–	(7,316)
Disposal of subsidiaries	(779,216)	–	–	–	–	–	–	(779,216)
At 31 December 2016, net of accumulated depreciation	3,530,201	396,745	146,975	9,256	39,749	1,028,975	108,900	5,260,801
At 31 December 2016:								
Cost	4,491,232	701,364	360,194	34,721	171,390	1,755,553	108,900	7,623,354
Accumulated depreciation	(961,031)	(304,619)	(213,219)	(25,465)	(131,641)	(726,578)	–	(2,362,553)
Net carrying amount	3,530,201	396,745	146,975	9,256	39,749	1,028,975	108,900	5,260,801

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

No amortisation of land lease payments was included in the above additions of construction in progress (2015: Nil).

The Group pledged certain of its buildings to secure the Group's banking facilities (note 32 (b)). The net carrying amount of these pledged buildings as at 31 December 2016 was approximately RMB1,627,707,000 (2015: RMB1,314,235,000).

15. INVESTMENT PROPERTIES

	2016 *RMB'000*	2015 *RMB'000*
Carrying amount at 1 January	**7,249,000**	5,699,000
Additions	**1,334**	1,258,030
Government grant received	**(1,334)**	–
Fair value gains on investment properties	**104,000**	291,970
Carrying amount at 31 December	**7,353,000**	7,249,000

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 2016 based on valuations performed by Knight Frank Petty Limited, independent professionally qualified valuers, at RMB7,353,000,000. 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 carrying amount of pledged investment properties as at 31 December 2016 was nil (2015: RMB705,000,000).

The application for the ownership certificates of certain buildings located in Xi'an City of Shaanxi Province, the PRC, with a carrying amount of RMB490,000,000 as at 31 December 2016 (2015: RMB501,000,000) 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 2016.

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 2016 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	–	–	7,353,000	7,353,000
	–	–	7,353,000	7,353,000

15. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (continued)

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Recurring fair value measurement for:				
Commercial properties	–	–	7,249,000	7,249,000
	–	–	7,249,000	7,249,000

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 (2015: Nil).

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

	Valuation technique	**Significant unobservable inputs**	**Range of unobservable inputs**	
			2016	2015
Commercial properties	Income capitalisation method	(1) Capitalisation rate (2) Estimated rental value (per s.q.m. and per month)	**(1) 4.5-8.5%** **(2) RMB59-126 sqm/month**	(1) 4.5-8.5% (2) RMB90-131 sqm/month

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

16. PREPAID LAND LEASE PAYMENTS

	2016	2015
	RMB'000	*RMB'000*
Carrying amount at 1 January	**1,545,106**	1,603,314
Additions	**10,807**	287
Amortisation for the year	**(53,787)**	(58,495)
Government grant received	**(486)**	–
Disposals	**(12,682)**	–
Carrying amount at 31 December	**1,488,958**	1,545,106
Current portion included in prepayments, deposits and other receivables	**(53,787)**	–
	1,435,171	1,545,106

The Group's leasehold land are mainly located in Hangzhou City, Haining City, Linhai City, Wenling City, Ningbo 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 (2015: Nil).

The Group pledged its prepaid land lease payments to secure the Group's banking facilities (note 32 (b)). The carrying amount of these pledged prepaid land lease payments as at 31 December 2016 was approximately RMB606,666,000 (2015: RMB640,493,000).

17. COMPLETED PROPERTIES HELD FOR SALE AND PROPERTIES UNDER DEVELOPMENT

Completed properties held for sale	**2016** *RMB'000*	2015 *RMB'000*
At beginning of year	**1,567,721**	1,151,768
Government grant received	**(3,180)**	–
Transfer from properties under development	**–**	851,326
Transfer to cost of properties sold (note 6)	**(340,391)**	(435,373)
At end of year	**1,224,150**	1,567,721

Properties under development	**2016** *RMB'000*	2015 *RMB'000*
At beginning of year	**–**	550,335
Additions	**–**	300,991
Transfer to completed properties held for sale	**–**	(851,326)
At end of year	**–**	–

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

There was no completed properties held for sale pledged for securing the Group's banking facilities as at 31 December 2016 (31 December 2015: RMB12,822,000).

18. GOODWILL

	RMB'000
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	–
At 31 December 2015	535,609
At 1 January 2016:	
Cost at 1 January	**608,370**
Accumulated impairment	**(72,761)**
Net carrying amount	**535,609**
Cost at 1 January 2016, net of accumulated impairment	**535,609**
Impairment during the year	**(27,932)**
Net carrying amount at 31 December 2016	**507,677**
At 31 December 2016:	
Cost	**608,370**
Accumulated impairment	**(100,693)**
Net carrying amount	**507,677**

Note:

During the year, based on carrying amount of relevant cash generating units, the Group recognised an impairment loss of RMB27,932,000 against the carrying amount of RMB27,932,000.

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:

	2016 ***RMB'000***	2015 *RMB'000*
Carrying amount of goodwill	**507,677**	535,609

Assumptions were used in the value in use calculation of the department store cash-generating unit for 31 December 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

In the opinion of the Company's directors, a decrease in the growth rate by 20 to 25% would cause the carrying amount of the cash-generating unit to exceed its recoverable amount by approximately RMB6,934,000 to RMB48,276,000, and any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

19. OTHER INTANGIBLE ASSETS

	Computer software RMB'000	Lease agreement buyout RMB'000	Total RMB'000
31 December 2016			
At 1 January 2016:			
Cost	**50,931**	**28,000**	**78,931**
Accumulated amortisation	**(25,431)**	**(5,950)**	**(31,381)**
Net carrying amount	**25,500**	**22,050**	**47,550**
Cost at 1 January 2016, net of accumulated amortisation	**25,500**	**22,050**	**47,550**
Additions (a)	**5,443**	**143,000**	**148,443**
Disposal	**(216)**	**–**	**(216)**
Amortisation provided during the year	**(10,179)**	**(1,400)**	**(11,579)**
At 31 December 2016	**20,548**	**163,650**	**184,198**
At 31 December 2016:			
Cost	**56,003**	**171,000**	**227,003**
Accumulated amortisation	**(35,455)**	**(7,350)**	**(42,805)**
Net carrying amount	**20,548**	**163,650**	**184,198**
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	29,615	23,450	53,065
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

19. OTHER INTANGIBLE ASSETS (CONTINUED)

(a) The addition of lease agreement buyout was tenancy acquired by the Group from the acquisition of Yiwu Yuesheng. The transaction was accounted for as an asset acquisition as the acquiree had no commercial operation and not constituted a business, with no ability to create outputs by inputs and processes applied to those inputs.

