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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1387)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

The board of directors (the "Board") of Renhe Commercial Holdings Company Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group" or "Renhe Commercial") for the year ended 31 December 2015 with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Note	**2015** *RMB'000*	2014 *RMB'000*
Revenue	*2*	**870,686**	555,357
Cost of sales	*3*	**(1,231)**	(11,825)
Gross profit		**869,455**	543,532
Net valuation loss on investment properties		**(4,441,711)**	(1,364,462)
(Loss)/profit on disposal of investment properties		**(120)**	7,736
Other income	*4*	**149,438**	104,659
Administrative expenses		**(702,001)**	(409,490)
Goodwill impairment losses	*11(i)*	**(1,132,950)**	–
Other operating expenses		**(452,388)**	(339,600)
Loss from operations		**(5,710,277)**	(1,457,625)
Finance income		**728,814**	123,174
Finance expenses		**(555,918)**	(541,490)
Net finance income/(expenses)	*6*	**172,896**	(418,316)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

For the year ended 31 December 2015

	Note	**2015** *RMB'000*	2014 *RMB'000*
Loss before income tax	*5*	**(5,537,381)**	(1,875,941)
Income tax	*7*	**1,000,628**	161,398
Loss for the year		**(4,536,753)**	(1,714,543)
Attributable to:			
Equity shareholders of the Company		**(4,435,683)**	(1,666,513)
Non-controlling interests		**(101,070)**	(48,030)
Loss for the year		**(4,536,753)**	(1,714,543)
Basic and diluted loss per share *(RMB cents)*	*9*	**(11.99)**	(7.53)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2015

	2015 *RMB'000*	2014 *RMB'000*
Loss for the year	**(4,536,753)**	(1,714,543)
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(260,807)**	(24,068)
Total comprehensive income for the year	**(4,797,560)**	(1,738,611)
Attributable to:		
Equity shareholders of the Company	**(4,696,490)**	(1,690,581)
Non-controlling interests	**(101,070)**	(48,030)
Total comprehensive income for the year	**(4,797,560)**	(1,738,611)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	**31 December 2015** *RMB'000*	31 December 2014 *RMB'000*
Non-current assets			
Property and equipment		**535,719**	474,215
Investment properties		**23,001,104**	26,198,046
Intangible assets	*10*	**6,358,083**	11,123
Goodwill	*11*	**750,172**	363,792
Other assets		**1,077,057**	1,249,634
Deferred tax assets		**137,332**	135,262
Trade receivables and other assets	*12*	**261,642**	520,528
Total non-current assets		**32,121,109**	28,952,600
Current assets			
Inventories		**4,770,016**	4,579,443
Trade receivables and other assets	*12*	**436,421**	2,892,110
Cash at bank and on hand		**908,400**	884,493
Total current assets		**6,114,837**	8,356,046
Current liabilities			
Interest-bearing borrowings	*14(ii)*	**4,681,113**	3,185,101
Trade and other payables	*13*	**5,157,236**	5,534,252
Taxation		**46,821**	18,538
Total current liabilities		**9,885,170**	8,737,891
Net current liabilities		**(3,770,333)**	(381,845)
Total assets less current liabilities		**28,350,776**	28,570,755
Non-current liabilities			
Interest-bearing borrowings	*14(i)*	**2,067,480**	5,403,091
Long-term rental deposits		**17,282**	–
Deferred tax liabilities		**4,609,915**	4,059,703
Receipt in advance		**21,867**	539,617
Total non-current liabilities		**6,716,544**	10,002,411
Net assets		**21,634,232**	18,568,344
Capital and reserves			
Share capital	*15*	**366,604**	186,376
Reserves		**21,228,818**	18,242,088
Total equity attributable to equity shareholders of the Company		**21,595,422**	18,428,464
Non-controlling interests		**38,810**	139,880
Total equity		**21,634,232**	18,568,344

NOTES:

1. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and its interpretations promulgated by the International Accounting Standards Board ("IASB")and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the financial statements is provided as below.

Changes in Accounting Policies

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

- *Annual Improvements to IFRSs 2010-2012 Cycle*
- *Annual Improvements to IFRSs 2011-2013 Cycle*

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

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

2. REVENUE AND SEGMENT REPORTING

(a) Revenue

	2015	2014
	RMB'000	*RMB'000*
Operating lease	**583,483**	533,708
Transfer of operation rights	**2,186**	21,649
Commission income	**285,017**	–
	870,686	555,357

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue during the year (2014: Nil).

(b) Segment reporting

The Group manages its businesses based on its business line, which are divided into development, lease and management of shopping mall and operation of agriculture wholesale markets. Before July 2015, the Group only has one business line, development, lease and management of shopping mall. Operation of agriculture wholesale markets business was acquired by the Group in July 2015. Therefore, no segment reporting was presented in 2014. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments:

- the development, lease and management of shopping mall segment; and
- the operation of agriculture wholesale markets segment.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets and liabilities include all non-current assets and liabilities and current assets and liabilities with the exception of unallocated head office and corporate assets and liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. Head office and corporate expenses are not allocated to individual segments.

Segment profit represents the profit after taxation generated by individual segments.

Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Management is provided with segment information concerning revenue, cost of sales, valuation gains on investment properties, net operating expenses, financial income, financial expenses, income tax, depreciation, additions on investment properties and property and equipment, and loans and borrowings.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for purposes of resources allocation and assessment of segment performance for the years ended 31 December 2015 is set out below:

	Year ended 31 December 2015		
	Shopping mall	**Agriculture wholesale markets**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Reportable segment revenue	**484,045**	**386,641**	**870,686**
Cost of sales	**(1,231)**	**–**	**(1,231)**
Reportable segment gross profit	**482,814**	**386,641**	**869,455**
Valuation loss on investment properties	**(4,441,711)**	**–**	**(4,441,711)**
Depreciation and amortization	**(7,743)**	**(143,733)**	**(151,476)**
Net operating expenses	**(397,136)**	**(117,064)**	**(514,200)**
Financial income	**709,958**	**87**	**710,045**
Financial expenses	**(555,733)**	**(41)**	**(555,774)**
Reportable segment (loss)/profit before taxation	**(4,209,551)**	**125,890**	**(4,083,661)**
Income tax	**1,036,308**	**(35,680)**	**1,000,628**
Reportable segment (loss)/profit	**(3,173,243)**	**90,210**	**(3,083,033)**
Additions on investment properties and property and equipment	**1,252,479**	**72,136**	**1,324,615**
Reportable segment assets	**31,055,361**	**6,966,658**	**38,022,019**
Reportable segment liabilities	**(14,194,549)**	**(2,011,802)**	**(16,206,351)**