20. PREPAID RENTAL

	RMB'000
31 December 2016	
Carrying amount at 1 January 2016	**147,303**
Addition	**469,525**
Recognised during the year	**(521,763)**
At 31 December 2016	**95,065**
Less: Current portion	**(28,511)**
Non-current portion of prepaid rental	**66,554**
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

21. INVESTMENTS IN ASSOCIATES

	2016 *RMB'000*	2015 *RMB'000*
Share of net assets	**1,518,943**	1,382,471
Goodwill on acquisition	**1,085,097**	1,098,432
	2,604,040	2,480,903

The movements of the investments in associates during the years 2016 and 2015 are as follows:

	2016 *RMB'000*	2015 *RMB'000*
At 1 January	**2,480,903**	2,617,218
Share of profits and losses	**342,557**	284,502
Dividends	**(140,000)**	(198,257)
Unrealised profit and loss resulting from the transaction with the Group	**(11,574)**	(17,865)
Transfer from investment in an associate to an available for-sale investment	**(108,771)**	–
Partial disposal of interests in an associate	**–**	(202,577)
Deemed partial disposal of an associate	**32,680**	–
Share of other comprehensive income of an associate	**(277)**	136
Exchange realignment	**8,522**	(2,254)
At 31 December	**2,604,040**	2,480,903

21. 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") # (武漢武商集團股份有限公司)	94,345,547 ordinary shares of RMB1 each	–	Mainland China	15.94%	Operation and management of supermarkets and department stores
Zhejiang Intime Electronic Commerce Co., Ltd. ("Zhejiang Intime Electronic Commerce") # (浙江銀泰電子商務有限公司)	–	RMB127,890,000	Mainland China	26.5%	Operation and management of on-line shopping malls
Anhui Hualun Gangwan Culture Investment Co., Ltd. ("Anhui Hualun") # (安徽華侖港灣文化投資有限公司)	–	RMB200,000,000	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") # (北京燕莎友誼商城有限公司)	–	RMB60,000,000	Mainland China	50%	Operation and management of department stores
Hangzhou Zhongda Shengma Property Co., Ltd. ("Zhongda Shengma") # (杭州中大聖馬置業有限公司)	–	RMB50,000,000	Mainland China	40%	Property development
Hefei Hualun Cultural Investment Co., Ltd. ("Hefei Hualun") # (合肥華侖文化產業投資有限公司)	–	RMB100,000,000	Mainland China	49%	Operation and management of department stores and property development

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.

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21. INVESTMENTS IN ASSOCIATES (CONTINUED)

The Group has discontinued the recognition of its share of losses of its associate, Zhejiang Intime Electronic Commerce and Zhongda Shengma, because the share of losses of the associates exceeded the Group's interests in the associate 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 RMB101,917,000 (2015: RMB74,579,000) and RMB373,804,000 (2015: RMB271,887,000), 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:

	2016 *RMB'000*	2015 *RMB'000*
Current assets	**1,506,059**	1,540,630
Non-current assets	**134,854**	136,050
Current liabilities	**(1,304,839)**	(1,291,062)
Net assets, excluding goodwill	**336,074**	385,618
Reconciliation to the Group's investments in the associate:		
Portion of the Group's ownership in Beijing Youyi Lufthansa	**50%**	50%
Group's share of the net assets of the associate	**168,037**	192,809
Goodwill on acquisition	**972,791**	972,791
Exchange realignment	**(1,383)**	(9,905)
Carrying amount of the investment	**1,139,445**	1,155,695
Revenue	**1,094,281**	1,088,140
Profit for the year	**230,456**	234,940
Total comprehensive income for the year	**230,456**	234,940
Dividend received/receivable from the associate	**140,000**	158,000

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	2016 *RMB'000*	2015 *RMB'000*
Share of the associates' profit or loss for the year	**227,329**	167,032
Share of the associates' total comprehensive income	**227,052**	167,168
Dividend received from an associate	**–**	40,257
Aggregate carrying amount of the Group's investments in the associates	**1,464,595**	1,325,208

22. AVAILABLE-FOR-SALE INVESTMENTS

	2016 *RMB'000*	2015 *RMB'000*
Listed equity investments, at fair value (note (i))	**181,324**	–
Unlisted equity investments, at cost (note (ii))	**408,099**	40,253
	589,423	40,253

Notes:

(i) During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB804,000 (2015: Nil).

The investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

(ii) As at 31 December 2016, certain unlisted equity investments with a carrying amount of RMB408,099,000 (2015: RMB40,253,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

23. 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 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 and 1 January 2016	64,642	47,071	179,965	22,797	314,475
Recognised in the statement of profit or loss (note 8)	(3,644)	2,180	21,914	701	21,151
At 31 December 2016	60,998	49,251	201,879	23,498	335,626

The Group has tax losses arising in Mainland China of RMB1,211,141,000 (2015: RMB916,000,000) 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.

23. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Fair value adjustment arising from acquisition of subsidiaries *RMB'000*	Withholding tax at 10% on the distributable profits of Group's PRC associates *RMB'000*	Fair value adjustment of investment properties *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 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 and 1 January 2016	281,066	14,457	467,059	34,260	796,842
Exchange realignment	–	(32)	–	–	(32)
Recognised in the statement of profit or loss (note 8)	(10,037)	11,555	58,468	10,508	70,494
At 31 December 2016	271,029	25,980	525,527	44,768	867,304

23. DEFERRED TAX (CONTINUED)

Deferred tax liabilities (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 2016, 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 RMB8,469,365,000 at 31 December 2016 (2015: RMB7,167,706,000).

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

24. INVENTORIES

	2016 ***RMB'000***	2015 *RMB'000*
Store merchandise, at cost or net realisable value	**538,937**	521,417
Low value consumables	**1,936**	2,063
	540,873	523,480

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 *RMB'000*	2015 *RMB'000*
Current:		
Advances to suppliers	**14,087**	26,102
Prepayments	**201,448**	170,085
Deposits and other receivables	**614,966**	669,256
Prepaid land lease payments	**53,787**	–
	884,288	865,443
Non-current:		
Deposits and other receivables	**351,774**	–
Prepayment	**–**	90,000
	351,774	90,000
	1,236,062	955,443

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.

26. LOANS AND RECEIVABLES

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

	2016 *RMB'000*	2015 *RMB'000*
Third parties		
Principal (note (i))	**279,197**	234,197
Interest receivable (note (i))	**44,230**	23,239
	323,427	257,436
Less: Non-current portion	**(243,543)**	(98,543)
	79,884	158,893
Related parties		
Principal:		
Zhejiang Intime Electronic Commerce (note (ii))	**838,765**	693,765
Hangzhou Xin Hubin Commercial Development Co., Ltd. ("Hangzhou Xin Hubin") # (杭州新湖濱商業發展有限公司)	**–**	384,000
Zhongda Shengma (note (iii))	**869,538**	786,538
	1,708,303	1,864,303
Interest receivable:		
Zhejiang Intime Electronic Commerce (note (ii))	**182,006**	106,996
Hangzhou Xin Hubin	**–**	10,986
Zhongda Shengma (note (iii))	**2,030**	1,317
	184,036	119,299
	1,892,339	1,983,602
Less: Non-current portion	**(707,655)**	(1,276,453)
	1,184,684	707,149

English translations of names for identification purposes only

26. LOANS AND RECEIVABLES (CONTINUED)

Notes:

(i) At the end of the reporting period, the Group granted entrusted loans or other types of loans to certain third parties with a principal amount of RMB279,197,000 (2015: RMB234,197,000) which bear interest at rates ranging from 4.75% to 5.75% per annum with maturity periods of one to ten years. A principal amount of RMB98,543,000 together with interest was guaranteed by the shareholder of counterparty to the extent of RMB170,000,000 and a principal amount of RMB35,654,000 together with interest was secured by the pledge of 15% equity interest of Hubei New Century. Remaining principal with an amount of RMB145,000,000 together with interest was unsecured.

(ii) Pursuant to the loan agreements into with Zhejiang Intime Electronic Commerce, which is an associate of the Group, the Group provided an interest-free shareholder's loan of RMB132,110,000 (2015: RMB132,110,000) to Zhejiang Intime Electronic Commerce for a period of three years. The fair value of the loan was RMB121,110,000 (2015: 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.

Pursuant to the loan agreements into with Zhejiang Intime Electronic Commerce that the Group provided an unsecured loan with a total amount of RMB717,655,000 (2015: RMB572,655,000) to Zhejiang Intime Electronic Commerce with no fixed repayment terms for an annual rate of 12%.

(iii) Pursuant to the loan agreements into with Zhongda Shengma, which is an associate of the Group, the Group provided unsecured loans to Zhongda Shengma with an amount of RMB869,538,000 (2015: RMB786,538,000) for a period of 24 months at an annual interest rate of 6.0%.

27. TRADE RECEIVABLES

	2016 *RMB'000*	2015 *RMB'000*
Trade receivables	**37,647**	33,795
Impairment	**–**	–
	37,647	33,795

27. TRADE RECEIVABLES (CONTINUED)

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

	2016 *RMB'000*	2015 *RMB'000*
Within 1 month	**24,850**	18,918
1 to 2 months	**4,489**	6,388
2 to 3 months	**3,321**	4,741
Over 3 months	**4,987**	3,748
	37,647	33,795

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

	2016 *RMB'000*	2015 *RMB'000*
Neither past due nor impaired	**32,660**	30,047
Less than one month past due	**4,987**	3,748
	37,647	33,795

28. CASH IN TRANSIT

	2016 *RMB'000*	2015 *RMB'000*
Cash in transit	**146,168**	88,263

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.

29. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

	Note	2016 RMB'000	2015 RMB'000
Cash and bank balances		**1,758,564**	1,694,306
Less: Pledged time deposits	32 (a)	**–**	(67,000)
Restricted bank balances		**(58,038)**	(46,777)
Cash and cash equivalents		**1,700,526**	1,580,529

At 31 December 2016 and 2015, cash at banks and on hand was denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
RMB	**1,573,142**	1,604,206
US$	**85,576**	56,282
EUR	**15,106**	10,548
HK$	**84,740**	23,270
	1,758,564	1,694,306

At the end of the reporting period, the cash and bank balances of the Group denominated in US$, EUR and HK$ amounted to RMB85,576,000, RMB15,106,000 and RMB84,739,000 (2015: RMB56,282,000, RMB10,548,000 and RMB23,270,000), 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.