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2015
	RMB'000
Revenue	
Reportable segment revenue	**870,686**
Elimination of intra-group revenue	**–**
Consolidated revenue *(Note 2(a))*	**870,686**
Profit	
Reportable segment loss	**(3,083,033)**
Impairment loss on goodwill	**(1,132,950)**
Unallocated head office and corporate expense	**(320,770)**
Consolidated loss	**(4,536,753)**
Assets	
Reportable segment assets	**38,022,019**
Elimination of intra-group balances	**(1,356,814)**
Unallocated head office and corporate assets	**1,570,741**
Consolidated total assets	**38,235,946**
Liabilities	
Reportable segment liabilities	**16,206,351**
Elimination of intra-group balances	**(958,057)**
Unallocated head office and corporate liabilities	**1,353,420**
Consolidated total liabilities	**16,601,714**

(iii) Geographical information

All of the Group's operations are located in the People's Republic of China (the "PRC"), therefore no geographical segment reporting is presented.

3. COST OF SALES

Cost of sales represents costs of properties relating to the operation rights transferred out during the year.

4. OTHER INCOME

	2015	2014
	RMB'000	*RMB'000*
Revenue from property management and relevant service	**97,916**	100,637
Gain on disposal of property and equipment	**1,050**	2,648
Market service fee income	**44,461**	–
Others	**6,011**	1,374
	149,438	104,659

5. LOSS BEFORE INCOME TAX

	2015	2014
	RMB'000	*RMB'000*
Depreciation	**44,014**	41,930
Amortization	**140,397**	–
Advertisement expenses	**13,923**	18,432
Repairs and maintenance	**95,275**	95,039
Utility charges	**53,718**	53,261
Operating lease charges	**71,507**	24,042
Auditors' remuneration		
— audit services	**22,644**	11,774
— tax services	**88**	314
Rentals receivable less direct outgoings of RMB37,081,218 (2014: RMB33,074,000)	**(531,068)**	(500,634)
Impairment loss on receivables *(Note 12(iii))*	**135,420**	15,747

6. NET FINANCE INCOME/(EXPENSES)

	2015	2014
	RMB'000	*RMB'000*
Finance income		
— Interest income on bank deposits	**17,011**	13,949
— Income from loan receivable	**25,588**	–
— Gain on tender offers of senior notes *(Note 14(i)(a))*	**581,491**	–
— Net foreign exchange gain	**20,658**	3,659
— Interest income on trade receivables	**84,066**	105,566
	728,814	123,174
Finance expenses		
— Interest on interest-bearing borrowings	**(633,852)**	(949,634)
Less: interest expenses capitalised into investment properties and inventories*	**96,540**	477,674
	(537,312)	(471,960)
— Discount effect of trade receivables	**(17,993)**	(58,498)
— Bank charges and others	**(613)**	(11,032)
	(555,918)	(541,490)
	172,896	(418,316)

* The borrowing costs have been capitalised at rates ranging from 4.85% to 13.72% per annum (2014: 7.38% to 13.72% per annum).

7. INCOME TAX

	2015	2014
	RMB'000	*RMB'000*
Current tax — Provision for the year		
PRC Enterprise Income Tax		
Provision for the year	**88,975**	40,440
(Over)/under-provision in respect of prior years	**(16,078)**	2,945
Land Appreciation Tax	**–**	997
	72,897	44,382
Deferred tax		
— Reversal and origination of temporary difference	**(1,073,525)**	(205,780)
	(1,000,628)	(161,398)

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

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

Along with the implementation of Circular of the State Administration of Taxation on How to Understand and Determine "Beneficial Owners" under Tax Conventions (Guo Shui Han [2009] No. 601), the Group's Hong Kong Holding Companies need to get approval from tax authorities for the determination of "beneficial owners" for the purpose of enjoying withholding tax rate of 5%. As at 31 December 2015, the Group obtained all the approvals for the PRC companies which declared dividends.

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

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

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

8. DIVIDENDS

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

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

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

The directors of the Company did not approve or pay any dividend in respect of the previous financial year during the year (2014: Nil).

9. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB4,435,683,000 (2014: loss of RMB1,666,513,000) and the weighted average of 36,993,328,000 ordinary shares (2014: 22,145,685,000 ordinary shares) in issue during the reporting period.

During the years ended 31 December 2015 and 2014, diluted loss per share is calculated on the same basis as basic loss per share.

10. INTANGIBLE ASSETS

	Favourable term lease agreement *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Cost:			
At 1 January 2015	**–**	**11,123**	**11,123**
Exchange reserve	**–**	**690**	**690**
Addition from acquisition of business *(i)*	**6,486,667**	**–**	**6,486,667**
At 31 December 2015	**6,486,667**	**11,813**	**6,498,480**
Accumulated amortisation:			
At 1 January 2015	**–**	**–**	**–**
Charge for the year *(i)*	**(140,397)**	**–**	**(140,397)**
At 31 December 2015	**(140,397)**	**–**	**(140,397)**
Net book value:			
At 31 December 2014	**–**	**11,123**	**11,123**
At 31 December 2015	**6,346,270**	**11,813**	**6,358,083**

The amortisation charge for the year is included in "other operating expenses" in the consolidated statement of profit or loss.

(i) In connection with the acquisition, the Group (as lessee) entered into 20 years lease agreements with market owners of the agriculture wholesale markets (as lessor), according to which the rent to be paid is favourable as compared with the fair value of market rent. On 27 July 2015, the Group recognized these favourable term lease agreements as an intangible asset at its fair value amounting to RMB6,486,667,000 which is amortized on a straight-line basis over the contractual life of the lease agreements.