30. 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:

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**1,322,425**	2,095,944
1 to 2 months	**289,770**	456,989
2 to 3 months	**50,229**	34,731
over 3 months	**103,177**	33,972
	1,765,601	2,621,636

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

31. OTHER PAYABLES AND ACCRUALS

	2016	2015
	RMB'000	*RMB'000*
Advances from unrelated parties	**1,885,147**	2,812,812
Other payables	**1,169,173**	1,717,281
Deposits received from suppliers/concessionaires	**470,290**	405,023
Accruals	**627,731**	485,353
Deferred income	**75,083**	83,782
	4,227,424	5,504,251

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015		
	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
Bank loans – secured (a)	4.133-5.438	2017	1,754,092	1.394-6.375	2016	468,401
Current portion of long term bank loans – secured (a)	4.000-4.750	2017	295,968	6.400-6.600	2016	104,000
			2,050,060			687,179
Syndicated loan	–	–	–	LIBOR plus 230 basis points for US$ borrowings and HIBOR plus 230 basis points for HK$ borrowings	2016	1,877,542
			2,050,060			2,564,721
Non-current:						
Secured bank loans (a)	4.000-4.750	2018-2019	1,683,749	6.400-6.765	2017-2019	313,000
Convertible bonds (note 33)	–	–	–	Weighted average of 2.99	2017	3,101,509
			1,683,749			3,414,509
			3,733,809			5,979,230

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

	2016 *RMB'000*	2015 *RMB'000*
Analysed into:		
Within one year or on demand	**2,050,060**	2,564,721
In the second year	**275,591**	3,222,009
In the third to fifth years, inclusive	**1,408,158**	192,500
	3,733,809	5,979,230

Notes:

(a) Secured bank and other loans of RMB1,530,093,000 as at 31 December 2016 were secured by certain of the Group's buildings and prepaid land lease payments, the total carrying amount of which at 31 December 2016 was RMB2,234,373,000 (2015: RMB2,739,610,000) (notes 14, 15, 16, 17 and 29).

(b) The Group's subsidiaries guaranteed certain of the Group's bank loans up to RMB2,203,716,000 as at 31 December 2016 (2015: RMB1,992,320, 000).

(c) All bank borrowings are denominated in RMB as at December 31, 2016. As at December 31, 2015, except for the bank borrowings amounting to US$213,270,000 (RMB1,377,542,000 equivalent), HK$1,240,000,000 (RMB1,036,179,000 equivalent) and convertible bonds are denominated in US$ and Hong Kong dollars, other borrowings are denominated in RMB.

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

	2016 *RMB'000*	2015 *RMB'000*
At floating rate:		
Expiring within 1 year	**918,452**	864,778
Expiring within 2 to 4 years, inclusive	**477,050**	1,099,466
Expiring after 5 years	**–**	145,000
	1,395,502	2,109,244

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 29).

33. CONVERTIBLE BONDS

On 7 July 2014, the Company issued 1.5% convertible bonds with a nominal value of HK$3,706,067,000 to Alibaba Investment Limited.On 30 June 2016, the convertible bonds as well as accrued interest were converted into shares at a conversion price of HK$7.1309 per share.

The convertible bonds issued in 2014 have been split as to the liability and equity components as follows:

	2016 *RMB'000*	2015 *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	**174,609**	127,935
Exchange realignment	**218,851**	155,486
Conversion of convertible bonds	**(3,211,548)**	–
Liability component at 31 December (note 32)	**–**	3,101,509

34. SHARE CAPITAL

	Authorised		
	Number of shares	*US$*	*RMB*
At 31 December 2016 and 2015	5,000,000,000	50,000	393,500

	Issued and fully paid up		
	Number of shares	*US$*	*RMB'000*
As at 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 and 1 January 2016	2,180,052,380	21,800	163
Share options exercised	776,500	8	–
Conversion of convertible bond	535,185,846	5,351	35
As at 31 December 2016	2,716,014,726	27,159	198

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

	Number of shares	Issued capital *US$*
At 1 January 2015	2,170,855,880	21,708
Share options exercised	19,007,000	190
Repurchase of shares	(9,810,500)	(98)
At 31 December 2015 and 1 January 2016	2,180,052,380	21,800
Share options exercised	776,500	8
Conversion of convertible bonds	535,185,846	5,351
At 31 December 2016	2,716,014,726	27,159

34. SHARE CAPITAL (CONTINUED)

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

(i) The subscription rights attaching to 776,500 share options were exercised at subscription prices of HK$4.85 per share (note 36), resulting in the issue of 776,500 shares of US$0.00001 each for a total cash consideration, before expenses, of HK$3,766,000 (RMB3,265,000 equivalent). An amount of RMB420,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(ii) On 30 June 2016, the convertible bonds in the principal amount of HK$3,706,067,000 as well as accrued interest were converted into a total of 535,185,846 shares of the Company of USD$0.00001 each at a conversion price of HK$$7.1309 per share, resulting the increase of share capital amounting to RMB35,000.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 36 to the financial statements.

35. 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.

(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.

36. SHARE OPTION SCHEME

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

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

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

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

	2016		2015	
	Weighted average exercise price HK$ per share	**Number of options *'000***	Weighted average exercise price HK$ per share	Number of options *'000*
At 1 January	**7.16**	**44,746**	8.08	54,686
Granted during the year	**6.36**	**17,240**	4.85	19,598
Forfeited during the year	**7.30**	**(11,276)**	8.22	(9,471)
Exercised during the year	**4.85**	**(777)**	6.78	(19,007)
Expired during the year	**8.16**	**(5,139)**	9.34	(1,060)
At 31 December	**6.74**	**44,794**	7.16	44,746

The weighted average share price at the date of exercise for share options exercised during the year was HK$6.64 per share (2015: HK$10.66 per share).

36. SHARE OPTION SCHEME (CONTINUED)

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

2016

Number of options '000	Exercise price HK$ per share	Exercise period
2,156	10.77	2 April 2012 to 1 April 2017
6,562	7.56	23 June 2013 to 22 June 2018
3,818	9.27	11 April 2014 to 10 April 2019
4,600	6.85	26 June 2015 to 25 June 2020
13,488	4.85	28 March 2016 to 27 March 2021
14,170	6.37	31 March 2017 to 30 March 2022
44,794		

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		

The fair value of the options granted during the year was approximately RMB25,001,000 (2015: RMB16,149,000), of which the Group recognised a share option expense of RMB7,414,000 (2015: RMB4,456,000) during the year ended 31 December 2016. The Group recognised a total share option expense of RMB14,736,000 (2015: RMB13,761,000) for the year ended 31 December 2016 (note 6).

36. 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:

	2016	2015
Dividend yield *(%)*	**4.24%**	5.73%
Expected volatility *(%)*	**43.53%~45.68%**	34.85%~42.16%
Risk-free interest rate *(%)*	**0.832%~1.104%**	0.741%~1.229%
Expected life of options *(year)*	**3-6**	3-6
Weighted average exercise price *(HK$)*	**6.37**	4.85

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 776,500 share options exercised during the year resulted in the issue of 776,500 ordinary shares of the Company and new share capital of RMB52 and share premium of RMB3,685,000 (before issue expenses), as further detailed in note 34 to the financial statements.

At the end of the reporting period, the Company had 44,794,000 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 44,794,000 additional ordinary shares of the Company and additional share capital of approximately RMB3,107 and share premium of approximately RMB264,238,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 39,109,000 share options outstanding under the Scheme, which represented approximately 1.44% of the Company's shares in issue as at that date.

37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

None of the non-controlling interests is considered as individually significant.

38. DISPOSAL OF SUBSIDIARIES

	Note	2016 *RMB'000*
Net assets disposed of:		
Property and equipment		905,440
Prepaid land lease payment		147,482
Properties under development		1,261,775
Prepayments, deposits and other receivables		559,016
Cash and cash equivalents		327,213
Other payables and accruals		(1,669,172)
Interest-bearing bank and other borrowings		(500,000)
Non-controlling interests		(214,042)
		817,712
Exchange fluctuation reserve		69,366
		887,078
Gain on disposal of subsidiaries	5	492,880
		1,379,958
Satisfied by:		
Cash		325,547
Advances from disposal subsidiaries being disposed of		913,899
Consideration receivables of disposed subsidiaries		140,512
		1,379,958

38. DISPOSAL OF SUBSIDIARIES (CONTINUED)

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

	2016 *RMB'000*
Cash consideration received in 2016	325,547
Cash and cash equivalents disposed of	(327,213)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	(1,666)

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 RMB514,792,000 (2015: RMB799,293,000). 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 realizable 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.

39. CONTINGENT LIABILITIES (CONTINUED)

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

	2016 *RMB'000*	2015 *RMB'000*
Guarantees given to banks in connection with facilities granted to related parties	**526,250**	970,000

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 29.

41. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15), property, plant and equipment (note 14) 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 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016 *RMB'000*	2015 *RMB'000*
Within one year	**817,129**	914,368
In the second to fifth years, inclusive	**1,766,052**	2,136,601
After five years	**1,051,763**	1,657,206
	3,634,944	4,708,175

The amounts above include future minimum sublease payments expected to be received under non-cancellable subleases amounting to RMB1,565,321,000 (2015: RMB1,449,045,000) as at 31 December 2016.

During the year, the Group recognised RMB65,420,000 (2015: RMB57,641,000) in respect of contingent rentals receivable.

41. OPERATING LEASE ARRANGEMENTS (CONTINUED)

(b) As lessee

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

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016	2015
	RMB'000	*RMB'000*
Within one year	**856,845**	883,569
In the second to fifth years, inclusive	**3,703,620**	3,621,596
After five years	**9,933,883**	10,292,613
	14,494,348	14,797,778

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:

	2016	2015
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Land and buildings	**10,135**	14,841
Leasehold improvements	**74,835**	65,723
	84,970	80,564

43. RELATED PARTY TRANSACTIONS

In addition to the disclosure elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

(a) Name and relationship of related parties

Name	Relationship
Mr. Shen Guojun	Shareholder of the Company
China Yintai Holdings Co., Ltd. ("China Yintai") # (中國銀泰投資有限公司)	Mr. Shen Guojun is the ultimate shareholder
Beijing Guojun Investment Co., Ltd. ("Beijing Guojun") # (北京國俊投資有限公司)	Mr. Shen Guojun is the shareholder
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 International Culture Investment Co., Ltd. ("Bozhou Hualun") # (亳州華侖國際文化投資有限公司)	Associate of the Group prior to 21 December 2016
Hefei Hualun	Associate of the Group
Metro Land Corporation Ltd. ("Metro Land") # (京投發展股份有限公司)	Associate of China Yintai
Beijing Intime Jixiang Commercial Co., Ltd. ("Jixiang Commercial") # (北京銀泰吉祥商業有限公司)	Subsidiary of China Yintai
Beijing Jixiang Mansion Co., Ltd. ("Jixiang Mansion") # (北京吉祥大廈有限公司)	Subsidiary of China Yintai
Hangzhou Intime Shopping Centre Co., Ltd. ("Hangzhou Intime") # (杭州銀泰購物中心有限公司)	Subsidiary of China Yintai
Ningbo Hualian Property Development Co., Ltd. ("Ningbo Hualian Property") # (寧波華聯房地產開發有限公司)	Subsidiary of Metro Land
Beijing New Yansha Holding (Group) Co., Ltd. ("Beijing New Yansha") # (北京新燕莎控股(集團)有限責任公司)	A shareholder of an associate of the Group
Fenghua Yintai	Associate of Beijing Guojun
Ningbo Economic Technology Development Area Taiyue Properties Co. Ltd. ("Ningbo Taiyue") # (寧波經濟技術開發區泰悅置業有限公司)	Associate of Beijing Guojun
Huzhou Jialefu Mall Co., Ltd. ("Huzhou Jialefu") # (湖州佳樂福商城有限公司)	50% of the voting rights held by Mr. Shen Guojun
Art Capital Holdings Limited ("Art Capital")	100% of the voting rights held by Mr. Shen Guojun
Hangzhou Xin Hubin	Joint venture of Art Capital

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Name and relationship of related parties (continued)