11. GOODWILL

	RMB'000
Cost:	
At 1 January 2014, 31 December 2014 and 1 January 2015	**363,792**
Addition acquired through the acquisition *(i)*	**1,519,330**
At 31 December 2015	**1,883,122**
Accumulated impairment losses:	
At 1 January 2014, 31 December 2014 and 1 January 2015	**–**
Impairment loss *(i)*	**(1,132,950)**
At 31 December 2015	**(1,132,950)**
Carrying amount:	
At 31 December 2014	**363,792**
At 31 December 2015	**750,172**

(i) Goodwill relating to acquisition of Yield Smart Limited mainly arose from the difference between the share price of HKD0.54 per share on 27 July 2015 and the issue price of HKD0.41 per share according to the announcement of the acquisition on 10 June 2015.

The acquired business is identified to be a cash-generating unit ("CGU"), the recoverable amount of which is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 10-year period. The longer period of the forecast used was because agriculture wholesale markets operate stably and could be projected based on management's best estimation. Cash flows beyond the 10-year period are extrapolated using an estimated weighted average growth rate of 2.5% which is consistent with the forecasts included in industry reports. The cash flows are discounted using a discount rate of 15.44%. The discount rate used is pre-tax and reflect specific risks relating to the business.

The impairment loss recognised during the year relates to the acquired business. As the CGU has been reduced to its recoverable amount of RMB5,251,000,000, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

(ii) Goodwill of RMB363,792,000 relates to the acquisition of Wuxi Merchant City Co., Ltd. which is identified to be a cash-generating unit ("CGU"). The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projection based on financial budgets approved by management covering a 10-year period. The longer period of the forecast was because of the stable operating history of Wuxi Merchant City Co., Ltd.. Cash flows beyond the 10-year period are extrapolated using an estimated weighted average growth rate of 4%. The cash flows are discounted using a discount rate of 7.7%. The discount rate used is pre-tax and reflect specific risks relating to the business.

12. TRADE RECEIVABLES AND OTHER ASSETS

	Note	2015 RMB'000	2014 RMB'000
Trade receivables	*(i)/(ii)*	**482,689**	713,713
Bank deposits	*(v)*	**65,616**	2,483,177
Deposits for acquisition		**110,000**	110,000
Amounts due from related parties		**32,024**	–
Others		**165,271**	127,865
		855,600	3,434,755
Less: allowance for doubtful debts	*(iii)*	**(157,537)**	(22,117)
		698,063	3,412,638
Representing:			
— Non-current		**261,642**	520,528
— Current		**436,421**	2,892,110
		698,063	3,412,638

Except as disclosed in Note 12(i) below, the balance of trade receivables and other assets are expected to be settled or recovered within one year.

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

The Group normally requested a 30%-50% cash payment upon the purchase from buyers and the remaining balance would be mainly settled by loans obtained by buyers from commercial banks or by cash.

	2015 RMB'000	2014 RMB'000
Within one year	**68,584**	176,142
Over one year	**414,105**	537,571
	482,689	713,713
Less: allowance for doubtful debts	**(157,537)**	(22,117)
	325,152	691,596

(ii) Ageing analysis

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

	2015	2014
	RMB'000	*RMB'000*
Within 6 months	**390**	8,991
6 months to 1 year	**7,349**	8,195
1 year to 2 years	**15,438**	24,210
2 years to 3 years	**20,830**	65,268
More than 3 years	**438,682**	607,049
	482,689	713,713

(iii) Impairment of trade receivables

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

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

	2015	2014
	RMB'000	*RMB'000*
At 1 January	**22,117**	6,370
Impairment losses recognised	**135,420**	15,747
At 31 December	**157,537**	22,117

As at 31 December 2015, the Group's trade and other receivable of RMB157,537,000 (2014: RMB22,117,000) were individually determined to be impaired. The individually impaired receivables related to balances that management assessed not to be recovered based on available information. Consequently, specific allowances for doubtful debts were recognised.

(iv) Trade receivables that are not impaired

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

(v) Bank deposits

Bank deposits represent deposits for guarantees for loans and security for bank loan:

	Note	2015 RMB'000	2014 RMB'000
Repayable within one year			
— guarantees for buyers' bank loans	*(a)*	**14,128**	24,975
— security for bank loan	*(b)*	**51,488**	7,000
— proceeds from the rights issue	*(c)*	**–**	2,451,202
		65,616	2,483,177
Repayable after more than one year			
— guarantees for buyers' bank loans	*(a)*	**44,143**	91,444
— security for bank loans	*(b)*	**6,698**	6,161
		50,841	97,605
		116,457	2,580,782

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

(b) The amounts of the Group represent deposits made as security to obtain the bank loans from certain PRC banks (Note 14(i)(b)). The deposits will be released along with the Group's repayment of such related bank loans.

(c) The Group proposed the right shares at a subscription price of HKD0.32 each on the basis of one right share for every two existing shares held on 9 December 2014 (the "Rights Issue"). The proceeds were restricted to the use of subscription of the Rights Issue upon it became unconditional on 2 January 2015.

13. TRADE AND OTHER PAYABLES

	Note	2015 RMB'000	2014 RMB'000
Receipts in advance		**999,234**	374,002
Construction payables	*(i)*	**1,638,699**	1,707,394
Other taxes payable	*(ii)*	**142,940**	110,444
Deposits	*(iii)*	**805,312**	522,319
Amounts due to related parties	*(iv)*	**1,241,681**	20,554
Salary and welfare expenses payable		**26,137**	5,065
Professional service fee payables		**19,835**	16,106
Interest payable		**105,268**	175,962
Proceeds from the rights issue	*12(v)(c)*	**–**	2,451,202
Others		**178,130**	151,204
		5,157,236	5,534,252

(i) The ageing analysis of construction payables at the end of the year is as follows:

	At 31 December 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Due within one year or on demand	**1,638,699**	1,707,394

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

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

(iv) The amounts due to related parties mainly represent the payable of HKD1.48 billion due to New Amuse Limited for the bank loan assumed during the acquisition on 27 July 2015.