Name	Relationship
Hangzhou Longxiang Commercial Development Co., Ltd. ("Longxiang Commercial") # (杭州龍翔商業發展有限公司)	Associate of Beijing Guojun
Hangzhou Hubin International Commercial Development Co., Ltd. ("Hangzhou Hubin International") # (杭州湖濱國際商業發展有限公司)	Mr. Shen Guojun is the chairman

English translations of names for identification purposes only

(b) Transactions with related parties

The following transactions were carried out with related parties:

	2016 RMB'000	2015 RMB'000
Rental expense and management fee expenses:		
Zhongda Shengma (note (i))	32,968	11,349
Fenghua Yintai (note (viii))	6,668	1,906
Metro Land (note (viii))	2,885	–
Hangzhou Intime (note 43 f (i))	16,772	4,873
Huzhou Jialefu (note (ii))	31,981	33,584
Anhui Hualun (note (iii))	17,267	12,933
	108,541	64,645
Advances to related parties:		
Zhejiang Intime Electronic Commerce	–	4,568
Repayment of advances to related parties:		
Hefei Hualun	2,159	–
Zhongda Shengma	–	239,688
	2,159	239,688

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

	2016 *RMB'000*	2015 *RMB'000*
Loans and receivables made to related parties:		
Zhejiang Intime Electronic Commerce (note (iv))	**145,000**	207,575
Zhongda Shengma (note (v))	**360,000**	974,538
Hangzhou Xin Hubin	**–**	143,000
	505,000	1,325,113
Repayment of loans and receivables from related parties:		
Hangzhou Xin Hubin	**410,072**	75,000
Zhongda Shengma	**328,094**	494,125
	738,166	569,125
Management fees from a related party:		
Beijing New Yansha	**3,620**	3,611

Management fee are charged at 0.3% of total revenue of the specified store in accordance with the terms of agreements made between the parties.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

	2016 *RMB'000*	2015 *RMB'000*
Interest income from related parties:		
Hangzhou Xin Hubin (ix)	**15,086**	22,496
Zhongda Shengma (note 26)	**51,807**	42,859
Zhejiang Intime Electronic Commerce (note 26)	**75,010**	59,321
Anhui Hualun (ix)	**30,275**	33,977
Bozhou Hualun (ix)	**–**	14,279
	172,178	172,932
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	**20,438**	5,300
Jixiang Commercial	**–**	(224)
Jixiang Mansion	**816**	1,331
Hangzhou Xin Hubin	**3,647**	(29,475)
Hangzhou Hubin International	**3,225**	122,140
Ningbo Taiyue	**(7,046)**	(4,484)
Longxiang Commercial	**450**	541
	21,530	95,129
Payment of rental deposits:		
Zhongda Shengma	**–**	5,000
Commissions charged to a related party:		
Zhejiang Intime Electronic Commerce	**17,978**	9,520

Commissions are charged in accordance with the terms of agreements made between the parties.

Commissions charged by a related party for sales of good:		
Zhejiang Intime Electronic Commerce (vi)	**37,917**	5,112

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

	2016 *RMB'000*	2015 *RMB'000*
Guarantees provided to related parties:		
Zhongda Shengma	–	240,000
Anhui Hualun (note (vii))	550,000	600,000
Hangzhou Xin Hubin	–	180,000
	550,000	1,020,000
Disposal of a joint venture to a related party:		
Art Capital	–	305,370
Acquisition of non-controlling interest from a related party:		
Metro Land	–	70,280

Notes:

(i) Pursuant to an agreement between the Group and Zhongda Shengma on 1 December 2014, Hangzhou Zhongda leased certain floors of a building from Zhongda Shengma for its operation for 20 years. Accordingly, no rent was paid until the delivery of the property, and daily rental expense is RMB1 per square for the first three years. After three years of the delivery, the rental will be subject to renegotiation and contingent upon whether the Group will acquire additional equity interest in Zhongda Shengma.

(ii) Pursuant to an agreement between Huzhou Jialefu and the Group on 25 February 2013, Zhejiang Intime Investment leased a building for its operation for a period from 28 June 2013 to 27 June 2033. The annual rental is the higher of RMB30,000,000 subject to escalated at a rate of 2% per annum from the sixth year of the rental period or 5% of net annual revenue for those areas which were not sub-let, and 5% over 50% of the net annual operating revenue for areas that were further sub-let.

(iii) Pursuant to an agreement between Anhui Hualun and the Group on 1 July 2014, the Group leased a building for its operation for a period from 1 July 2014 to 10 June 2018 for a monthly rental of RMB16 per square meter.

(iv) Pursuant to loan agreements into with Zhejiang Intime Electronic Commerce on 16 June 2016 that the Group provided shareholder's loans of RMB145,000,000 to Zhejiang Intime Electronic Commerce which is unsecured, has no fixed repayment terms, bears interest at rate of 12%.

(v) Pursuant to loan agreements into with Zhongda Shengma on 7 April 2016 and 13 April 2016 that the Group provided loans to Zhongda Shengma with amounts of RMB360,000,000 for a period of 24 months which bears interest at 6% and is unsecured.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

(vi) Pursuant to agreements entered between Zhejiang Intime Electronic Commerce and the Group in the year of 2015 that Zhejiang Intime Electronic Commerce provided online sales channels and charged to the Group a commission fee at 6% of total revenue generated thereon.

(vii) Pursuant to a guarantee agreement among the Group, Anhui Hualun and a bank on 10 October 2016, the Group provides a guarantee to Anhui Hualun for RMB550,000,000 for a period from 10 October 2016 to 20 June 2028 at nil consideration. As at 31 December 2016, the banking facilities granted to Anhui Hualun guaranteed by the Group were utilised to the extent of approximately RMB526,250,000 (2015: RMB550,000,000).

(viii) Rental expense and management fee expense represent expenses from leases and management of properties which are charged in accordance with the terms of agreements made between the parties.