14. INTEREST-BEARING BORROWINGS

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

	Note	**2015** *RMB'000*	2014 *RMB'000*
Senior notes	*(a)*		
— Senior Notes 2015		**–**	1,830,201
— Senior Notes 2016		**1,045,045**	3,642,591
Secured bank loans	*(b)*	**5,198,548**	1,680,200
Secured loans from other financial institutions	*(c)*	**500,000**	1,375,200
		6,743,593	8,528,192
Less: current portion of long-term bank loans	*14(ii)*	**(3,131,068)**	(419,700)
current portion of long term loans from other financial institutions	*(c)/14(ii)*	**(500,000)**	(875,200)
current portion of senior notes	*(a)/14(ii)*	**(1,045,045)**	(1,830,201)
		2,067,480	5,403,091

(a) The Company issued senior notes of aggregate amount of USD900,000,000 in 2010.

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

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

In November 2014, the Company commenced the tender offers to purchase for cash any and all of its outstanding Senior Notes 2015 and Senior Notes 2016 (the "Tender Offer") which was completed on 7 January 2015. The Company has purchased back an aggregate principal amount of the USD221,291,000 of the Senior Notes 2015 and an aggregate principal amount of the USD438,802,000 of the Senior Notes 2016.

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

(b) Secured bank loans represent bank loans bearing interest rates ranging from 5.15% to 8.61% per annum (31 December 2014: 5.895% to 8.61% per annum).

The bank loans are secured by the following:

— As at 31 December 2015, RMB668,500,000 (31 December 2014: RMB860,200,000) bank loans are secured by restricted bank deposits and investment properties .

— As at 31 December 2015, RMB3,398,273,000 (31 December 2014: Nil) bank loans are secured by investment properties, equity interest of certain PRC subsidiaries and jointly guaranteed by directors of the Company and certain PRC subsidiaries of the Group. This amount includes RMB2,548,273,000 which is the carrying amount as at 31 December 2015 of a syndicated loan of USD250 million and HKD390 million. Pursuant to the syndicated loan agreement, the Group has given an undertaking to maintain a minimum cash amount at all times and to register a mortgage over a certain property in PRC by an agreed deadline. The Group failed to fulfil these requirements as of 31 December 2015, therefore majority of the lenders of the syndicated loan have rights at any time by notice to the Group to require the syndicated loan to be accelerated and immediately repaid prior to its original repayment dates, which are August and October 2016. As at the date of approval of these financial statements, the Group remains unable to fulfil these requirements and such non-fulfillments have not been remedied or waived and are still continuing. The Group has not received any formal notice of default or acceleration of the syndicated loan. However, should there be an acceleration of the syndicated loan, it may trigger a cross-default of other loan(s) and/or bond(s) of the Group and result in the Group being under an immediate repayment obligation for all such loan(s) and/or bond(s). The Group is continuing to seek waivers, consents and extensions.

— As at 31 December 2015, RMB1,131,775,000 (31 December 2014: RMB700,000,000) bank loans are secured by investment properties and jointly guaranteed by a director of the Company and certain PRC subsidiaries of the Group.

(c) Secured loan from other financial institutions represents a loan borrowed by a PRC subsidiary from financial institutions other than banks, bearing interest rate of 12% per annum (31 December 2014: 7.68% to 16% per annum).

The loan from other financial institutions is secured by the following

— As at 31 December 2015, the loan from other financial institutions of RMB500,000,000 (31 December 2014: RMB975,000,000) is jointly guaranteed by a director of the Company and certain PRC subsidiaries of the Group.

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

	Note	2015 RMB'000	2014 RMB'000
Secured bank loan		**–**	60,000
Unsecured government loan	*(a)*	**5,000**	–
Current portion of senior notes	*14(i)(a)*	**1,045,045**	1,830,201
Current portion of long-term bank loans	*14(i)*	**3,131,068**	419,700
Current portion of long-term loans from other financial institutions	*14(i)*	**500,000**	875,200
		4,681,113	3,185,101

(a) Loan from government represents bank loan borrowed by a PRC subsidiary with principal of RMB5,000,000 (31 December 2014: Nil) bearing interest rate of 4.85% (31 December 2014: Nil) per annum.

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

	2015 RMB'000	2014 RMB'000
Within one year or repayable on demand	**3,636,068**	1,354,900
Between one and two years	**716,980**	870,000
Between two and five years	**1,127,500**	567,500
After five years	**223,000**	323,000
	5,703,548	3,115,400

15. SHARE CAPITAL

	2015 Number of shares '000	**2015** RMB'000	2014 Number of shares '000	2014 RMB'000
Authorised:				
Ordinary shares of HKD0.01 each	**80,000,000**		40,000,000	
Issued and fully paid:				
At 1 January	**21,148,132**	**186,376**	21,148,132	186,376
Shares issued under rights issue *(i)*	**10,574,066**	**83,592**	–	–
Shares issued for acquisition of business *(ii)*	**12,243,902**	**96,636**	–	–
At 31 December	**43,966,100**	**366,604**	21,148,132	186,376

(i) Shares issued under rights issue

The Group proposed issuance of rights shares at a subscription price of HKD0.32 each on the basis of one rights share for every two existing shares on 9 December 2014. Total number of 10,574,066,000 ordinary shares with par value of HKD0.01 each, have been issued on 8 January 2015.

(ii) Shares issued for acquisition of business

On 27 July 2015, 12,243,902,439 consideration shares with par value of HKD0.01 per share were issued and allotted to Yield Smart Limited as part of the acquisition's consideration.

16. EXTRACT OF INDEPENDENT AUDITOR'S REPORT TO BE ISSUED ON THE GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

"***Opinion***

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2(b) to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. As announced by the Company on 31 December 2015, the Group has failed to fulfil certain requirements under the syndicated loan agreement (the "Syndicated Loan"), and therefore the majority of the lenders of the Syndicated Loan have rights at any time by notice to the Group to require the Syndicated Loans of USD250,000,000 and HKD390,000,000 to be immediately repaid.

This condition, which continues to exist at the reporting date, along with other matters set forth in Note 2(b), indicates the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The Group is in the process of requesting waivers, consents and extensions and exploring various fund raising alternatives to obtain sufficient cash resources to repay the Syndicated Loan and other borrowings, including the disposal of certain of the Group's underground shopping mall projects. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the availability of support from the lenders and the Group's ability to obtain sufficient cash resources. The consolidated financial statements do not include any adjustments that might be necessary should the Group be unable to continue as a going concern."

DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2015 (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is operating two businesses at present, namely the underground shopping mall business and the agriculture business.

The underground shopping mall business

The Group currently manages 22 malls across 12 cities in China. As at 31 December 2015, the total gross floor area ("GFA") under management amounts to approximately 1.27 million square meters ("sq.m"), and leasable GFA amounts to approximately 0.87 million sq.m. In addition, the Group also has project reserves of approximately 4.81 million sq.m, including (i) 12 projects under construction, the total planned GFA amounts to approximately 1.32 million sq.m; and (ii) 19 projects which has received approvals for construction, total approved GFA of which is approximately 3.49 million sq.m.

2015 was an extremely challenging year for all enterprises in the retail-related industry. Domestic consumption in China was still very weak and retail industry was suffering throughout the year. The rapid development of mobile internet together with the support from the PRC government render the e-commerce business in China becomes even more popular and accessible. This changes the landscape of the retail industry making it even more competitive. Traditional sales and distribution channels being hit by e-commerce continue, resulting in the continuous downturn for shopping malls operation. The Group has recorded a certain level of decrease in rental income during the financial year of 2015.

Given the challenging macro environment and our capital constraints, the Group continued and further slowed down the pace for commencement of new projects. During the year, there was no new shopping mall added to the Group's portfolio and the Group had no commencement of new projects. As to projects under construction, the Group has completed the construction of Guangzhou Phase II and expect sales and/or operation will take place in 2016.

Malls Under Management

Cities	Number of malls	GFA under management — sq.m	Investment properties GFA — sq.m	Inventory GFA — sq.m
Harbin	9	168,081	83,402	4,209
Shenyang	3	210,602	80,225	92,163
Guangzhou	1	47,554	4,250	–
Wuhan	1	69,209	44,579	–
Wuxi	1	429,255 *(note 1)*	419,911 *(note 1)*	–
Handan	1	68,027	62,570	4,451
Putian	1	55,084	43,194	–
Anyang	1	25,310	23,583	–
Ganzhou	1	59,900 *(note 2)*	47,639 *(note 2)*	–
Fushun	1	10,596	10,596	–
Yueyang	1	81,780 *(note 3)*	41,780 *(note 3)*	27,795
Jinzhou	1	40,765	10,765	29,581
Total	**22**	**1,266,163**	**872,494**	**158,199**

Notes

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

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

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

Project Reserves (including projects under construction)

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

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

Notes:

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

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

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

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

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

* held by 90% owned subsidiary

The agriculture business

On 27 July 2015, the Group had completed the acquisition of the agriculture business controlled by a connected party of the Group's controlling shareholder. Upon the completion of this acquisition, the Group operates 8 agriculture wholesale markets in 6 cities in China as at 31 December 2015.

Agriculture wholesale markets under operation

Agriculture wholesale market	**Location**	**GFA** *(sq.m)* *(note 1)*	**2015 Revenue** *RMB'000*
China Shouguang Agricultural Produce Logistics Park	Shouguang city, Shandong province	537,003	54,442
Guiyang Agricultural Produce Logistics Park	Guiyang city, Guizhou province	173,620	56,766
Harbin Hada Agricultural Produce Market	Harbin city, Heilongjiang province	202,746	128,876
Harbin Youyi Agricultural Produce Market	Harbin city, Heilongjiang province	17,952 *(note 2)*	8,571
Qiqihar Hada Agricultural Produce Market	Qiqihar city, Heilongjiang province	49,106 *(note 3)*	31,694
Muda International Agricultural Produce Logistics Park	Mudanjiang city, Heilongjiang province	116,758	17,895
Shenyang Shouguang Dili Agricultural By-Products Markets	Shenyang city, Liaoning province	210,199 *(note 4)*	88,397
Total		1,307,384	386,641

Notes:

1. The land and properties of the respective markets are not owned by the Group. Except for those specifically stated in the notes below, all such land and properties are leased by the respective owners, associated entities controlled by the Group's controlling shareholder, to the Group for the operation of the market under a framework lease agreement (the "Framework Lease Agreement") entered into between the vendor of the acquisition and the Group. Pursuant to the Framework Lease Agreement, the annual rent for all the markets listed above shall be RMB100 million per year commencing from 27 July 2015 to 31 December 2018, exclusive of operating charges, property tax and other outgoings.

2. Among the total GFA of approximately 17,952 sq.m, approximately 15,552 sq.m are leased from the associated entity controlled by the Group's controlling shareholder and approximately 2,400 sq.m are leased from the independent third party landlords.

3. Among the total GFA of approximately 49,106 sq.m, approximately 40,175 sq.m are leased from the associated entity controlled by the Group's controlling shareholder and approximately 8,931 sq.m are leased from the independent third party landlords.

4. Among the total GFA of approximately 210,199 sq.m, approximately 149,931 sq.m are leased from the associated entity controlled by the Group's controlling shareholder and approximately 60,268 sq.m are leased from the independent third party landlords.

This acquisition is key to the Group's future business. It enables the Group to tap into the Chinese agriculture sector quickly. Apart from the above 8 agriculture wholesale markets, the Group targets to utilize the resources and develop a truly "agri-ecommerce" trading platform.

Major Events

Acquisition of the agriculture business

On 9 June 2015, the Group announced the very substantial acquisition and connected transaction in relation to the entire issued share capital of Yield Smart Limited (the "Target Group") which was ultimately controlled by a connected party of the Group's controlling shareholder (the "Acquisition"). The Acquisition was fully completed on 27 July 2015.