(ix) Pursuant to the loan agreements, the Group charged an annual interest rate of 4.35% for the loans to Hangzhou Xin Hubin, and annual interest rates of 6.2% to Anhui Hualun and Bozhou Hualun.

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:

	2016 *RMB'000*	2015 *RMB'000*
Due from related parties:		
Metro Land	700	720
Hangzhou Xin Hubin	12	1,490
Ningbo Hualian Property	70	70
Anhui Hualun	510,596	480,321
Zhejiang Intime Electronic Commerce	301,395	285,920
Beijing Youyi Lufthansa	140,000	–
Beijing New Yansha	3,620	3,611
Bozhou Hualun*	–	271,566
Hangzhou Intime	5,000	5,000
Fenghua Yintai	–	5,000
Huzhou Jialefu	2,500	2,500
Zhongda Shengma	5,000	5,000
Ningbo Taiyue	292	336
Hefei Hualun	236,529	238,688
Art Capital	–	110,370
Hangzhou Hubin International	1,133	–
Longxiang Commercial	14	–
Jixiang Mansion	708	557
	1,207,569	1,411,149

* Bozhou Hualun was an associate of the Group prior to 21 December 2016 and became an available-for-sale investment in December 2016. The Group entered into an agreement with Bozhou Hualun and Wanxin Cultural Industry Investment (Group) Co., Ltd. ("Wanxin Investment", the controlling shareholder of Bozhou Hualun) on 21 December 2016 that the Group will receive a fixed dividend amounting to RMB130,000,000 by 3 instalments in 2017 and 2018 and will transfer the entire equity interest in Bozhou Hualun to Wanxin Investment with consideration of RMB43,500,000 in one year after the final repayment of the dividend.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Due from related parties (continued)

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.

(d) Loans and interest receivable from related parties

	2016	2015
	RMB'000	*RMB'000*
Hangzhou Xin Hubin	**–**	394,986
Zhejiang Intime Electronic Commerce (note 26)	**1,020,771**	800,761
Zhongda Shengma (note 26)	**871,568**	787,855
	1,892,339	1,983,602

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Due to related parties

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

	2016 *RMB'000*	2015 *RMB'000*
Due to related parties:		
Huzhou Jialefu	**18,751**	–
Zhongda Shengma	**15,158**	11,349
Fenghua Yintai	**5,000**	–
Hangzhou Intime	**1,609**	718
Longxiang Commercial	**–**	46
Anhui Hualun	**27,024**	12,933
Hangzhou Hubin International	**–**	2,510
	67,542	27,556

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

(f) Commitments with related parties

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

(ii) Pursuant to an agreement between the Group and Huzhou Jialefu on 25 February 2013, the Group leased certain floors of a building from Huzhou Jialefu for its operation for a period 20 years. The Group was given a rent-free period of three months commencing from the delivery of the property. The Group estimates the total minimum lease payments to be approximately RMB527,682,000 from 1 January 2017 to 27 June 2033.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Commitments with related parties (continued)

(iii) Pursuant to an agreement between the Group and Zhongda Shengma on 1 December 2014, the Group leased certain floors of a building from Zhongda Shengma for its operation for 20 years. The Group estimates the total minimum lease payments to be approximately RMB32,968,000 from 1 January 2017 to 31 December 2017. Pursuant to a supplementary agreement between the Group and Zhongda Shengma on the same date, the rental from 1 January 2018 will be subject to renegotiation and contingent upon whether the Group will acquire additional equity interest in Zhongda Shengma within three years from 1 January 2015.

(iv) Pursuant to an agreement between Anhui Hualun and the Group on 1 July 2014 and a supplementary agreement signed in early 2016, the Group leased certain floors of a building from Anhui Hualun for its operation for 3 years. The Group expects total minimum lease payments to be approximately RMB24,884,000 from 1 January 2017 to 10 June 2018.

(g) Key management compensation

	2016 ***RMB'000***	2015 *RMB'000*
Salaries, allowances and other benefits	**6,515**	5,365
Discretionary bonuses	**5,425**	7,243
Contributions to retirement benefit plans	**1,267**	1,217
Equity-settled share option expense	**6,435**	5,527
	19,642	19,352

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Key management compensation (continued)

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

	Number of employees	
	2016	2015
HK$1 to HK$500,000	3	1
HK$500,001 to HK$1,000,000	2	6
HK$1,000,001 to HK$1,500,000	4	1
HK$2,000,001 to HK$2,500,000	–	1
HK$2,500,001 to HK$3,000,000	–	1
HK$3,000,001 to HK$3,500,000	1	–
HK$10,000,001 to HK$10,500,000	1	1
	11	11

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

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions:

(a) During the year, the Group acquired the remaining 30% equity interest in Wenling Intime Shopping Mall Development Co., Ltd. of which part of consideration of RMB90,000,000 were paid in previous year and did not result in cash flow this year.

(b) During the year, the Group distributed dividend to a non-controlling shareholder of a subsidiary amounting to RMB188,914,000 and offset the amount receivable from the non-controlling equity holder which did not result in cash flow.

(c) During the year, the Group transferred the investment cost in an associate of RMB37,845,000 to available-for-sale investment which did not result in any cash flow.

45. FINANCIAL INSTRUMENTS BY CATEGORY

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

2016

Financial assets

	Loans and receivables *RMB'000*	Available-for-sale investments *RMB'000*	Total *RMB'000*
Available-for-sale investments	–	589,423	589,423
Financial assets included in prepayments, deposits and other receivables	966,740	–	966,740
Trade receivables	37,647	–	37,647
Loans and receivables	2,215,766	–	2,215,766
Due from related parties	1,207,569	–	1,207,569
Cash in transit	146,168	–	146,168
Restricted bank balances	58,038	–	58,038
Cash and cash equivalents	1,700,526	–	1,700,526
	6,332,454	589,423	6,921,877

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade and bills payables	1,765,601
Financial liabilities included in other payables and accruals	1,528,354
Due to related parties	67,542
Interest-bearing bank and other borrowings	3,733,809
	7,095,306

45. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

2015

Financial assets

	Loans and receivables	Available-for-sale investment	Total
	RMB'000	*RMB'000*	*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 mortised 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

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

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2016

	Fair value measurement as at 31 December 2016 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*
Available-for-sale investments:				
Equity investments	181,324	–	–	181,324

The Group did not have any financial assets and liabilities measured at fair value as at 31 December 2015.