Pursuant to the agreement in respect of the Acquisition, the vendor has warranted and guaranteed to the Group that the net profit before amortization of intangible assets and after tax of the Target Group for the year ended 31 December 2015 and 2016 as shown in the accounts prepared in accordance with the IFRS and be reviewed by an independent audit firm in accordance with the Hong Kong Standard on Review Engagements 2400 (Revised) Engagements to Review Historical Financial Statements, shall not be less than RMB500 million and RMB600 million, respectively (the "Profit Guarantee"). According to the financial statements of the Target Group reviewed by an independent audit firm compliant with the above-stated standard, net profit before amortization of intangible assets and after tax of the Target Group for the year ended 31 December 2015 amounted to RMB539.7 million, as such, the Profit Guarantee was met.

Overseas borrowings

Fine Genius Enterprises Limited (the "Borrower"), a wholly-owned subsidiary of the Company, as the borrower, had received a USD250 million and HKD390 million term loan from a syndicate of lending banks on 24 November 2014 (the "Syndicated Loan"). Pursuant to the agreement in respect of the Syndicated Loan, the Borrower has given certain undertakings, including maintaining a minimum cash amount at all times (the "Financial Covenant"). The Borrower has also undertaken to register a mortgage over a piece of land located in Wuxi, PRC with the PRC government authorities by an agreed deadline (the "Condition Subsequent"). Temporary waivers have been requested in relation to each of these undertakings with an expiry scheduled for 31 December 2015. Despite all the efforts to fulfil the relevant requirements under the syndicated loan agreement before 31 December 2015, the Borrower was still not able to fulfil the Financial Covenant and complete the Condition Subsequent by this date. The Group and the Borrower are continuing to take action to fulfil those undertakings. The Borrower is also continuing to seek waivers, consents and extensions from the lenders for fulfilment of the Financial Covenant and the Condition Subsequent.

FINANCIAL REVIEW

Revenue

Annual revenue grew by 56.8% to RMB870.7 million in 2015 from RMB555.4 million in 2014.

Upon completion of the acquisition of the agriculture business on 27 July 2015, the Group has started to consolidate the financial results of the agriculture business.

Revenue	**2015**	2014	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	*%*
Shopping mall business	**484,045**	555,357	(71,312)	(12.8)
Agriculture business	**386,641**	–	386,641	–
Total	**870,686**	555,357	315,329	56.8

Revenue — shopping mall business

Operating lease income decreased by 9.7% to RMB481.9 million this year as compared to RMB533.7 million last year while revenue from transfer of operation rights also dropped by 89.9% to RMB2.2 million this year from RMB21.6 million last year.

	2015	2014	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	*%*
Operating lease	**481,859**	533,708	(51,849)	(9.7)
Transfer of operation rights	**2,186**	21,649	(19,463)	(89.9)
Revenue	**484,045**	555,357	(71,312)	(12.8)

Transfer of Operation Rights

Revenue generated from transfer of operation rights was recognized when significant risks and rewards of the operation rights have been transferred to the buyers. Revenue generated from transfer of operation rights during the financial year 2015 was RMB2.2 million, down by 89.9% as compared with RMB21.6 million last year. During 2015, the Group had transferred 133 sq.m in various projects as compared to 1,115 sq.m in 2014. Transfer of operation rights this year mainly comprised 100 sq.m of Yueyang Project and 33 sq.m of Jinzhou Project. As the market condition of shopping business is very competitive, the average transfer price of RMB16,436 per sq.m for this year was lower than that of RMB19,416 per sq.m last year.

Operating Lease

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

Revenue generated from operating lease income for this year decreased by 9.7% to RMB481.9 million from RMB533.7 million last year. The decrease in operating lease income was mainly attributed to the decrease of lease income totalling RMB43.1 million from Shenyang Projects as the shopping mall business was very competitive in Shenyang.

Revenue — agriculture business

Revenue from agriculture business comprised lease income of RMB101.6 million and commission income of RMB285.0 million.

Cost of Sales

Cost of sales mainly comprise the cost for the transfer of operation rights amounting to RMB1.2 million which represent either costs of construction of properties or carrying amount of properties relating to the operation rights transferred during the year. Cost for the transfer of operation rights decreased to RMB1.2 million this year from RMB11.8 million last year as a result of the decrease in the area of transfer to 133 sq.m from 1,115 sq.m last year.

Gross Profit

Gross Profit	**2015**	2014	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	*%*
Shopping mall business	**482,814**	543,532	(60,718)	(11.2)
Agriculture business	**386,641**	–	386,641	–
Total	**869,455**	543,532	325,923	60.0

Gross Profit — shopping mall business

Gross profit decreased to RMB482.8 million in 2015 from RMB543.5 million last year.

Gross margin for the transfer of operation rights decreased to 43.7% in 2015 from 45.4% in 2014 as the average transfer price realized decreased to RMB16,436 per sq.m from RMB19,416 per sq.m last year.

Gross Profit — agriculture business

Gross profit margin of agriculture business was 100.0% this year as both commission income and the lease income does not incur any cost of sales.

Net Valuation Loss on Investment Properties

The net valuation loss on investment properties increased by 225.5% to RMB4,441.7 million this year as compared to RMB1,364.5 million last year. This is due to the increase in net valuation loss on completed projects by 201.8% to RMB1,687.3 million this year from RMB559.0 million last year as well as the increase in net valuation loss on properties under construction by 242.0% to RMB2,754.4 million this year from RMB805.5 million last year.

Net Valuation Loss	**2015**	2014	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	*%*
Completed Properties	**1,687,337**	559,000	1,128,337	201.8
Properties under construction	**2,754,374**	805,462	1,948,912	242.0
Total	**4,441,711**	1,364,462	3,077,249	225.5

Net Valuation Loss on Completed Properties

Net valuation loss on completed properties was RMB1,687.3 million this year as compared to RMB559.0 million last year.

The rapid growth of e-commerce business and increasing consumer preference for shopping online has created huge impact on traditional shopping mall business. This not just happened in China, but becomes a new phenomenon in other countries too. This together with China's slowing down economy result in slowing retail sales, and consequently lead to retailers become more prudent and conservative in terms of expansion. Situation in China in particular, is further impacted by increasing supply of retail space coming onto the market, both in non-core locations as well as central retail areas. This creates fierce competition between retail space operators and landlord in fighting for occupancy rate, attracting traffic flow and improving rental growth.

With a decreasing rental trend, the Company incurred net valuation loss on most of the existing completed properties.

Net Valuation Loss on Properties under construction

Net valuation loss on Properties under construction was RMB2,754.4 million this year as compared to RMB805.5 million last year.

Apart from the fierce marketing environment in the shopping mall business, the net valuation loss on properties under construction was further worsened by the continuous delay in the construction progress. With the tight cash position of the Company, most of the properties under construction have either be put on hold or under slower developing progress.

Other Income

Other income increased by 42.8% to RMB149.4 million this year from RMB104.7 million last year which was mainly due to the management and administrative service fee income of RMB44.5 million earned from the agriculture business.

Administrative Expenses

Administrative expenses increased by 71.4% to RMB702.0 million in 2015 from RMB409.5 million in 2014. The increase of administrative expenses relating to the shopping mall business mainly represented the increase in bad debt expenses of RMB135.4 million from previous transfer of operating rights while the administrative expenses relating to the agriculture business was RMB64.9 million.

Other Operating Expenses

Other operating expenses increased by 33.2% to RMB452.4 million in 2015 from RMB339.6 million in 2014. The increase was mainly due to the amortization of intangible assets of RMB140.4 million arose from the acquisition of the agriculture business and the operating lease expenses of RMB43.3 million paid for leasing the properties (including land and buildings) to facilitate the on-going operations of the agriculture business in accordance with the Framework Lease Agreement entered during the acquisition of the agriculture business. Part of the increase was due to the other operating expenses of RMB56.8 million relating to the agriculture business after offsetting the decrease in compensation expenses of RMB62.6 million as incurred in 2014 for Wuhan Project due to the construction of subway.

Finance Income

Finance income increased to RMB728.8 million in 2015 from RMB123.2 million in 2014 as a result of gain of RMB581.5 million from repurchase of senior notes during the year.

Finance Expenses

Finance expenses increased to RMB555.9 million in 2015 from RMB541.5 million in 2014 as a result of increase in bank loans and loans from other financial institutions.

Investment Properties

Investment properties, either completed or under construction, are revalued in accordance with the valuation report prepared by BMI Appraisals Limited, a professional firm of professional surveyors. The analysis of investment properties as at 31 December 2015 is as follows:

	2015	2014	Change	Change
	RMB'million	*RMB'million*	*RMB'million*	*%*
Completed projects	**15,564.7**	16,083.7	(519.0)	(3.2)
Projects under construction	**7,436.4**	10,114.3	(2,677.9)	(26.5)
Total	**23,001.1**	26,198.0	(3,196.9)	(12.2)

The total value of investment properties decreased by 12.2% to RMB23,001.1 million as at 31 December 2015 from RMB26,198.0 million last year.

Trade Receivables and Other Assets

Trade receivables and other assets that were recorded as current asset as at 31 December 2015 was RMB436.4 million as compared with RMB2,892.1 million as at 31 December 2014. The decrease was mainly due to the last year balance comprised receipt of subscription proceeds of the Rights Issue of RMB2,451.2 million, which were restricted to the use of subscription upon the Rights Issue became unconditional on 2 January 2015. This balance also comprised trade receivables of RMB68.6 million (RMB176.1 million as at 31 December 2014) arose from the transfer of operating rights which buyers would obtain bank loan or use cash to settle. Apart from this, there were trade receivables booked as non-current asset amounted to RMB261.6 million as at 31 December 2015 as compared with RMB520.5 million as at 31 December 2014 which solely arose from the transfer of operation rights in previous years that the Group has re-negotiated with the buyers to settle the outstanding balance within five years.

Liquidity and Financial Resources

As at 31 December 2015, total assets of the Group amounted to RMB38,235.9 million as compared with RMB37,308.6 million as at 31 December 2014. In terms of financial resources as at 31 December 2015, the Group's total cash at bank and on hand was RMB908.4 million (as at 31 December 2014: RMB884.5 million). The total restricted bank deposits as at 31 December 2015 was RMB116.5 million as compared to RMB2,580.8 million as at 31 December 2014.

On 24 November 2014, the Company announced the Tender Offer of all of our senior notes, as well as the consent solicitation (the "Consent Solicitation") for the amendments and waiver to the Indenture attached to the senior notes. On the same day, the Company also announced the rights issue of a total of 10,574,066,000 rights shares at the price of HKD0.32 per share on the basis of one rights share for every two existing shares (the "Rights Issue").

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

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

All the remaining 2015 and 2016 senior notes have been subsequently settled in May 2015 and March 2016 respectively.

For the purpose of the Tender offer of our senior notes, the Group took a term loan of USD250 million and HKD390 million from a syndicate of lending banks on 24 November 2014. Details of which are set out above under the paragraph headed "Major Events — Overseas borrowings".

The gearing ratio as at 31 December 2015, which is calculated by dividing the total interest-bearing borrowings by total assets was 17.6% as compared to 23.0% as at 31 December 2014.

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development, lease and management of shopping malls and operation of agriculture wholesale markets, and provide returns for shareholders, by pricing rental and operation rights and property management services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group regularly reviews its capital structure and actively monitors current and expected liquidity requirements to ensure its obligations and commitments are met. A proactive approach is taken to forecasting future funding requirements and, when funds are needed, market conditions are evaluated to determine the best form of finance to be secured.

Foreign Exchange Rate Risk

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

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

Capital Commitments

As of 31 December 2015, the future capital expenditure for which the Group had contracted but unprovided for and authorized but not yet contracted amounted to RMB2,561.3 million (31 December 2014: approximately RMB2,590.5 million) and RMB2,286.4 million (31 December 2014: RMB2,384.4 million), respectively.