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 for its financial assets (2015: Nil).

47. 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 and bills 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.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

The Group has no significant interest-bearing assets other than cash at banks (note 29) and loans and receivables (note 26).

The Group's interest rate risk arises from its borrowings, details of which are set out in note 32. 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. No borrowing is at variable interest rate as at 31 December 2016.

	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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

During the years ended 31 December 2016 and 31 December 2015, 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 2016 and 2015 are disclosed in note 29.

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*
2016		
If the Hong Kong dollar weakens against the RMB	2	(22,634)
If the Hong Kong dollar strengthens against the RMB	(2)	22,634
If the United States dollar weakens against the RMB	2	(1,701)
If the United States dollar strengthens against the RMB	(2)	1,701
If the Euro weakens against the RMB	2	(287)
If the Euro strengthens against the RMB	(2)	287
2015		
If the Hong Kong dollar weakens against the RMB	2	(142)
If the Hong Kong dollar strengthens against the RMB	(2)	142
If the United States dollar weakens against the RMB	2	(7,309)
If the United States dollar strengthens against the RMB	(2)	7,309
If the Euro weakens against the RMB	2	(1,497)
If the Euro strengthens against the RMB	(2)	1,497

47. 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 completed properties held for sale 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.

47. 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:

	2016					
	On demand RMB'000	Less than 6 months RMB'000	6 to less than 12 months RMB'000	1 to 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	1,430,330	751,814	289,374	1,518,397	3,989,915
Trade and bills payables	–	1,765,601	–	–	–	1,765,601
Other payables and accruals	145,065	107,205	1,276,084	–	–	1,528,354
Due to related parties	–	67,542	–	–	–	67,542
Guarantees given to banks in connection with mortgage facilities granted to purchasers of the Group's properties under development and completed properties held for sale	–	514,792	–	–	–	514,792
Guarantees given to banks in connection with facilities granted to a Group's associate	–	–	–	–	526,250	526,250
	145,065	3,885,470	2,027,898	289,374	2,044,647	8,392,454

47. 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)

	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 and completed properties held for sale	–	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

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from available-for-sale investments (note 22) as at 31 December 2016. The Group's listed investments are listed on the Hong Kong and Shenzhen stock exchanges and are valued at quoted market prices at the end of the reporting period.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Equity price risk (continued)

The following table demonstrates the sensitivity to every 5% change in the fair values of the available-for-sale investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the statement of profit or loss.

	Carrying amount of equity investments	Increase/(decrease) in equity
	RMB'000	*RMB'000*
2016		
Investments listed in:		
Hong Kong – Available-for-sale	13,134	657
Shenzhen – Available-for-sale	168,190	6,307

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 2016 and 2015.

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 2016, the Group's borrowings amounted to RMB3,733,809,000 (31 December 2015: RMB5,979,230,000). The gearing ratio was 14% as at 31 December 2016 (31 December 2015: 22.1%).

48. 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:

	2016 *RMB'000*	2015 *RMB'000*
NON-CURRENT ASSETS		
Prepayments, deposits and other receivables	–	90,000
Other intangible assets	106	220
Investments in subsidiaries	1,209,318	1,658,318
Available-for-sale investments	53,387	40,253
Due from subsidiaries	8,749,459	8,609,734
Total non-current assets	10,012,270	10,398,525
CURRENT ASSETS		
Prepayments, deposits and other receivables	141,675	1,091
Cash and cash equivalents	75,966	107,061
Total current assets	217,641	108,152
CURRENT LIABILITIES		
Other payables and accruals	25,480	563,293
Interest-bearing bank and other borrowings	1,067,187	2,229,409
Total current liabilities	1,092,667	2,792,702
NET CURRENT LIABILITIES	(875,026)	(2,684,550)
TOTAL ASSETS LESS CURRENT LIABILITIES	9,137,244	7,713,975

48. 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: (continued)

	2016	2015
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**1,580,349**	–
Due to subsidiaries	**120,408**	108,527
Convertible bonds	**–**	3,101,509
Total non-current liabilities	**1,700,757**	3,210,036
NET ASSETS	**7,436,487**	4,503,939
EQUITY		
Share capital	**198**	163
Equity component of convertible bonds	**–**	126,417
Reserves (note)	**7,436,289**	4,377,359
Total equity	**7,436,487**	4,503,939

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

Note:

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

	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	Reserve for fair value changes of available-for-sale investments RMB'000	Total RMB'000
At 1 January 2015	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

48. 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	Reserve for fair value changes of available-for-sale investments RMB'000	Total RMB'000
At 31 December 2015	4,054,721	126,417	11	23,607	908,303	(481,998)	(156,572)	29,287	–	4,503,776
Total comprehensive profit for the year	–	–	–	–	–	328,873	(95,416)	–	1,648	235,105
Conversion of convertible bonds	3,337,930	(126,417)	–	–	–	–	–	–	–	3,211,513
Exercise of share options	3,685	–	–	–	–	–	–	(420)	–	3,265
Equity-settled share option arrangements	–	–	–	–	–	–	–	14,736	–	14,736
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	–	–	23,764	–	(23,764)	–	–
Final 2015 dividend declared	(261,606)	–	–	–	–	–	–	–	–	(261,606)
Interim 2016 and special dividend	(270,500)	–	–	–	–	–	–	–	–	(270,500)
At 31 December 2016	6,864,230	–	11	23,607	908,303	(129,361)	(251,988)	19,839	1,648	7,436,289

48. 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.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2017.