Contingent Liabilities

Guarantees Provided to Buyers

The Group has provided guarantees and made deposits to bank to assist the buyers of operation rights to obtain bank loans. The outstanding guarantees as at 31 December 2015 amounted to RMB195.8 million (31 December 2014: RMB300.5 million). The guarantees and deposits will be released accordingly along with the repayment of loan principal by the buyers.

During the year ended 31 December 2015, certain buyers failed to repay the bank loans as scheduled, the Group was requested by banks to repay the outstanding amount of RMB11.3 million. The Group is in the process of chasing these buyers for compensation.

Human Resources

As at 31 December 2015, the Group employed 3,416 staff members (31 December 2014: 1,427). The Group's employees are remunerated according to the nature of job, individual performance and market trends with built-in merit components. Total remuneration for the year ended 31 December 2015 was approximately RMB281.8 million (2014: approximately RMB187.9 million). We have established a training programme that aims to support and encourage members of our management team to continue improving their management skills, including arranging for seminars and their skill and develop their careers. We provide orientation training as well as on-the-job training on a regular basis on various topics, such as internal regulations, computer and management skills, sales skills and career development. Employees in Hong Kong participate in Mandatory Provident Fund scheme, and employees in Mainland China also participate in similar schemes.

PROSPECTS AND OUTLOOK

Proposed sale of underground shopping malls

The Group has several overseas borrowings and indebtedness which are due in 2016, including the 2016 Senior Notes which are due on 9 March 2016, the above-mentioned Syndicated Loan and other overseas borrowings. Given the total amount of such indebtedness is relatively large, the Group has been actively exploring various fund-raising opportunities in the capital markets since the second half of 2015, including equity placements, debt and convertible debt issue, as well as other structured and private investments etc. However, since the second half of 2015, the overall capital markets became very volatile and the investment sentiment was less satisfactory. It was very challenging to launch and execute the above fund-raising plans. As a result, the Group is now assessing and exploring the feasibility of disposing certain underground shopping malls projects (including projects under constructions and projects under planning stage). In this regards, DTZ Cushman & Wakefield has been appointed as the sole agent to explore the market interest and to advise the Group on this tender exercise.

Agriculture business

In respect of the newly acquired agriculture business, the Group is positive and confident on its future business opportunities. The agriculture sector in China is huge and is one of the most supported industry by the Chinese government. "Agriculture Industry (三農產業)" (meaning agriculture (農業), rural communities (農村) and farmers (農民)) has been always one of the significant components of the China's policy, whether in the past "Twelve Five-Year Plan" or the existing "Thirteen Five-Year Plan". One of the key components in respect of the "Agriculture Industry" stated in the "Thirteen Five-Year Plan" is acceleration of agricultural modernization. Innovation and informatization are important elements in agricultural modernization. As such, agriculture e-commerce business, being one of the useful channels in pushing for agricultural modernization, has been drawing the market's attention since the concept of "Internet+" was encouraged by the Chinese government. Since 2015, various new laws and regulations have been released and published to encourage and support the agriculture e-business. In addition, the "No. 1 Central Announcement" of 2016 announced by the PRC State Council also emphasized the support for the development of agriculture e-commerce. The agriculture e-commerce model will become the trend based on the development trajectory of the existing agriculture value-chain in China.

China has large geographical area and huge population, the entire value chain of the China agriculture sector has enormous potential business opportunities. According to the statistics released by the Ministry of Agriculture of the PRC, the wholesale trading value of agriculture products amounted to RMB3.7 trillion. Furthermore, since agriculture industry is highly resistant to economic cycles, the new agriculture wholesale business will have substantial positive effect on the Group's future business and strategies especially when the Chinese economy is still in a relatively weak condition. The Group will allocate more resources and effort in the agriculture business in the future.

Apart from the existing 8 offline agriculture wholesale markets, the Group will also seize the "Internet+" opportunities. Through the newly acquired agriculture business which includes the mature offline agriculture wholesale markets as well as the user resources which are of high quality, the Group will seize the opportunity to establish the truly agri-product ecommerce trading platform, serving all the players, from farmers to consumers, along the value-chain.

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

On 24 November 2014, the Company tendered to purchase its outstanding 11.75% senior notes due in 2015 with an aggregate principal amount of USD300,000,000 and its outstanding 13.0% senior notes due in 2016 with an aggregate principal amount of USD600,000,000 which the Company issued on 18 May 2010 and 10 September 2010 as well as 15 November 2010 respectively. On 7 January 2015, the Company completed the tender offer to purchase an aggregate principal amount of the USD221,291,000 of the senior notes due in 2015 and an aggregate principal amount of the USD438,802,000 of the senior notes due in 2016, respectively, representing approximately 73.8% and 73.1% of the total aggregate principal amount of the outstanding senior notes.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "Code"). The primary duty of the audit committee is to review and supervise the financial reporting process, risk management and internal control systems of the Group. The audit committee is comprised of three independent non-executive directors. The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2015.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

Code Provision A.2.7

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

Code Provision A.6.7 and E.1.2

The Chairman of the Company, certain independent non-executive directors and other non-executive directors did not attend the Annual General Meeting held on 25 June 2015 due to other business commitments or being overseas. In absence of the Chairman, Mr. Wang Hongfang, an executive director of the Company, acted as the Chairman of the Annual General Meeting. The Board will finalize and inform the date of the Annual General Meeting as earliest as possible to make sure that the Chairman and other non-executive directors (including independent non-executive directors) would attend the Annual General Meeting of the Company in the future.

Save as disclosed above, there has been no deviation from the code provisions of the Code by the Company for the year ended 31 December 2015.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the guidelines for the directors' dealings in the securities of the Company. Upon specific enquiries of all the directors, each of them confirmed that they have complied with the required standards set out in the Model Code for the year ended 31 December 2015 in relation to their securities dealings, if any.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company is proposed to hold no later than 30 June 2016. Notice of the Annual General Meeting will be published and despatched to the shareholders in due course.

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

Hong Kong, 17 March 2016

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

* *For identification purpose only*